



# Reference Guide for Setting-up State PPP Units



Infrastructure Finance Secretariat  
Department of Economic Affairs  
Ministry of Finance  
Government of India  
June, 2023





भारत सरकार  
GOVERNMENT OF INDIA

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Government of India  
Ministry of Finance  
Department of Economic Affairs

June 05, 2023

## FOREWORD

Infrastructure is a major sector that propels overall development of the economy. Government of India is committed to the development of robust and resilient infrastructure through various policy and fiscal interventions. The Department of Economic Affairs (DEA) has laid greater emphasis on improving the country's infrastructure development by encouraging private sector participation in building adequate and quality infrastructure.

Public Private Partnership has immense potential to develop resilient infrastructure in the country. To achieve Hon'ble Prime Minister's vision to make India a developed nation by 2047, massive investment needs to be done in infrastructure and hence the uptake of PPP projects needs to be encouraged. However, the inherent complexity of PPP projects creates stumbling blocks in the development of PPP projects. This necessitates the importance of creating a specialized unit in State Governments in efficiently developing PPP projects.

I am glad that the Private Investment Unit of the Infrastructure Finance Secretariat in the Department of Economic Affairs, has come out with a Reference Guide for setting up state PPP units. The PPP unit will help to provide necessary support to state governments in developing shelf of bankable projects.

I hope the state government finds the Reference Guide helpful in providing a framework and guiding principles for setting up PPP units. I would like to acknowledge the efforts of Shri Baldeo Purushartha, Joint Secretary, Ms Preeti Jain, Director and Ms Arya Balan Kumari, Deputy Director, for bringing this initiative to fruition.

  
(Ajay Seth)

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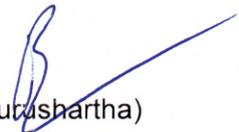
5<sup>th</sup> June, 2023

### FOREWORD

The Union Finance Minister, in the Budget Speech for 2023-24, outlined the vision of Amrit Kaal and identified 'infrastructure and investment' as one of the seven priorities that complement each other and act as 'Saptarishi'. This underlines the fact that *infrastructure* is going to be one of the game changers in India's economic development.

Public private partnership is very important for the infrastructure development. PPP projects are complex transactions involving two parties acting towards achieving their different objectives. Therefore, governments need skill, capacity, commitment and coordination to implement PPP projects successfully. In order to achieve this, it is important to have a specialized and efficient PPP unit for providing guidance and support in developing PPP projects.

The Infrastructure Finance Secretariat (IFS) in the DEA has prepared this 'Reference Guide for Setting up State PPP Units' with the aim of assisting state governments in setting up an effective and efficient PPP unit or revamping the existing PPP unit. I am hopeful that this initiative of IFS will help in creating an enabling environment for PPP mode of project delivery and in turn boost the infrastructure development in the country.

  
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नई दिल्ली/New Delhi.....



**Date: 5<sup>th</sup> June 2023**

**FOREWORD**

The Department of Economic Affairs (DEA) has been actively engaged in formulating an effective policy framework to facilitate private investment in infrastructure development. A key approach being adopted is promoting Public Private Partnerships (PPPs) for the execution and operation of infrastructure projects. To further support this, the DEA has introduced new schemes and initiatives aimed at providing financial and technical assistance to the private sector.

The DEA's recent interventions, including the empanelment of Transaction Advisors and the revamping of the IIPDF and VGF schemes, have been well-received. In light of this, the DEA has prepared a comprehensive Reference Guide that aims to assist state governments in establishing PPP units.

This guide serves as a valuable tool for states seeking to establish new PPP units or improve existing ones and offers valuable insights into the functions and responsibilities of PPP units illustrating various possibilities and approaches. By utilizing this guide, state governments can create an environment conducive to private sector investment in infrastructure, thereby fostering overall economic development.

The DEA remains hopeful that the Reference Guide will serve as a catalyst for boosting private sector participation in infrastructure projects, furthering the overall development of the economy.

**(Preeti Jain)**



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Ministry of Finance  
Department of Economic Affairs

Date:-13-June-2023

### FOREWORD

The Department of Economic Affairs (DEA) under the guidance of the Secretary, Economic Affairs, is in the process of creating an enabling environment for infrastructure ecosystem through a series of reforms and policy interventions.

With the objective of providing guiding principles for setting up State PPP units, DEA has prepared a Reference Guide for setting up State PPP units. The Reference Guide aims to provide State governments with guidance to manage PPP projects effectively by setting up a PPP unit or revamping an existing PPP unit. The PPP unit so established or revamped would be able to act as a 'one-stop shop' for all the PPP related policy matters and promoting PPP projects of the government by providing right kind of structures, support system and guidance.

PPP projects are complex and require through detailing while structuring so as to ensure that the project is able to deliver desired output. It is seen that States are finding it difficult to identify and properly structure these projects. Therefore Private investment unit has come up with this document to help States in understanding the importance of PPP cell and its framework. This document clearly outlines the roles, responsibilities, functions including appraisal and approvals to be undertaken by PPP cell. The document further lists out the initiatives of Government of India which will help in States getting end to end support from financial to handholding support for their PPP projects

Since, PPP unit plays vital role in the success of PPP projects by bringing together the skills and expertise of both public and private sector; it also ensures that PPP projects are delivered effectively, efficiently and in the best interest of the Public.

We believe that this guide would be a useful resource for the State governments and would help in facilitating States with no PPP cells to establish the same without any hassle and will further help States with PPP cell to revamp and reactivate their cells for faster infrastructure development and delivery in India.

(Dr. Molishree)

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## Disclaimer

This Reference Guide has been prepared based on documents and practices of states, multilaterals, international agencies, and in-house experience of Infrastructure Finance Secretariat (IFS). This Reference Guide would assist in establishing a specialized unit in the states for facilitating and managing public-private partnership (PPP).

The information and data provided in this Reference Guide are intended to provide a general understanding of the PPP Unit along with its principles, functions and applicability in Indian context. This Reference Guide only seeks to provide states with necessary knowledge for setting up a PPP unit or revamping an existing PPP unit.

We would like to clarify that the information provided in this guide is for reference purpose only, and not meant to serve as a substitute for legal or professional advice.

While due care has been taken in the preparation of this Reference Guide, however, any inadvertent error is regretted.

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## List of Abbreviations

Acronym	Expansion
ADB	Asian Development Bank
BOT	Build Operate Transfer
CCEA	Cabinet Committee on Economic Affairs
CEP	Capacity Enhancement Plan
COD	Commercial Operations Date
CoS	Committee of Secretaries
DBFOO	Design Build Finance Operate Own
DBFOT	Design Build Finance Operate Transfer
DCN	Draft Cabinet Note
DEA	Department of Economic Affairs
DFID	Department for International Development
GIDB	Gujarat Infrastructure Development Board
GOI	Government of India
IFS	Infrastructure Finance Secretariat
IIPDF	India Infrastructure Project Development Fund
HAM	Hybrid Annuity Model
HLC	High Level Committee
IDA	Infrastructure Development Authority
IDD	Infrastructure Development Department
MCA	Model Concession Agreement
NIP	National Infrastructure Pipeline
NMP	National Monetization Pipeline
OMDA	Operation, Management and Development Agreement
OECD	Organisation for Economic Co-operation and Development
PIU	Private Investment Unit

## *REFERENCE GUIDE FOR SETTING UP STATE PPP UNITS*

PPP	Public-Private Partnership
PPPAC	Public Private Partnership Appraisal Committee
PSA	Project Sponsoring Agency
RFP	Request for Proposal
RFQ	Request for Qualification
SFC	Standing Finance Committee
SLEC	State Level Empowered Committee
TA	Transaction Adviser
TPC	Total Project Cost
VGf	Viability Gap Funding

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## Chapter 1 - Introduction

Infrastructure investment acts as an economic propellant that brings about structural changes in an economy. The co-relation between infrastructure investment and economic development is irrefutable. These investments help to improve quality of life and enhance overall productivity and efficiency of the economy. Therefore, the first step towards economic development starts with infrastructure investment.

However, Infrastructure projects being long term, capital intensive and indivisible in nature, requires huge investments. Due to the fiscal constraints and mounting liabilities of the government, the public sector alone cannot fulfil country's ever-increasing demand for infrastructure. The large-scale infrastructure investment requirement has thus necessitated leveraging efficiency and the resource of the private sector leading to the birth of Public-Private Partnerships (PPPs). Over the time, PPPs have played an increasingly important part in infrastructure development. PPPs became so indispensable that it is difficult to think about infrastructure development without PPP in it.

With the heightening role of PPPs, there is a growing enthusiasm among states for establishing PPP units – that is, units tasked with implementing or advising on PPPs. They are becoming aware that promoting PPP in Infrastructure requires painstaking institutional design, clear understanding of needs, capacity, culture, and administrative traditions.

Similarly, one of the key learning of infrastructure development is that good implementation of PPP projects is not about following a single “best practice” approach but about setting up institutional structures for continuous learning, implementing, and responding as per need to push PPPs. Thus, the very absence of any thumb rule in implementing PPP projects necessitates the establishment of a specialized entity for executing PPP projects in efficient manner.

The Infrastructure Finance Secretariat (IFS) has prepared this Reference Guide in the hope to speed up the design and setting up or revamping of institutions to implement PPPs. The Guide aims to help states to move beyond assumptions and develop state's model of PPP units. It provides a template with flexibilities in state specific context to setup a PPP unit to promote and push PPP in Infrastructure.

The objective of this Reference Guide is therefore to provide a framework and guiding principles for setting up PPP units in states keeping in mind that such units alone clearly are neither always necessary nor sufficient for the success of PPP projects. With an emphasis on replicability, this effort develops a conceptual framework and attempts to illustrate which of the many possible functions of such units correlate with successful PPP projects. Thus, the

## REFERENCE GUIDE FOR SETTING UP STATE PPP UNITS

Reference Guide may be referred by states for setting up a PPP unit or revamping an existing PPP unit.

However, it may also be understood that PPP units are not a miracle cure. Without high-level governmental support for PPP projects, a PPP unit will most likely fail. Well-designed PPP unit is one that is developed in response to a clear need, and a clear understanding of challenges that the existing government institutions fail to meet.

*The Reference Guide is also available on [www.pppinindia.gov.in](http://www.pppinindia.gov.in).*

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## Chapter 2 - What is Public Private Partnership?

PPP is a partnership between the public sector and the private sector for the purpose of delivering a project or a service traditionally provided by the public sector. PPP recognizes that both parties have certain advantages relative to the other in the performance of specific tasks. The fundamental characteristics of PPPs are that each sector does what it does best and thereby maximizes utility of public services and infrastructure delivery in the most economically and efficient manner.

Such dominant collaborations where the public and private sector joins forces for a shared objective of infrastructure development are termed as *Public Private Partnership or PPP*. The private player in the said partnership arranges finance and mobilize resources for the projects to improve the effectiveness, efficiencies, and quality standards of infrastructure project. The financing structure under PPPs frees the public sector from the need to meet financing requirements through its own revenues or borrowing.

The overall aim of PPP is therefore to structure the relationship between the parties in such a way that risks are borne by those best able to manage them and to maximize value through the exploitation of private sector skills and competencies. Thus, the main characteristics of PPPs include sharing rights and duties along with risk and reward between both public and private players. PPPs also act as an important channel to improve service delivery and promote innovation.

PPPs are of multifarious forms such as DBFOT, BOT (Toll), BOT (Annuity), etc. according to the nature and requirement of the project. As compared to the traditional public procurement contracts, PPP projects are complex in nature and therefore, demands careful design and implementation of the project.

### 2.1 Definition of PPPs

There are different definitions of PPPs. Some of the definitions provided by various agencies are as follows:

*Table 1: Definition of PPP by various agencies*

Agency	Definition
Department of Economic Affairs	Public Private Partnership or "PPP" is a form of fixed-term contractual arrangement between a public entity on one side and a private entity on the other, for the provision of public assets and/or public services through investments being made and/or management being undertaken by the private entity, may or may not require payment of fee

by users, for a specified period of time, where there is well defined allocation of risk between the private entity and the public entity and the private entity's performance is contractually obligated to conform (or are benchmarked) to specified and pre-determined performance standards

Asian Development Bank

PPPs broadly refer to long-term, contractual partnerships between the public and private sector agencies, specially targeted towards financing, designing, implementing and operating infrastructure facilities and services that are traditionally provided by the public sector

World Bank

PPPs are a mechanism for government to procure and implement public infrastructure and/or services using the resources and expertise of the private sector. Where governments are facing ageing or lack of infrastructure and require more efficient services, private sector partnership can help foster new solutions & bring finance

International Finance Corporation

PPPs are a tool that help governments leverage the expertise and efficiency of the private sector, raise capital, and spur development. They also help allocate risk across the public and private sectors to where it can best be managed and ensure that resources are wisely distributed in addressing the most urgent development needs

Manual for Procurement of Goods, 2017, Department of Expenditure

PPP means an arrangement between the central, a statutory entity or any other government-owned entity, on one side, and a private sector entity, on the other, for the provision of public assets or public services or both, or a combination thereof, through investments being made or management being undertaken by the private sector entity, for a specified period of time, where there is predefined allocation of risk between the private sector and the public entity and the private entity receives performance linked payments based on performance standards.

*Source: Compiled from respective websites of the agencies*

While there are different definitions or expressions of the term PPP, some of the common features of PPP are quite apparent such as:

- PPP is a partnership between the public sector and the private sector for the purpose of delivering a project or service.
- PPP projects involves transfer of concessions, a set of rights to design, develop, build, and operate public infrastructure, to the private party for a fixed period of time with pre-determined KPIs (Key Performance Indicators).
- Under PPP mode, either the users or the government pays for the services provided by the private party.

- One of the main characteristics of PPPs is optimal sharing of risks, rights and duties between the parties.

## 2.2 Roles and Responsibilities of the Parties

The two parties involved in PPP projects are the public and the private players. For the success of PPPs, roles, and responsibilities of the two parties are to be clearly defined. The principal roles of the parties are enumerated below:

- Principal roles for the private sector in PPP projects are:
  - To mobilize additional capital;
  - To provide alternative management and implementation skills;
  - To provide value added services to the consumers and the public at large;
  - To provide better identification of needs and optimal use of resources;
  - To transfer the asset at the end of the concession period in accordance with the terms of the concession agreement.
- Principal roles for the public sector in PPP projects are:
  - To identify the need of the project;
  - To effectively structure the project keeping in mind the interest of the parties involved;
  - To facilitate implementation of the envisaged project such as land acquisition, utility shifting etc.;
  - To monitor the project based KPIs during the construction as well as operating stage;
  - To take over the asset at the end of the concession period.

However, the roles and responsibilities of the parties may be designed as per contours and requirements of the project.

## 2.3 Why PPP?

Public-Private Partnerships (PPP) arrangements are not only driven by limitations in public funds to cover investment needs but also by efforts to increase the quality and efficiency of public services. There is a growing acceptance that PPP arrangements can be used to meet infrastructure and service needs in a wide variety of sectors. The success of PPP projects, the increased availability of private sector funds, the ability to adopt a higher risk profile; and a generalized global trend to utilize private efficiencies have resulted in attempts to introduce PPP concept in all sectors of infrastructure by the centre and states.

There is a growing understanding among governments about the existence of:

- An enormous financing requirement in developing world class infrastructure facilities and services for the people at large.
- An equally large financial shortfall in available public funds and the ability of public institutions to cover costs.
- This necessitates not only identifying additional funding sources but also focusing on effective utilization of available public funds and increasing its impact in the economy.

At the same time, there is a growing realization that cooperation with the private sector, in PPP projects, is able to offer a number of advantages, including:

- **Acceleration of infrastructure investment** - PPPs often permit the public sector to translate upfront capital expenditure into a flow of ongoing service payments in future. This enables projects to proceed when the availability of public capital is constrained (either by public spending caps or annual budgeting cycles), thus bringing forward much needed investment.
- **Faster implementation** - The allocation of design and construction responsibility to the private sector, combined with payments linked to the availability of a service, provides significant incentives to the private sector to deliver capital projects within shorter construction timeframes.
- **Reduced whole life costs** - PPP projects which require operational and maintenance service provision provide the private sector with strong incentives to minimize costs over the whole life of a project, something that is inherently difficult to achieve within the constraints of traditional public sector budgeting.
- **Optimal risk allocation** - A core principle of any PPP is the allocation of risk to the party best able to manage it at least cost. The aim is to optimize rather than maximize risk transfer, to ensure that optimal value is achieved. The success of PPP projects depends on how well the risks are optimally allocated.
- **Better incentives to perform** - The allocation of project risk should incentivize a private sector contractor to improve its management and performance of any given project. Under most PPP projects, full payment to the private sector contractor will only occur if the required service standards are being met on an ongoing basis or in other words, if the KPIs are met.
- **Improved quality of service** - National and International experience suggests that the quality of service achieved under a PPP is often better than that is achieved by traditional procurement. This may reflect better integration of services with supporting assets, improved economies of scale, the introduction of innovation in service delivery, or the performance incentives and penalties typically included within a PPP contract.

- **Generation of additional revenues** - The private sector may be able to generate additional revenues from third parties, thereby reducing the cost of any public sector subvention required. Additional revenue may be generated through the use of spare capacity or the disposal of surplus asset.
- **Enhanced public management** - By transferring responsibilities for providing public services, government will act as regulator and will focus upon service planning and performance monitoring instead of the management of the day-to-day delivery of public services. In addition, by exposing public services to competition, PPPs enable the cost of public services to be benchmarked against market standards.

Therefore, PPPs can be used as an effective tool in improving the quality and delivery of infrastructure services. When structured appropriately and implemented in a balanced policy and regulatory environment, PPPs can bring greater efficiency and sustainability to the provision of public services. PPPs can allow for better allocation of risk between public and private entities. PPPs involve investments by private sector which help in reducing burden on government spending and improve fiscal management.

While PPPs can present a number of advantages, it must be remembered that PPPs are also complex to design, implement and manage. The real concern in PPP projects is their innate complexity that is coalesced into long-term concession leading to uncertainties which are not known when the project is structured. Therefore, there should be mechanisms engrained in PPP projects to adapt to uncertainties that may arise in future. Another concern in PPP projects is the perceived higher cost of capital of the private player. The cost of equity as well as the cost of debt is high for the private players. Contingent liabilities pose another concern in PPP projects as the payments are not accurately captured in the books of the government as it arises due to certain events such as termination of the concession that is not foreseen.

PPPs have various limitations which should also be taken into account while they are being considered. The major limitations include:

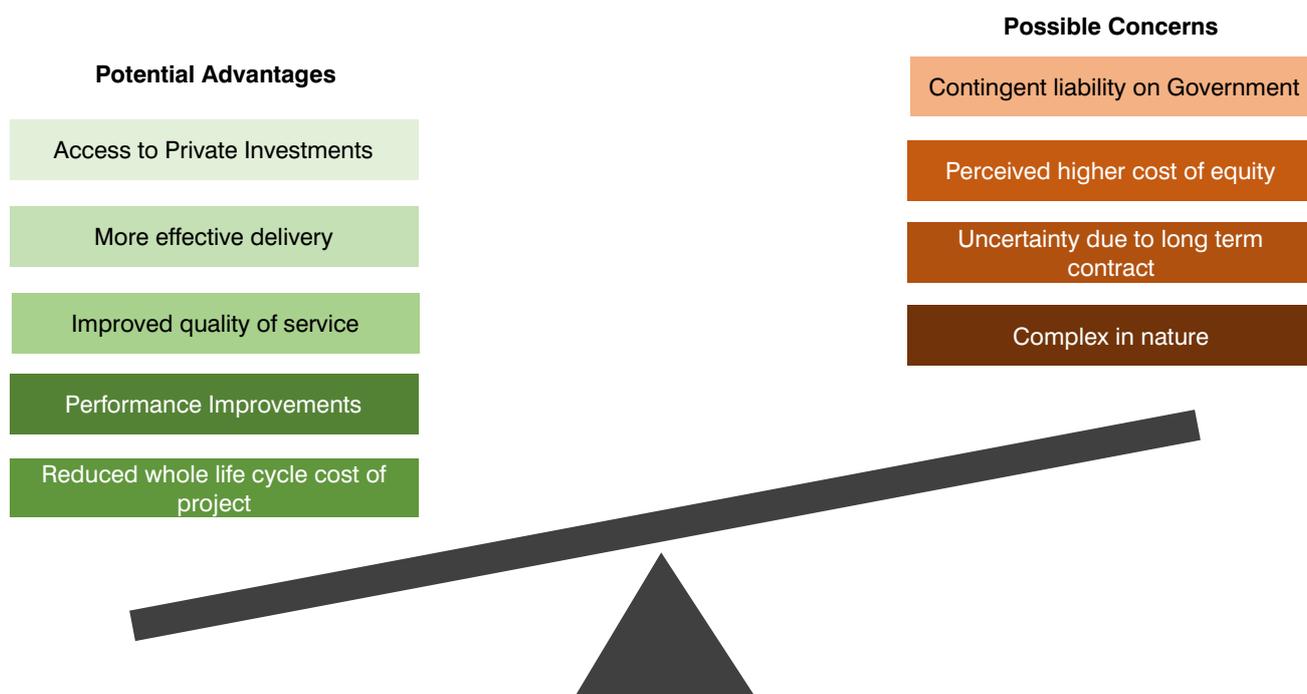
- Not all projects are feasible (for various reasons: political, legal, commercial viability, limited scope for operations and maintenance, limited scope for life cycle approach, etc.).
- The private sector may not take interest in a project due to perceived high risks or may lack technical, financial or managerial capacity to implement the project.
- A PPP project may be more costly unless additional costs (due to higher transaction and financing costs) can be off-set through efficiency gains.
- PPP may not be sufficient to improve economic performance of the project unless other necessary conditions like, sector and market reform, are met.

- Often, the success of PPPs depends on regulatory efficiency.

Although, the pros outweigh the cons in PPP projects as seen in Figure 1 below, however, it is important to note that PPP is by no means the only option. PPP may not be considered if it can be demonstrated that other approaches will achieve additional value compared with PPP.

PPP projects would be successful only if there is an effective implementation structure and the objectives of all parties can be met within the partnership. In order to reap maximum benefit from PPP, all potential participants must enhance their understanding of the different approaches and the optimal methods to structure such arrangements.

*Figure 1 : Potential advantages & possible concerns in a PPP mode of implementation*



## Chapter 3 - PPP Units in India

In India, the growth of PPP was gradual and progressive and started in late 1990s. The growth momentum of PPP further accelerated with the establishment of PPP Cell in the Department of Economic Affairs (DEA), Ministry of Finance in 2006. Since then, states such as Karnataka, Andhra Pradesh, Goa, etc., has established dedicated PPP units. This section provides a glimpse of existing PPP units in the states<sup>1</sup> and their roles and responsibilities.

### 3.1 PPP Unit at the Centre

In 2006, PPP Cell was established in the Department of Economic Affairs to act as the Secretariat of the Public Private Partnership Appraisal Committee (PPPAC) and the VGF Empowered Committee (EC) with the main mandate of appraising PPP projects and handling PPP related policy matters. Over the time, the PPP Cell has been renamed as Private Investment Unit (PIU) and now placed under the newly established Infrastructure Finance Secretariat (IFS) of the DEA, Ministry of Finance.

Major functions of the PIU, inter alia, include the following:

- **PPP development and support:**
  - **VGF Scheme:** Administration of the flagship Viability Gap Funding (VGF) Scheme of Government of India for promoting PPPs by providing CAPEX and OPEX supports to central and state PPP projects;
  - **IIPDF:** Administration of the India Infrastructure Project Development Fund (IIPDF) Scheme for providing financial support for on-boarding quality advisory services for better structuring of bankable and biddable PPP projects;
  - **Secretariat** of the Public Private Partnership Appraisal Committee and the VGF Empowered Committee – the Apex bodies for appraisal of central sector PPP Projects and central/state VGF Projects. It also provides inputs to PPPAC and VGF EC for appraisal of PPP and VGF projects
- **Appraisal** of DCNs/CCEA/CoS/SFC/CEE Memo received from the line ministries.
- **PPP policy matters** - PIU is the nodal unit of the Government of India for all PPP related matters. PIU is continuously working on various policy related interventions to promote PPPs in India.
- **International interface on PPPs** - PIU is the international interface of DEA for PPP related matters, policy and programmes including Technical Assistance and programmes from bilateral/multilateral agencies on mainstreaming PPPs.

<sup>1</sup>State refers to 28 States and 8 Union Territories.

- **Handholding/support on PPPs** - PIU provides cross sectoral knowledge and experience sharing support to the central ministries, states, PSAs, etc., in understanding and successfully executing PPP projects.
- **PPP capacity building initiatives** including training programmes, strategies, exposures, and other matters relating to capacity and institution building in central ministries and states for mainstreaming PPPs.
- **Knowledge hub** - PIU also works as a knowledge hub on matters relating to management of PPP related information, including [www.pppinindia.gov.in](http://www.pppinindia.gov.in) and [infrastructureindia.gov.in](http://infrastructureindia.gov.in).

The key initiatives by IFS, DEA to support state PPP initiatives have been provided in Annexure -1. The organizational structure of PIU is given at Annexure-2.

### 3.2 PPP Units in States

States have also established specialized units/boards/agencies to promote PPP projects. States such as **Karnataka** have established a specialized department named 'Infrastructure Development Department' (IDD) way back in 1996 to promote overall infrastructure development with special focus on PPP and has issued an 'Infrastructure Policy in 1997'. The prevalent policy is 'PPP Policy for Infrastructure Projects – 2018. In 2007, the PPP Cell was formed under IDD to handle all the matters related to PPP projects in the State.

In **Bihar**, Infrastructure Development Authority (IDA) was established through Infrastructure Enabling Act, 2006. As per the Act, IDA is responsible for the development of PPP projects in the state. The main functions of IDA in executing PPP projects start with identification of project, appraisal of the project, conceptual and final approval of the project, etc.

**Goa** established the Department of PPP vide Cabinet decision dated 7<sup>th</sup> July 2021 with the aim of fast-tracking infrastructure investment in the state on PPP mode. The department is responsible for handling policy matters pertaining to PPP, matters related to bid documents of PPP projects, handholding other departments in executing PPP projects, monitoring of PPP projects, matters related to asset monetization etc. To expedite PPP projects in the state, a Steering Committee under the Chairmanship of Hon'ble Chief Minister, Government of Goa was constituted.

In **Uttarakhand**, the Uttarakhand PPP Cell was formed as a society and registered under Societies Registration Act, 1860 and placed under Department of Planning as part of DEA-ADB Technical Assistance Programme in 2008. The main objectives of Uttarakhand PPP Cell are to create a conducive environment for PPP, reduce negative impact of PPP project execution, provide value addition to the consumers and the public at large, to ensure speedy clearance, etc.

**Andhra Pradesh** established a dedicated PPP Cell under the Finance Department as part of DEA-ADB Technical Assistance Programme. The PPP Cell acts as the nodal agency for processing all the PPP projects. The major functions of PPP Cell are to create a shelf of projects and recommend suitable projects for implementing on PPP mode, assist in preparing pre-feasibility report, ensure transparent tendering process, inspect, visit and review any PPP project under implementation etc.

**Gujarat** Infrastructure Development Board (GIDB) was incorporated under Gujarat Infrastructure Development (GID) Act, 1999. The Act provides legal framework and roadmap for promoting Public Private Partnership (PPP) in infrastructure sector. GIDB facilitates the development of infrastructure through private investment in the state. GIDB plays pivotal role in project structuring, undertaking feasibility studies, preparing and approving concession agreements, overseeing bidding process, laying down priorities of the project, advising in matters of policy and undertaking master plan exercise. GIDB is high powered body under the chairmanship of Hon'ble Chief Minister. The Executive Committee of GIDB is chaired by the Minister of Finance, Government of Gujarat. Chief Secretary and Senior Secretaries are the members of the Board. GIDB is the organization where final node is given for implementing PPP projects.

In **Punjab**, the PIDB was incorporated under the **Punjab** Infrastructure Development Act (PIDA) in 1998 to act as a nodal agency to stimulate development of infrastructure. The PIDA was subsequently replaced by the Punjab Infrastructure (Development & Regulation) Act, 2002 effective July 11, 2002. The Act passed in 2002 retained the Board's role as a nodal agency for the overall planning for infrastructure development in the state. The Chief Minister, Punjab is the Chairman of the Board and the Deputy Chief Minister is the Co-Chairman, besides other senior Ministers and Secretaries as members of the Board. The statutory status of the PIDB amplifies the significance provided to the development of infrastructure and private sector participation therein.

As on now, 23 states in India have some kind of a PPP unit in the form of a PPP Cell or Infrastructure Development Board or any Department/ Agency. Table 2 below summarizes the details of PPP units (*for website link, may refer Annexure-3*) that are already in existence:

*Table 2: List of states with PPP units in India*

Sl. No.	States	Name of PPP Unit/Board	Department
1	Karnataka	PPP cell	Infrastructure Development Ports & Inland Water Transport Department (IDP&IWT)
2	Goa	Department of Public Private Partnership	Department of Finance

REFERENCE GUIDE FOR SETTING UP STATE PPP UNITS

Sl. No.	States	Name of PPP Unit/Board	Department
3	Uttarakhand	Uttarakhand PPP Cell	Planning Department
4	Andaman & Nicobar Islands	PPP Cell	Planning Department
5	Rajasthan	PPP Cell	Planning Department
6	Madhya Pradesh	PPP Project Cell	Directorate of Institutional Finance
7	Tripura	PPP cell	Planning (P&C) Department
8	Manipur	PPP Cell	Department of Finance
9	Mizoram	PPP Cell	Planning and Program Implementation Department
10	Haryana	PPP Cell	Business Development Cell, Haryana, and State Industrial & Infrastructure Development Cell (HSIIDC)
11	West Bengal	PPP cell	Finance Department
12	Odisha	Directorate of PPP	Finance Department
13	Andhra Pradesh	PPP cell	Finance Department
14	Assam	PPP cell	Transformation & Development Department
15	Chhattisgarh	PPP Cell	Finance Department
16	Maharashtra	PPP Cell	Mumbai Metropolitan Region Development Authority (MMRDA)
17	Arunachal Pradesh	PPP Cell	Planning Department
18	Meghalaya	PPP Cell	Planning Department

Sl. No.	States	Name of PPP Unit/Board	Department
19	Gujarat	Gujarat Infrastructure Development Board	---
20	Punjab	Infrastructure Development Board	---
21	Tamil Nadu	Tamil Nadu Infrastructure Development Board	Infrastructure Cell, Department of Finance
22	Himachal Pradesh	Infrastructure Development Board	---
23	Bihar	Infrastructure Development Authority	---

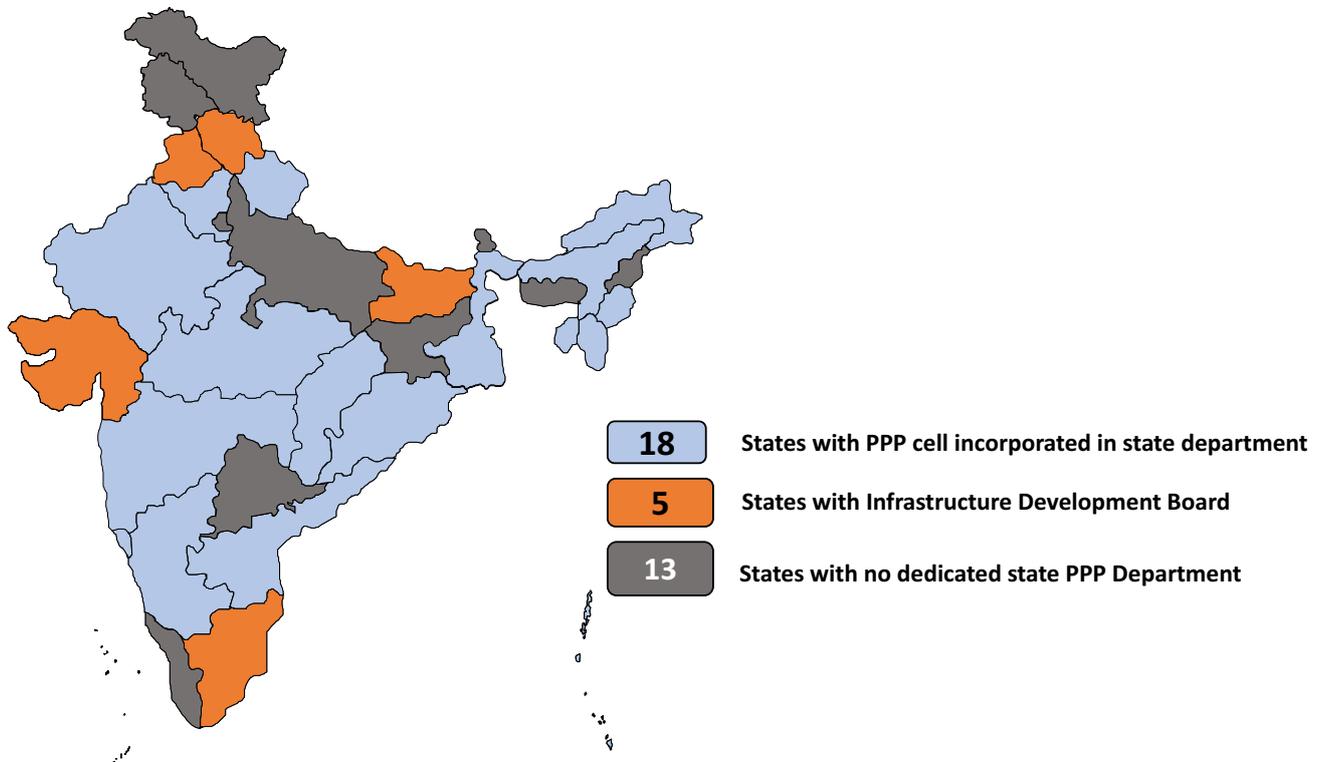
Table 3 below lists out the names of states where dedicated PPP units/Infrastructure Development Boards are not functioning.

*Table 3: States with no dedicated PPP units*

Sl. No.	Name of States	Sl. No.	Name of States
1	Puducherry	8	Chandigarh
2	Telangana	9	Delhi
3	Jharkhand	10	Ladakh
4	Nagaland	11	Lakshadweep
5	Sikkim	12	Jammu & Kashmir
6	Uttar Pradesh	13	Kerala
7	Dadra and Nagar Haveli	---	---

The same is illustrated in the map given below:

Figure 2 : Status of PPP units in states



### 3.3 Overall objectives of State PPP Units

The objectives of PPP units vary across the states. However, there are some objectives which are common to PPP units across the states. Some of the common objectives undertaken by the state PPP units are given below:

- Appraisal of PPP projects
- Handling matters related to PPP policy
- Handholding Project Sponsoring Authorities
- Monitoring of on-going PPP projects
- Facilitating approval for PPP projects

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## Chapter 4 - What is a PPP Unit?

### 4.1 What is a PPP Unit?

A PPP unit is a specialized entity for facilitating and managing public-private partnership (PPP) in infrastructure. It can be defined as a lead government agency which coordinates and promotes infrastructure projects to be implemented on PPP mode. It is responsible for matters concerning PPP project appraisal, PPP project monitoring, capacity building of PPP players and stakeholders. It is also involved in formulation and administration of policies and schemes for incentivizing and strengthening the PPP landscape. Some of the definitions of PPP unit given by various organizations are given below in Table 4.

*Table 4: Definition of PPP unit by various organizations*

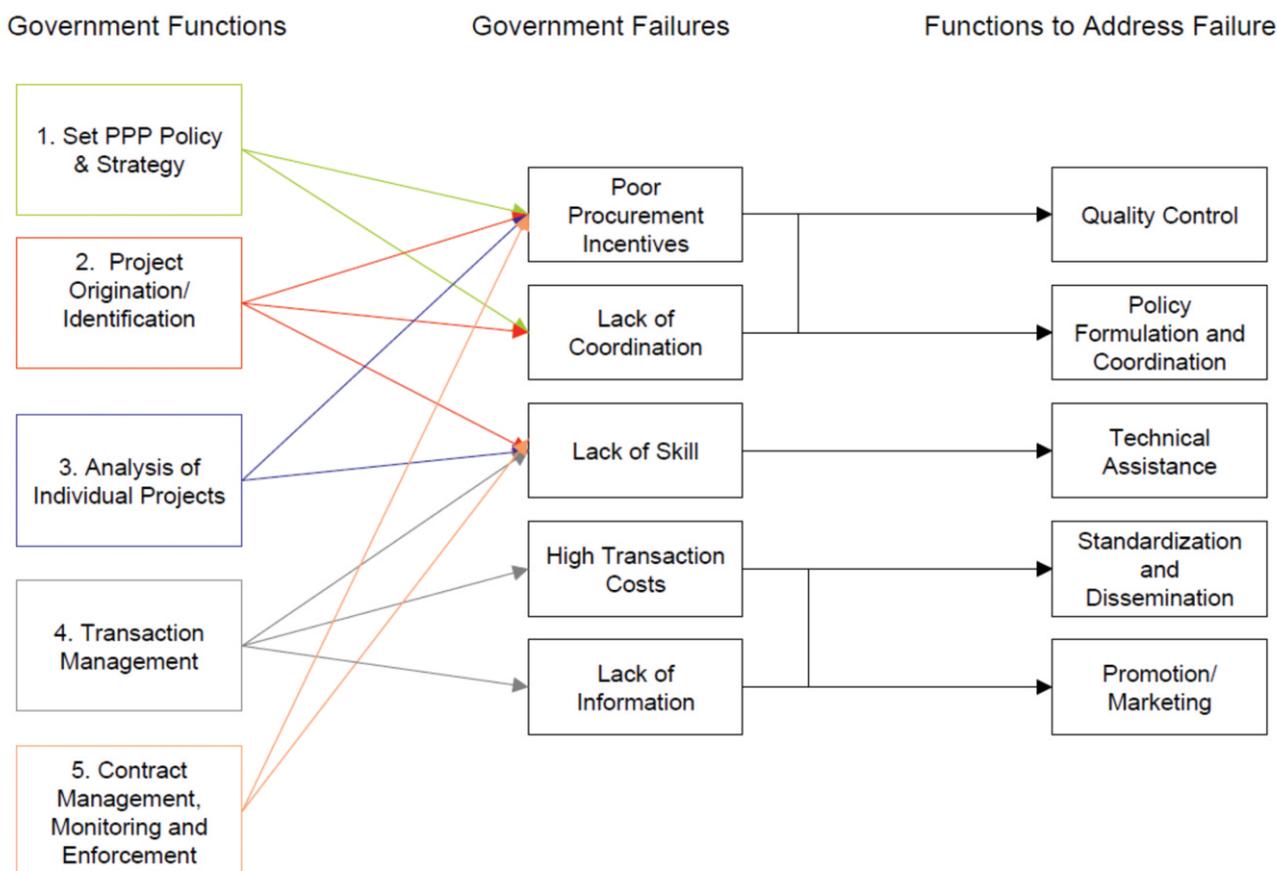
Agency	Definition
Asian Development Bank Handbook	PPP unit is established as a point of coordination, quality control, accountability, and information related to PPPs either within a single sector or across a range of sectors. World Bank A successful PPP unit is defined as “a PPP unit that contributed to the implementation of a successful PPP program.” European PPP Expertise Centre PPP unit broadly refers to a unit that operates across sectors and projects at either a national or subnational/state/municipal government level. In this context, such a PPP unit may be a division within a cross-sectoral ministry, established as a separate agency or an incorporated entity that is at least partly publicly owned
Organisation for Economic Co-operation and Development	Dedicated public-private partnership (PPP) units are organisations set up with full or partial aid of the government to ensure that the skills needed to handle third-party provision of goods and services are made available and clustered together within government. Such units enhance the capacity of government to successfully manage the risks associated with a growing number and value of PPPs.

### 4.2 Need for establishing a PPP Unit

Infrastructure investment poses ubiquitous challenges to governments, many of which can be overcome with the help of PPPs. However, governments need commitment, skill, capacity, and coordination to implement PPP projects successfully. The need for establishing a PPP unit arises from the nuanced nature of PPP projects.

Specialized PPP units are generally created to address the challenges faced by the government in executing PPP projects. World Bank, in its report on PPP unit, shows different government functions required to manage a successful PPP program, failures/challenges associated with each of these functions, and the roles PPP units can play in addressing these failures (Figure 3).

Figure 3 : How PPP units address government PPP-related failures



Source: World Bank Report on PPP unit

The need for setting-up PPP unit in government is to ensure a smooth sailing of PPP projects including proper appraisal and approval. The PPP unit so established would be able to act as a 'one-stop shop' for all the PPP related policy matters and promoting PPP projects of the government by providing right kind of structures, support system and guidance.

### 4.3 Objectives and Success Factors of a PPP Unit

Government faces different institutional challenges in PPP procurement as indicated in figure 4 above. This necessitates that it is crucial to form a dedicated PPP unit which aims to address these challenges by strengthening government institutional response to PPP requirements.

Depending on the states' vision of undertaking PPP unit initiative, a PPP unit may undertake some or all of the following initiatives:

- a) To develop Policy, programme, and framework for PPPs
- b) To mainstream and promote PPPs as a preferred mode
- c) To bring innovation and efficiency in PPP initiatives
- d) To advise and support PSAs in PPP matters including capacity building
- e) To appraise PPP projects as secretariat to the appraisal committee
- f) To act as a repository/ knowledge center for PPPs
- g) To facilitate in approvals and act as PPP monitoring agency
- h) To ensure standardization and discipline in PPPs

However, it must be acknowledged that merely setting up a PPP unit does not guarantee its success, especially in terms of increased uptake of well-structured quality PPP projects. It also does not guarantee putting an efficient, effective, and robust PPP policy, programme, and framework in the state. There should be no assumption that a PPP unit will perform well, simply because it is created with good intentions.

The success of PPP unit in achieving intended objectives depends on a few critical factors that are given below:

- **Assigned Function** – There is a relation between the range of functions performed by the PPP unit and the success of the PPP unit. The greater the number of above-mentioned functions assigned to the PPP unit, the higher its chances of success in bringing positive change in the PPP landscape in the state. If the PPP unit is assigned fewer functions, it may not be able to be as impactful as desired and ultimately may result in failure in bringing desired changes in the PPP landscape in the state.
- **Co-ordination** - PPP units are ineffective if inter-departmental functions and interactions are not well coordinated. A PPP unit – even one with executive powers – may not be able to stop poor-quality PPPs if the unit is not getting necessary information or unable to overrule other agencies. PPP unit may not be effective in promoting PPPs if other agencies are not willing to cede control of 'their' projects. Creating a PPP unit in these circumstances will just result in an additional hurdle that PPP transactions must clear rather than contributing to the success of PPP projects and programmes.

- **Authority** - The authority of a PPP unit must match what the unit is expected to achieve. For example, if a PPP unit is expected to have quality control, or quality assurance function, the unit needs some sort of authority that allows it to put a stop to or alter PPP projects it feels that are not well designed. PPP units with executive power tend to be more effective than those that are purely advisory. It is important, however that the power be coupled with a mandate to promote and facilitate good PPPs, or the unit may simply wield a veto without adding value.
- **Location** – Owing to the importance of coordination within the government, and whole of a government support required for a PPP unit, the location of a PPP unit within the government is considered as one of the most important design characteristics. A PPP unit will be effective if located within a department having some control or overreach or supervision over other departments, like Finance Department or Planning Department, etc.

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## Chapter 5 - Approach to Set-up a PPP Unit

PPP unit, as mentioned earlier, is a multi-member entity formed within the government with the aim of promoting infrastructure development through PPPs. The specialized PPP unit is essential due to the complex nature of PPP projects and also because the partnership involves two parties with different objectives to act in tandem for a long period to achieve the desired goals. The following critical factors need to be considered while establishing a PPP unit.

- ✓ Principles of setting up PPP unit
- ✓ Design of PPP unit
  - Placement of PPP unit
  - Organizational structure of PPP unit
  - Empowering PPP unit
  - Performance appraisal of PPP unit

### 5.1 Principles of Setting up PPP Unit

There are certain principles that need to be considered while setting up a PPP unit. PPPs by very nature are complex and require collaboration of many departments and agencies of the states. The success of PPP projects not only depends on how well the project is structured but also on the strength of institutions that primarily appraise the projects. Accordingly, the first and most important question about PPP unit, the policy makers should ask and answer before proceeding to detailed questions of design, is whether to have a PPP unit or not? And if so, what will be the unit's responsibilities, authority, and location?

PPP units will tend to struggle when governments pro-actively do not support PPP projects. Governmental support to the PPP mode of infrastructure development is the most fundamental requisite for success of any PPP policy and programme including a PPP unit. With genuine support from infra-departments and the government leadership, it is possible that a PPP unit could work well, procure PPPs competitively and transparently, and achieve coordination of the PPP projects even in unfavorable circumstances. But without such support any PPP unit will likely fail. On the other hand, PPP units tend to work well where a government has identified specific problems or objectives for promoting PPP and has political willingness to back it.

After deciding to setup a PPP unit, three of the most important design questions inter alia will be:

- **PPP unit's functions and responsibilities** - A PPP unit's functions and responsibilities

should be determined by the failures and challenges identified in the state in promoting PPP and infrastructure development. If no existing government agency is well suited to correct those failures, responsibility for correcting them should be given to the PPP unit. It is also important that the PPP unit should be adequately staffed with required expertise taken from public and private sector to match the assigned functions and responsibilities. In addition, the PPP unit should have in-built periodic performance appraisal mechanism to review its own functioning and outcome.

- **PPP unit's power and authority** - The designers of PPP units should consider what sort of authority a PPP unit will need in order to complete its objectives. The authority must match with what the PPP unit is expected to achieve. If a PPP unit is expected to have a quality control or quality assurance function, for example, that unit needs some sort of authority that allows it to put a stop to, or alter, planned PPP agreements that it feels are not well designed. To be effective, the PPP unit should be empowered to take decisions on PPP related matters rather than being just an advisory body.
- **PPP unit's location within the government** - The importance of coordination within the machinery of government, and governmental support for a PPP unit's objectives is well known. Because of the importance of these factors, the location of a PPP unit is one of the most important design characteristics. The PPP unit should be placed under an appropriate department having some control or oversight over other departments. In addition, the PPP unit should be headed by a senior officer to ensure effective decision making and co-ordination with other departments/stakeholders.

## 5.2 Design of PPP Units

The design of PPP units as listed out above are explained in detail in subsequent sections.

### 5.2.1 Placement of PPP Unit

Placement of PPP unit assumes utmost importance due to the fact that the complex PPP matters can be handled appropriately only if it is placed in such a department that can better coordinates with sectoral departments. If the unit is placed in a department that is not having any control or oversight over other departments, the real purpose may not be achieved.

*As per World Bank Report on PPP units, "PPP unit often take the form of a Cell or group within an existing government agency. That agency is often the finance ministry or treasury as they have direct and indirect enforcement authority over limited public funds, can approve financial commitments to PPP projects, and may threaten budget cuts as punishment for actions with which the Ministry disagrees. In some cases, the agency is the planning ministry."*

*As per ADB PPP Handbook, "PPP units are created as a new agency or within a Ministry such as the Finance Ministry, which is seen to be at arm's length from the sector to be reformed."*

In India, majority of states have their PPP unit either in the Planning or Finance Department. In a few states, the PPP units are housed in different departments such as the Transformation and Development Department (Assam), the Business Development Cell (Haryana), or the Regional Development Authorities, etc.

Furthermore, in some states, PPP units have been set up in the form of the Infrastructure Development Board/ Authority. Table 5 below indicates placement of the PPP unit in different departments.

Table 5: Placement of PPP units in states

Planning Department	Finance Department	Infrastructure development Board	Others
Uttarakhand	Goa,	Gujarat	Karnataka
Andaman and Nicobar Islands,	West Bengal	Punjab	Haryana
Rajasthan	Andhra Pradesh	Tamil Nadu	Assam
Tripura	Manipur	Himachal Pradesh	Maharashtra (MMRDA)
Mizoram	Chhattisgarh	Bihar	
Arunachal Pradesh	Madhya Pradesh		
Meghalaya	Odisha		

Thus, a PPP unit may be placed **under appropriate department** empowered to deal with multitude of departments across sectors – like Finance Department or Planning Department. Experience suggest that a PPP unit is more effective if located within a strong department like finance because they control scarce government resources and have important enforcement powers. This reflects the natural role of the Finance Department in coordinating government policies and expenditure, its mandate to manage fiscal risk, and the power Finance Department derives from holding the purse strings of government.

In addition, line agencies have incentives to enter into PPPs that provide infrastructure or services. They may not always, however, have as strong incentives as Finance Department to make sure PPPs are affordable for the government as a whole, or offer best value for money. Finance Department naturally has such quality control incentives.

### 5.2.2 Organizational Structure

PPP unit needs a robust organization structure to be effective. While creating an organizational structure for PPP unit, it is important to consider these points: -

- The first underlying factor in organizational structure is that it should be headed by a senior officer. This is required to make sure that right kind of decision is taken by the unit in PPP related matters. In addition, it also helps in effective co-ordination with other departments.

- The unit should be adequately staffed. Staffing may be both from the government and the market to ensure that the required expertise from both the sides (Private and Public) are there while dealing with PPP.
- The staff should have expertise in handling issues related to appraisal and structuring of PPP projects.

The existing organizational structure of some of the PPP units are given in the Table 6 below:

Table 6: Organizational structure of PPP units

Sl.No.	Name of the State/ PPP unit	Organizational Structure			
		Head	Professional staff	Administrative staff	Total Staff
1.	Andhra Pradesh/ PPP Cell	Principal Secretary	PPP Expert, MIS Expert, Chartered Financial analysts, Superintend Engineer, etc.	Account officer, Office Subordinates, Data Entry Operator	8
2.	Uttarakhand/ PPP Cell	Additional Chief Secretary/ Principal Secretary/ Secretary (CEO), Planning Department assisted by Additional Secretary, Planning Department (ACEO)	OSD (On deputation from GoUK), PPP Expert, 2 PPP Associate, MIS Associate	2 Data Entry Operator, 2 Peon	11
3.	Karnataka	Additional Chief Secretary, IDP&IWTD <i>Overseeing:</i> Director	Executive Engineer, Assistant Director, Senior Programmer, Consultant	Junior Programmer (2 Nos) , Personal Assistant & other staff (3 Nos)	10

Under the organizational structure, three broad categories of personnel are required.

- o **Head:** PPP unit shall be headed by a senior officer.
- o **Professional Staff:** Professional staff shall include PPP experts, project development officers, financial experts, MIS experts, etc.
- o **Administrative Staff:** Administrative staff shall include Director, Superintendent,

data entry operators, account officers, etc. They are required to look after the day-to-day administration of the Unit.

### 5.2.3 Empowering PPP Unit

The word 'empowering' simply means 'giving power'. It is important that a PPP unit is setup as an empowered agency rather than an advisory agency. In the context of establishing a PPP unit, the power may be delegated to PPP units through two main routes: a) Procedural route; and b) Financial Route.

#### a) Procedural route

The power may be delegated to the PPP unit by making the procedural aspects of PPP projects mandatory, for example;

- PPP unit shall act as the secretariat of the PPP appraisal body.
- By mandating that all the PPP projects shall be appraised by the appraisal body.
- By mandating that after such appraisal, no further consent of any government department is required for taking up the project except approval of the competent authority.
- By mandating that PSA should clearly mention all deviations from the recommendations of the appraising body with cogent reasons to the approval authority.

#### b) Financial Route

PPP units may be empowered by providing them adequate financial powers. Financial power gives teeth to the organization. Ability to offer project development funding and directly supervising the funds that they could make available to project developers gives real powers to the PPP unit. However, only the ability to offer project development funding may not determine whether a PPP unit is effective or not; it must be combined with structures and powers to enable the PPP unit to create a policy environment for PPPs and promote PPP with financial support.

The following aspects may be considered to provide financial power to the Unit.

- o **Project Development Fund:** PPP unit may have the authority to allocate project development fund to the PSAs for developing projects on PPP mode.
- o **PPP Support Schemes:** PPP unit may be made as the administrative body for conceiving and operating PPP support schemes to promote uptake of PPPs.
- o **PPP unit** may be supported adequately in terms of required manpower including hiring expertise from the market.

#### 5.2.4 Performance appraisal

The performance appraisal includes how a PPP unit should assess its performance and continuously monitor changes in its operating framework. The PPP unit should be flexible enough to respond to any changes in policy, infrastructure investment needs and market conditions. The performance appraisal is closely linked with the objectives of the PPP unit. The parameters of performance appraisal should be in line with the objectives of PPP units.

Some of the parameters could be:

- a) Number of projects appraised
- b) Robust PPP Ecosystem Introduced
- c) PPP policy framework introduced
- d) Improvement in PPP uptake
- e) Number of officers trained

However, it is for the state to identify appropriate appraisal parameters for the PPP unit set up.

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## Chapter 6 - Functions of PPP Unit

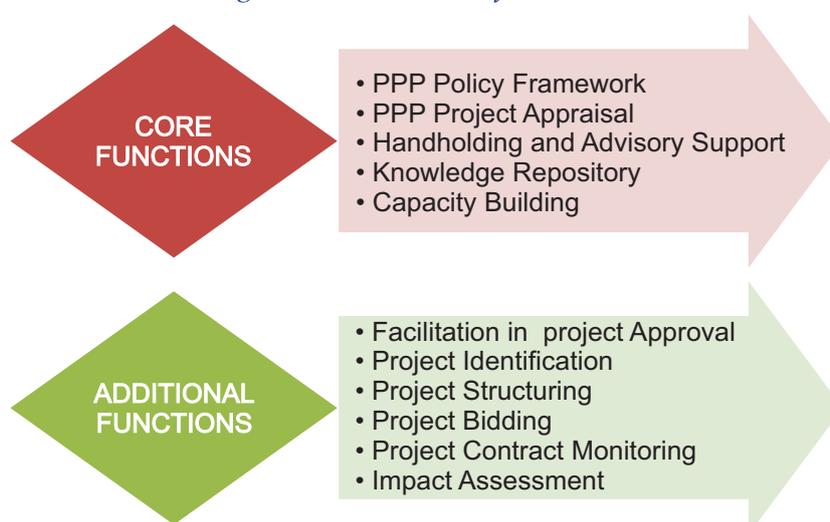
The functions of PPP unit should be derived from and aligned to its objectives. One of the key functions of PPP units is project appraisal. In addition to project appraisal, project identification, handholding other departments, project monitoring etc. The table 7 given below shows some of the major functions of PPP units in states like Karnataka, Uttarakhand, Andhra Pradesh, Goa and Bihar.

Table 7: Functions of PPP units in states

States/Functions	Karnataka	Uttarakhand	Andhra Pradesh	Goa	Bihar
Project identification	✓	✓	✓	✓	✓
Project pre-feasibility	x	✓	✓	✓	x
Project bidding out	x	✓	✓	✓	x
Project appraisal	✓	✓	✓	✓	✓
Facilitating project approval	✓	✓	✓	✓	✓
Handholding support	✓	✓	✓	✓	✓
Project monitoring	✓	✓	✓	✓	x
Policy matters	✓	✓	✓	✓	✓

The functions of PPP unit vary across states. Salient features and functions of PPP unit in some of the states have been mentioned in Annexure-4 also. There are some core functions of PPP unit without which the Unit would be rendered nugatory. In other words, core functions are those functions which shall be mandatorily performed by a PPP unit. In addition to the core, there are other functions that may be performed by the PPP unit based on its mandate and resources. Thus, basically the functions of PPP unit are divided into **a) Core Functions** and **b) Additional Functions**.

Figure 4 : Functions of PPP unit



## 6.1. Core Functions

- **PPP Policy Framework** - PPP landscape is changing rapidly to cater to the needs of both parties in a better manner. Under the changing PPP landscape, it is quite possible that the gap in policy may also enlarge. To address those changes without much delays, PPP units should be given the function to put up necessary PPP framework in the state. This would include standardization of PPP bidding documents such as preparation of Model Concession Agreements, RFQs and RFPs, guiding documents for appraisal and approval process of PPP project, etc.
- **PPP Project Appraisal** - One of the key functions of PPP unit is to appraise PPP projects. Appraisal of PPP project is a process done by a third party other than the PSA, in this case the PPP unit, to ascertain the feasibility of the project from economic, strategic, legal, environmental, commercial and technical angle. PPP projects demand a very sound preparation if they are to deliver timely, effective, and cost-efficient infrastructure. A significant part of this preparation is done in the appraisal phase. The end result of the appraisal is to inform a decision to approve, cancel, or revisit the project before the bidding and subsequent signing of contract. Thus, it is very essential to ensure that the PPP projects are appraised in a prudent manner.

However, PPP project appraisal by the PPP unit shall not be part of a standalone appraisal. Appraisal by a PPP unit shall be part of appraisal by a designated PPP project appraisal committee of which PPP unit can serve as secretariat. The appraisal phase of the PPP project begins once the project is clearly identified as a PPP and defined in terms of the scope of the proposed contract and the draft contract or the Request for Proposals is prepared. It should end with the recommendation of the appraisal committee to procure the project through a PPP or to reject the project as such. It is one of the most important decisions the government makes during the PPP process because it commits the government to a process that requires high level of resources, both internal and external, to the final structure of the contract. In addition, it indicates to the relevant stakeholders the government's intention to take the project for bidding.

- **Handholding Support** - PPP unit plays a major role in providing handholding to the stakeholders for taking up PPP projects. The specific types of handholding support provided by a PPP unit may vary depending on the needs of the private sector partner and the nature of the project. One of the examples of handholding support that a PPP unit may provide include advisory Support. Any infrastructure project to be implemented requires feasibility study for assessing the viability. PPP unit can either itself provide the support to the PSAs or help them in procuring it from the market. The PPP unit may provide support to the private sector partner in areas such as project feasibility studies, project structuring, preparation of bidding documents, etc.

The PPP units also provide vital technical assistance to implementing agencies. PPP units may also be called to help when contracts fell into dispute, regardless of whether they had helped in contract preparation, tender, and evaluation. PPP development and management requires scarce, highly specialized, and multidisciplinary set of skills which every department may not have and therefore, it is the role of the PPP units to provide such handholding and support to PSAs.

- **Capacity building** - Capacity building plays a crucial role for infrastructure project structuring and implementation. Capacity building ensure that the officials executing projects and drafting concessions/agreements/contracts have rigorous understanding of the frameworks, principles, regulations guiding infrastructure ecosystem. Capacity building programme is also instrumental in stirring necessary dialogue among stakeholders to learn from pitfalls and success of each other's project experiences. Capacity building has become much more important for PPP projects where expertise is required in areas such as PPP structuring, project appraisal and approval process, value for money and cost benefit analysis frameworks, project selection approaches, data analysis and legal bidding clauses. PPP unit shall undertake the work of capacity building of public sector officers and may be private sector players involved in PPP project structuring, development and implementation to help them better understand the PPP process, project development, financial structuring, and risk management. This will help in making PPP projects biddable and bankable with more optimal outcome for the state.
- **Knowledge repository** - PPP units shall also serve as a knowledge repository for PPP policy, programme and projects in the state. One of the requirements of a successful PPP initiative is bringing discipline and standardization in approach and implementation of PPP projects. This can only be achieved by an overarching agency having cross-sectoral knowledge and experience of PPP. PPP units can easily serve this role. They are also supposed to make a database of ongoing or implemented projects as well as a repository or shelf of biddable and viable PPP projects. With the help of such database, PPP unit can generate useful insights in PPP project structuring, development and execution. As knowledge repository, PPP unit can gather and store information on PPP such as sectoral data, policies, best practices, etc. This would in turn help the PPP unit in better and evidence-based decision making.

PPP units shall take some steps to standardize documentation and procedures and make those standardized documents and templates available. However, PPP units are less effective in developing good documentation if line departments have no obligation, and interest to use it.

## 6.2. Additional Functions

Along with aforementioned core functions, PPP units may also undertake additional functions to improve the overall PPP landscape in the state. These functions generally are to be undertaken by the PSA; however, it may be assigned to the PPP unit if the state decides so. In such a scenario, PSAs have to work closely with the PPP unit.

- **Facilitating Project approval** - Project approval is the final approval given by the competent authority to go-ahead with the project. Generally, the project approval from the competent authority is obtained by PSA after PPP project appraisal and recommendation by the appraisal body. However, in some states, it is the role of the PPP unit to place the PPP project to the competent authority for obtaining necessary approval. Thus, as per state's vision and requirement, the states may decide whether the function of placing PPP projects to the competent authority for obtaining necessary approval is to be assigned to the PPP unit or to the PSA.
- **Project Identification**- Generally the work of PPP project identification is done by the PSA itself. However, in some states, it is the work of the PPP unit. If any department is not fully geared up to meet the challenges of PPP project identification in that sector, the PPP unit may be assigned the additional work of PPP project identification. PPP unit may prepare a shelf of bankable projects and carry out need analysis for further identifying the projects that can be taken up on priority.
- **Project Development Activities** - Generally the work of PPP project development is done by the PSA itself. However, in some states, it is the work of the PPP unit. If any department is not fully geared up to meet the challenges of PPP project development, the PPP unit may be assigned the additional work of PPP project development. Once, the potential projects have been identified; the PPP unit may, with the support of the PSAs, may get a feasibility study done to determine the technical, economic, financial, and social viability of the project and develop the project as per the feasibility report.
- **Impact Assessment** - PPP project impact assessment is very important for any sustained PPP policy and programme. Impact assessment must be done on a case-to-case basis. Such impact assessment gives valuable inputs and learning in the efficacy of the PPP mode of project development. It also helps in mid-term course correction and making appropriate changes in the PPP framework in states and/or sectors.
- **Project Bidding** - Generally the work of PPP project bidding is done by the PSA itself. However, in some states, it is the work of the PPP unit or the PPP unit helps and facilitates PSAs in project bidding. Project bidding is a complex and technical work and if any department is not fully geared up to meet the challenges of PPP project bidding, the PPP unit may be assigned the additional work of PPP project bidding including having pre-bid meetings with the private sector partner for the identified project.

- **Stakeholder Interactions** - PPP unit may facilitate meetings of PSAs with the private sector partners and other stakeholders such as government agencies, lenders, and communities. Such meeting and interaction will allow both the parties to understand each other and challenges of the sector in general and the project in particular. This helps in better project structuring and risk allocation.
- **Project monitoring and evaluation** - Generally the work of PPP project monitoring and evaluation is done by the PSA itself. This requires effective online monitoring and data collection tools for the PPP projects. Therefore, if required, the PPP unit may monitor the progress of the project and provide feedback to the private sector partner to ensure that the project is on track and meeting its objectives. Such monitoring may be done till CoD or a few years after the CoD.

Overall, the functions of a PPP unit are to strengthen the PPP ecosystem in the state through policy interventions, financial supports, knowledge disseminations etc. This would in turn help in more uptake of PPP projects and thereby lead to infrastructure development of the economy.

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## Annexure 1

# IFS and DEA's Key Initiatives to Support State PPP Initiatives

Over the past decade, DEA has been actively engaged in developing appropriate policy framework for private investment in infrastructure development. Public Private Partnerships (PPPs) are being encouraged for developing infrastructure projects. Besides, new schemes, measures and initiatives have been introduced to provide financial and technical support to the private sector wherever necessary.

Some of the key initiatives/measures undertaken by DEA for the development and implementation of PPP projects are as below:

- 1. Empanelment of Transaction Advisers (TAs):** DEA has empaneled 12 TAs in order to create an enabling environment for stepping up private investment in Infrastructure and to cater state government's and its agencies' demand for an enabling framework to eliminate delays in appointment of transaction advisors/consultants for preparing a shelf of bankable projects. This TA panel is made available to all central ministries, state governments, statutory bodies, public sector enterprises and other such undertakings within the purview of ministries/ departments of Government of India and state governments either undertaking or intending to undertake PPP transactions.

The Panel will help to make the process of appointment of transaction advisors/consultant:

- **Effortless:** By streamlining the tendering process for the engagement of transaction advisors for PPPs.
- **Efficient:** By enabling fast access to firms that have been pre-qualified against relevant criteria.
- **Effective:** By ensuring transparency and accountability through clear definition of the processes, role and responsibilities of the agencies and the private sector, leading to preparation of bankable PPP projects.

Further, to accustom with the empanelment process and to save upon the time of the PSA, DEA has developed a **Manual on Transaction Advisers for PPP Projects** for the use of the panel. This manual is a step-by-step guide that can be referred by the Project Sponsoring Authorities to on-board a transaction adviser for implementing their PPP projects.

The notified panel of Transaction Advisers for PPPs and the manual for the use of the panel is available on the website [www.dea.gov.in](http://www.dea.gov.in) and [www.pppinindia.gov.in](http://www.pppinindia.gov.in).

2. **VGF Grant Support:** For providing financial support to PPP projects in Infrastructure which are economically required but financially unviable, DEA runs the Viability Gap Funding (VGF) scheme that provides financial support in the form of grants, one time or deferred, to infrastructure projects undertaken through PPPs with a view to make them commercially viable. DEA has further revamped the VGF Scheme with the aim to promote PPPs in social sector by providing higher VGF support.

Under the revamped scheme, economic sector projects may get up to 40% of the Capex as VGF grant. The VGF Scheme includes higher provisions of VGF grant for projects to be undertaken in social sectors i.e., health, education, water supply, waste water treatment, solid waste management, etc. Social sector projects may get up to 80% of the Capex and up to 50% of Opex for 5 years after commercial operation date (CoD) as VGF grant. The revamped Scheme is mainly related to introduction of following two sub-schemes for mainstreaming private participation in social infrastructure:

- a) **Sub scheme -1** caters to social sectors such as wastewater treatment, water supply, solid waste management, health & education sectors etc. These projects face bankability issues and poor revenue streams to cater fully to capital costs. The projects eligible under this category should have at least 100% operational cost recovery. The Government of India will provide maximum of 30% of Total Project Cost (TPC) of the project as VGF and state government/sponsoring central ministry/statutory entity may provide additional support up to 30% of TPC.
- b) **Sub scheme -2** The sub scheme-2 includes demonstration/pilot social sectors projects. The projects may be from health and education sectors where there is at least 50% operational cost recovery. In such projects, the central government and the state governments together will provide up to 80% of capital expenditure and up to 50% of operation & maintenance (O&M) costs for the first five years. The central government will provide a maximum of 40% of the TPC of the Project. In addition, it may provide a maximum of 25% of operational costs of the project in first five years of commercial operations.

The VGF Guidelines is available at [www.pppinindia.gov.in](http://www.pppinindia.gov.in).

3. **IIPDF:** DEA is running India Infrastructure Project Development Fund Scheme (IIPDF Scheme) for development of quality PPP projects by providing necessary funding support to the project sponsoring authorities, both in the central and state governments. This is for creating a shelf of bankable viable PPP projects for achieving the vision of modern infrastructure for the country. It supports project sponsoring authority in sourcing funding to cover PPP transaction costs, thereby reducing the impact of costs related to procurement of TAs on their budgets.

DEA has further revamped the IIPDF Scheme with enhanced features. Under the IIPDF Scheme, the cost of consultants/transaction advisors of a PPP project can now be funded up to Rs. 5 Crores per project. This will help in providing necessary support to the project sponsoring authorities as well as PPP units in states.

Funding under the IIPDF Scheme may include the expenses incurred by the Project Sponsoring Authority in respect of feasibility studies, environment impact studies, financial structuring, legal reviews and development of project documentation, including concession agreement, commercial assessment studies (including traffic studies, demand assessment, capacity to pay assessment), grading of projects etc. required for achieving Technical Close of such projects, on individual or turnkey basis, but would not include expenses incurred by the Project Sponsoring Authority on its own staff.

The IIPDF Guidelines is available at [www.pppinindia.gov.in](http://www.pppinindia.gov.in)

- 4. Development of Model RFQ/RFP for PPP Projects:** With a view to enable a smooth transition from public sector projects to Public Private Partnerships (PPP) and for adopting best practices, Government of India has recognized the critical role of standardizing documents and processes to be adopted for structuring and awarding PPP concessions. Standardized documents enable project authorities to save on the time and costs involved in structuring and awarding complex PPP projects. In addition, they afford protection to individual entities and officials against making errors. Such standard documents typically lay down the norms, principles and parameters to be followed in PPP projects and enable project authorities to adopt them with considerable ease for meeting the specific requirements of individual projects.

One of the key factors for the success of a PPP contract is the transparency of the selection process. A fair and competitive selection of the private partner is of utmost importance in the entire process since cost and quality of service to users would depend on the performance of the private partner. In line with this objective, DEA is in process of preparing **guidelines for the Request for Qualification cum Request for Proposal (RFQ cum RFP)** involving submission of technical and financial bids.

The Model RFQ/RFP shall be available at [www.pppinindia.gov.in](http://www.pppinindia.gov.in)

- 5. PPP Procurement Manual:** To ensure that PPP procurements are made by following a uniform, systematic, efficient, and cost-effective procedure and to ensure fair and equitable treatment of bidders/ contractors, DEA is in the process of preparing procurement manual which aims to bring together at one place the step-by-step procedures. The manual is intended to serve as a guiding document for the Project Sponsoring Authority for PPP procurement.

The proposed PPP Procurement Manual will provide understanding of PPP project development practices among centre/states and various Project Implementing Agencies. Procurement manual will provide detail on the steps for stages of Procurement, its types and selection mode, etc.

This manual for procurement embodies the best practices for PPP procurement and aims to provide a guiding document for PPP procurement.

The PPP Procurement Manual shall be available at [www.pppinindia.gov.in](http://www.pppinindia.gov.in)

- 6. Model Concession Agreements for Nascent Sectors:** Model Concession Agreements forms the baseline of PPP projects in India. It acts as a tool to spell out the desired policy, regulatory and institutional framework for a PPP project in a sector and allocate the necessary risks to the party that is best suited to manage them.

DEA has undertaken an exercise to study the PPP landscape and make the concession agreements stronger. DEA has undertaken deep dive assessment of six sectors inter alia including health, education, water, solid waste and sports. Draft MCAs for the solid waste management and sports stadium have been prepared and given to the concerned ministries for approval as MCA. In coming months, more MCAs shall be developed by the central ministries supported by NITI Aayog and DEA.

- 7. Project Structuring Toolkits:** PPP structuring Toolkit is a web-based resource that has been designed to improve decision-making by the PSA and to improve the quality of PPP projects. DEA has revamped the PPP structuring toolkits to align it with the current regulations and guidelines and to make them relevant with the current development. It will help in improving project implementation and providing guidance during the lifecycle of PPP projects. PPP Structuring toolkit would help the PSAs in identifying appropriate PPP variant, financial viability, risk allocation etc.

The toolkit covers five infrastructure sectors, namely:

- Roads
- Water and Sanitation
- Ports
- Solid Waste Management
- Urban Transport

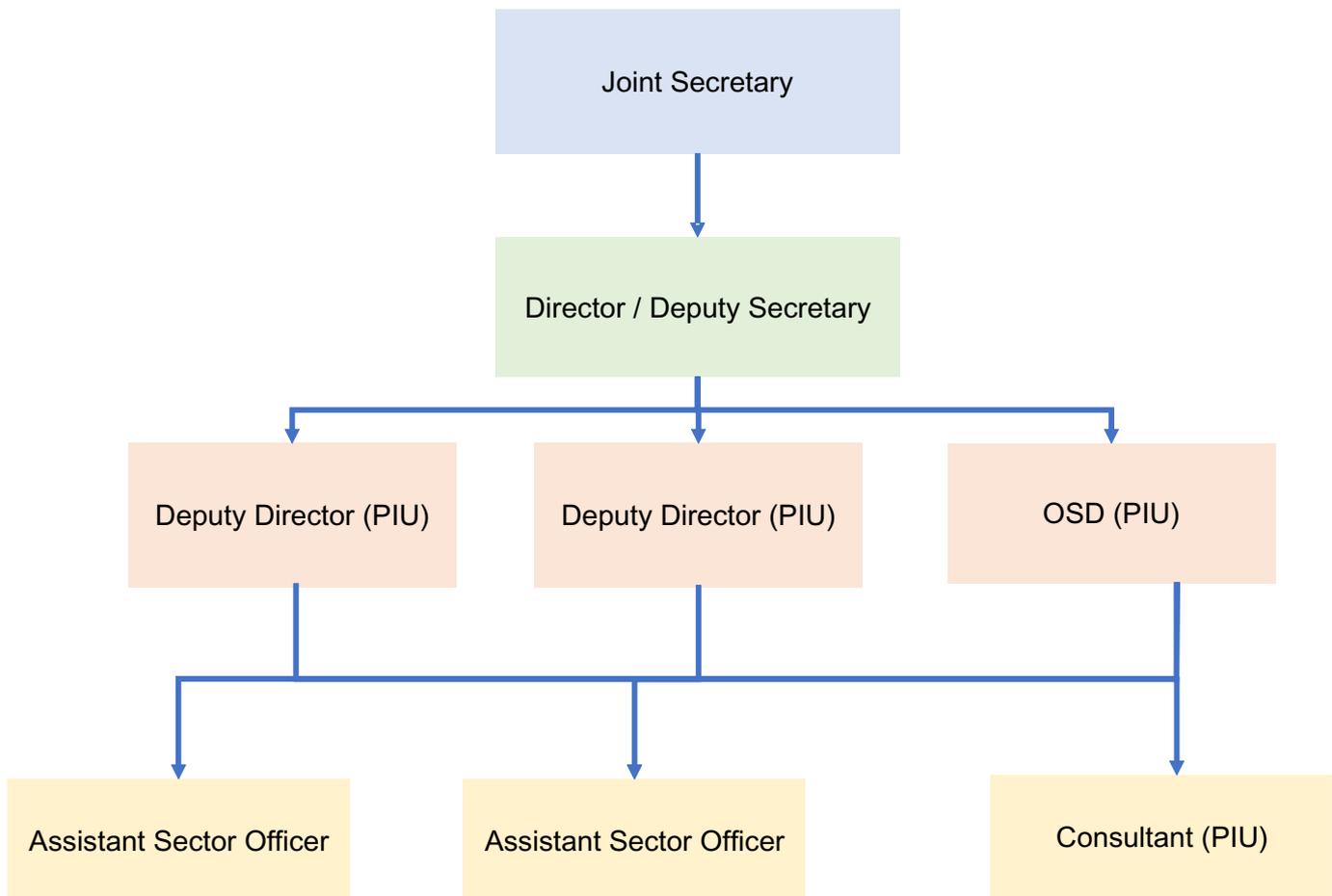
The toolkits can be accessed on <https://www.pppinindia.gov.in/ppp-toolkit>

A user guide for the toolkit can be accessed at [https://www.pppinindia.gov.in/toolkit/pdf/ppp\\_toolkit\\_user\\_guide.pdf](https://www.pppinindia.gov.in/toolkit/pdf/ppp_toolkit_user_guide.pdf)

- 8. Capacity Building Initiatives:** Capacity building plays a crucial role in understanding the complex PPP structuring and its nitty-gritties. Understanding this, DEA is regularly conducting workshops, seminars, conferences for stakeholders in order to build capacity. DEA is engaged with Capacity Building Commission to develop a Capacity Enhancement Plan- (CEP) to address the key requirements for implementing infrastructure projects. DEA has carefully selected premier management institutes with high rankings. These include both public and private institutes such as Indian Institutes of Management (IIMs), Indian Institute of Technology (IITs), ISB, NITIE Mumbai, SPJIMR etc. Additionally, DEA has also identified professional bodies, organizations, institutes, and Centre of Excellence established under aegis of the Ministries such as IIBF, AJNIFM, ICAI, AIMA, etc. with capacity and capabilities for conducting offline/online trainings and developing self-learning courses on infra-focused areas. DEA is also in the process of developing a continuous learning mechanism through digital learning modules to provide necessary flexibility and convenience in the learning process.
- 9. State Outreach Programmes:** To identify the challenges faced by states across various aspects of infrastructure development, state Infrastructure outreach workshops are regularly organized by the DEA with state governments. These workshops are designed to include discussions and deliberations with states on measures required to enhance project structuring, creating a shelf of biddable and viable projects, improving project finance with additional financing options. Till date, three chapters of these workshops have been conducted at Mumbai, Chandigarh, and Varanasi with participation from a total of 14 states and Union Territories (Uttar Pradesh, Bihar, Madhya Pradesh, Chattisgarh, Himachal Pradesh, Uttarakhand, Punjab, Maharashtra, Gujarat, Karnataka, Andhra Pradesh, Chandigarh, Jammu & Kashmir, and Ladakh). Under the workshop, senior officials from key central infrastructure ministries like the MoWR, MoHFW, MoHUA, DEA, etc. have participated. The primary focus of these workshops is to discuss and resolve the bottlenecks being faced by states in developing and financing infrastructure projects as well as to enhance private investment in infrastructure

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## Organization Structure of PIU in IFS, DEA



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Annexure 3

List of PPP Units in India across States

Sl. No.	States	Name of PPP unit	Department	Link
1	Karnataka	PPP cell	Infrastructure Development Ports & Inland Water Transport Department (IDP&IWT)	<a href="https://idd.karnataka.gov.in/english">https://idd.karnataka.gov.in/english</a>
2	Goa	Department of Public Private Partnership	Department of Finance	<a href="http://dppp.goa.gov.in/">http://dppp.goa.gov.in/</a>
3	Uttarakhand	Uttarakhand PPP Cell	Planning Department	<a href="http://upppc.org/projects/">http://upppc.org/projects/</a>
4	Andaman & Nicobar Islands	PPP cell	Planning Department	---
5	Rajasthan	PPP cell	Planning Department	<a href="https://plan.rajasthan.gov.in/home/dptHome/111">https://plan.rajasthan.gov.in/home/dptHome/111</a>
6	Madhya Pradesh	Public Private Partnership Project Cell	Directorate of Institutional Finance	<a href="http://www.dif.mp.gov.in/ppp_main.htm">http://www.dif.mp.gov.in/ppp_main.htm</a>
7	Tripura	PPP cell	Planning (P&C) Department	---
8	Manipur	PPP Cell	Department of Finance	---
9	Mizoram	PPP Cell	Planning and Programme Implementation Department	<a href="https://planning.mizoram.gov.in/">https://planning.mizoram.gov.in/</a>
10	Haryana	PPP cell	Business Development Cell, Haryana, and State Industrial & Infrastructure Development Cell (HSIIDC)	---
11	West Bengal	PPP cell	Finance Department	<a href="https://finance.wb.gov.in/New_Fin/HomePage.aspx">https://finance.wb.gov.in/New_Fin/HomePage.aspx</a>
12	Odisha	Directorate of Public Private Partnership (PPP)	Finance Department	---
13	Andhra Pradesh	PPP cell	Finance Department	<a href="https://ppptg.cgg.gov.in/AboutPPP1.aspx">https://ppptg.cgg.gov.in/AboutPPP1.aspx</a>

## REFERENCE GUIDE FOR SETTING UP STATE PPP UNITS

Sl. No.	States	Name of PPP unit	Department	Link
14	Assam	PPP cell	Transformation & Development Department	<a href="https://transdev.assam.gov.in/information-services/public-private-partnership">https://transdev.assam.gov.in/information-services/public-private-partnership</a>
15	Chhattisgarh	PPP cell	Finance Department	<a href="https://finance.cg.gov.in/ppp/ppp.htm">https://finance.cg.gov.in/ppp/ppp.htm</a>
16	Maharashtra	PPP cell	Mumbai Metropolitan Region Development Authority (MMRDA)	---
17	Arunachal Pradesh	PPP cell	Planning Department	<a href="http://www.arunachalplan.gov.in/#">http://www.arunachalplan.gov.in/#</a>
18	Meghalaya	PPP cell	Planning Department	---

Annexure 4

**Existing PPP unit Landscape across states:**

The functions of PPP units vary across states. Salient features and structures of some of the states which established PPP units has been mentioned below:

Salient Features	Karnataka	Gujarat	Punjab	Odisha	Uttarakhand
<b>Depart. under which PPP unit is setup</b>	Infrastructure Development Ports & Inland Water Transport Department (IDP&IWT)	Gujarat Infrastructure Development Board acts as PPP unit for state govt	Punjab Infrastructure Development Board acts as PPP unit for state govt	Finance Department	Planning Department
<b>Information dissemination</b>	Yes	Yes	Yes	Yes**	Yes**
<b>PPP Guidance Material</b>	Yes	Yes	Yes	Yes**	Yes*
<b>Providing Project specific advice</b>	Yes	Yes	Yes	Yes	Yes
<b>PPP funding guidance</b>	No. placed by KSIIDC* for IDP&IWT approval	Yes	Yes	Yes	Yes
<b>Project monitoring</b>	No. KSIIDC is assigned for monitoring	Yes	Yes	Yes**	Yes*
<b>Appraisal Cell</b>	No. It's Under KSIIDC	Yes	Yes	Yes	Yes
<b>Appraisal mechanism</b>	PPPAC under chairman ship of chairman, KSIIDC	The Board appraises the project	The Board appraises the project	Assisted by Technical Secretariat (TS)	Appraisal at department level
<b>Approval Mechanism</b>	Up to 500 crores. State Level Single Window Agency (SLSWA)	All Project must be approved by Organization Executive Committee under the	Executive Committee (EC) under the Chairmanship of the Chief Secretary	Up to 500 crores. Empowered Committee on Infrastructure (ECI) under the	Up to 5 crores Finance PPP Committee headed by Principal Secretary/ Secretary

REFERENCE GUIDE FOR SETTING UP STATE PPP UNITS

Salient Features	Karnataka	Gujarat	Punjab	Odisha	Uttarakhand
	under the Chairmanship of the Chief Secretary to approve the projects	Chairmanship of the Chief Minister		Chairmanship of the Chief Secretary to approve the projects	Finance to approve the projects
	Above 500 crores Shall be recommended by SLSWA for approval to State High Level Clearance Committee (SHLCC) under the Chairmanship of the Chief Minister		After approval of EC, Board under the Chairmanship of the Chief Minister shall provide approval	Above 500 crores Shall be recommended by ECI for approval to High Level Clearance Authority (HLCA) under the Chairmanship of the Chief Minister	5 – 50 crores Expenditure Finance. Committee (E.F.C.) headed by Chief Secretary to approve the projects
					Above 50 crores Approval from EFC as well as state cabinet
<p>*KSIIDC: Karnataka State Industrial and Infrastructure Development Corporation  ** Assisted by Technical Secretariat (TS)</p>					

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सत्यमेव जयते

**Infrastructure Finance Secretariat  
Department of Economic Affairs  
Ministry of Finance  
Government of India  
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