

infrastructure TODAY

Annual 2013

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India's Premier Magazine for Nation Builders

10

ANNIVERSARY

In a year that infrastructure industry would like to forget in a hurry, the government can salvage the situation by transcending

FROM AGENDA TO ACTION

Analyses and recommendations in Urban Infrastructure, Energy, Roads & Bridges, Rail, Ports, Airports, Finance, Dispute Resolution, Steel

Montek Singh Ahluwalia, Planning Commission Anil Swarup, Head of committee for delayed projects
Praveen Sood, CFO, HCC Joe Murphy, Compliance expert Ramesh Chandak, Director, KEC
Sudhir Krishna, Secy, Union urban dev ministry SK Srivastava, CMD, Oil India
AB Pandya, D-G, Union water resources ministry Lalit Jalan, CEO, Rinfra NK Sinha, Chairman, IRF
Sunil Srivastava, MD, Barsyl Rishabh Sethi, ED, SPML
Maggie Hanson-Muse, Min Counsellor, US Dept of Commerce HUN KIM, Country Head, ADB
Raj Kalady, MD, PMI NN Kumar, Chairman, JNPT PK Mohanti, CMD, Dredging Corp of India
BB Mishra, Procurement head, L&T Transp. Anil Khanna, MD, Blue Dart Ajay Chauhan, CEO, GUJSAIL
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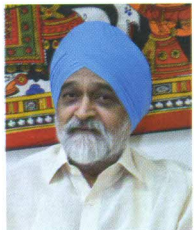
Infrastructure Today turns 10, and as it continues to observe and comment on the policies, processes and practice of nation-building, it has earned its leadership position because of you. Thank you for your continued patronage and support.

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FROM AGENDA TO ACTION

Care project delays inherent to India? Our focus this Anniversary is on the several dichotomies between plan and execution.



"THERE IS NO ALTERNATIVE TO PPP"

Really, why is Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission of India, one of the nation's biggest champions of partnering with the private sector?

IS THE INTENT RIGHT?

A report on Infrastructure Today Round Table discussion on dispute resolution with lawyers, bankers, and practitioners.

"WHERE'S THE THREAT?"

Joseph Murphy, the Director of Public Policy at the Society of Corporate Compliance and Ethics

"A RISK-IGNORANT NATION LIKE OURS NEEDS PROJECT MANAGERS"

Raj Kalady, MD, PMI

"TALENT POOL NEEDED TO MANAGE PROJECTS"

Pratima Sheorey, Director, SCMHRD

"FUTURE INVESTMENTS DEPEND ON HOW EXISTING PROJECTS ARE TREATED"

Anil Swarup, whose Commission has cleared more than Rs 1 lakh crore worth of stuck projects in two months, tells us how he has designed the process and the intervention.



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OF SLOPPY PLANNING AND SKILL SHORTAGE

Analysis by Ernst & Young



"JNNURM II WILL FOCUS ON COMPREHENSIVE CITY DEVELOPMENT"

Sudhir Krishna, Secretary, MoUD

"IMPLEMENTATION OF PROJECTS OR SCHEMES IS ALWAYS DONE ON A CONSENSUS OR ON A RESOLUTION

BASIS"

AB Pandya, Director General, NWDA

PPP IS THE WAY TO GO IN URBAN WATER

Opinion by Rishabh Sethi, ED, SPML Infra



EXPERTSPEAK

PPP is the way to go in urban water

Rishabh Sethi says that while PPPs are structured properly in urban water supply, the government must hold the responsibility to ensure inclusiveness of the activities.



The author is
Executive Director,
SPML Infra.

Indian cities will add nearly 900 million people by 2050. City capacity will need to grow nearly 400 per cent in less than 40 years from now, so there is tremendous pressure on civic infrastructure systems like water supply, sewerage and drainage, and solid waste management. Recent data suggests that water supply is available for 2.9 hr per day across cities and towns. Non-revenue water (NRW), which includes physical and revenue losses, accounts for 50-60 per cent of total water supply. About 30 to 50 per cent households do not have sewerage connections and only less than 20 per cent of total wastewater is treated. Solid waste systems are severely stressed. In addition to the gap in available infrastructure to meet the requirements of urban India, there is an alarming shortfall in available funds for improving and maintaining basic urban infrastructure. To augment the facilities, government alone cannot provide the required services and hence PPP is necessary.

While PPP entails a continued partnership between government and private sectors, the government or public authority remains responsible for ensuring the activities related to consumers' needs are met. Governments or public

authorities keep the final responsibility for setting and enforcing performance standards in order to protect the consumers' interests.

STATUS OF THE SECTOR

As of 2011, the PPP India database (Department of Economic Affairs, Ministry of Finance) indicates 758 PPP projects area awarded or underway status (operational, under construction or at least implementation is imminent).

At the state levels Karnataka, Madhya Pradesh and Andhra Pradesh are the leaders in terms and value of PPP projects, but at the central level the National Highways Authority is the leader in the use of the PPP model.

For the selection of the private provider, the government follows a competitive bidding process, which can be either national or international. International competitive bidding projects were about 35 per cent of the total investment.

The most frequent mode of PPP used in India is the one in which the assets still belong to the government meanwhile the operations lies within the private sector.

India's average annual water resource potential is estimated at 1,869 billion cubic

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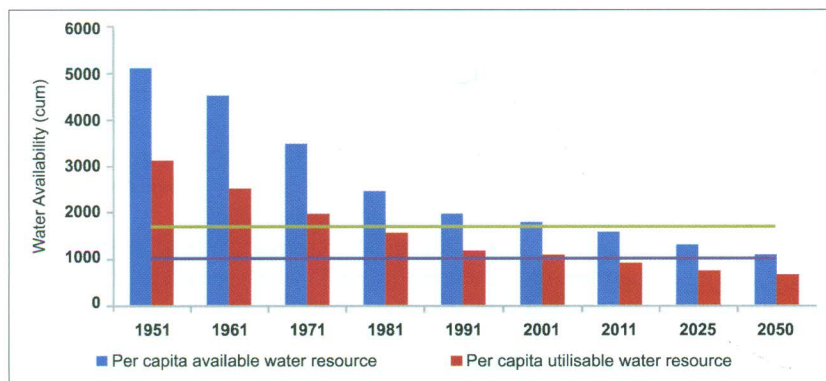
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PPPs are a win-win situation for all the stakeholders.

metre (bcu m). The water availability per capita in India has fallen from about 5 million litre (ml) in the 1950s to 1.3 ml in 2010. This 75 per cent drop in the last 50 years is due to increasing population, which has made water availability to be pegged at 1,545 cu m per capita per year in 1991 and it is less than 1,000 cu m per year at present.

Despite being one of the fastest growing and one of the largest economies of the world, India continues to face large deficits between the demand and supply of economic infrastructure and services. The economy is growing rapidly, the industrial activity is increasing, consumers' pressure, have pushed to greater demand for better coverage of



water and sanitation services amongst other infrastructure sectors. This demand increase has put huge pressure under the existing infrastructure and thus it became insufficient for meeting the increasing demand.

The provision of infrastructure of good quality will enable the economy to achieve a higher growth on a sustained basis. In order to achieve the vision of growth, the Planning Commission estimated that there should be an increase of the total investment in infrastructure. The increment was around 7.2 per cent

of Indian GDP in the last Five Year Plan and it is planned to be around 9 per cent in the current Five Year Plan (2012-2017). During this Plan, the amount of investments infrastructure sector such as road, rail, air, transport, power, telecommunications, water supply and irrigation was around Rs 43.34 lakh crore.

The investment requirements are huge and cannot be met from the public sector alone. Hence, it is mandatory to attract private sector to invest in this critical sector as it is a key strategy to meet the resource deficit. Consequently, PPPs are encouraged to be the preferred mode for execution, operation, and maintenance of infrastructure projects. PPPs are a win-win situation for all the stakeholders, as they offer a number of advantages. These advantages can be the enhancement of the ability to introduce specialised expertise and cost reduction, and will ensure efficiencies in operation and maintenance of the infrastructure. In a PPP project, the parties involved will share the responsibilities for delivering the public service depending on each party's expertise. In PPPs, the private sector will have access to business opportunities in the public sector. When PPPs are structured appropriately, they will deliver public services that will better meet the needs of the general public.

RECOMMENDATIONS

The future of infrastructure development is PPP projects which should be encouraged. Central and states governments and private sector have to work together for reliable and successful contracts. There are some weak areas for which solutions have to be found for making PPP projects successful:

- Strong political support to PPP projects at every level of central or state governments
- Sector policies and regulations have to be developed so they can be more attractive to the private sector
- The finance market has to prepare adequate instruments and must have the capacity to meet the requirement of long-term equity needed by infrastructure projects
- Feasible and viable projects as the PPP projects cannot turn bad project to good ones. Comprehensive feasibility studies are a must.

The private sector has to develop its capacities in order to fully meet the challenges in investing in large number of projects. **IT**