

Q Do you feel that the hybrid annuity model where the government will share 40 per cent of the capital cost inspire private sector participation?

We feel that it is a good initiative by the government and will boost the dynamics of wastewater sector. The hybrid annuity model proposes to reduce risks in public private partnership. The model is a mix of EPC and BOT formats, with the government and the private sector sharing the total project cost in the ratio of 40:60 respectively. This model is likely to provide impetus for the next wave of private sector participation.

Q What would be practical limitations of the "Polluters Pay" revenue model?

The 'polluters pays' principle is the commonly accepted practice that



Hybrid model can propel the next wave of PPP

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those who produce pollution should bear the costs of managing it to prevent damage to human health or the environment. Installing a "polluter pays" system is another way to reduce pollution. Using a market-based approach, like an emissions trading system is another proven tool used by the United States, European Union and now China. But India's environmental laws needs to be changed from stringent penalties such as closure of industry to polluters pay approach.

This approach is flexible enough to work for many pollutants and on different parameters. Such an approach reduces pollution at the lowest possible cost, so as to encourage the economic growth that is vital for India's future. Our approach should not be to close the industry but to clean it up and implication should be on civil rather than criminal penalties. We should have clear monitoring and measurement process and equivalent to the corresponding potential cost, a "price

based on pollution generated can be implemented in cost-effective and compatible manner.

Q In general, how can the government boost PPP in wastewater management?

The public-private partnership (PPP) in wastewater management is not common in India as compared to other countries. Even the PPP model for water supply and distribution management is yet to become viable, because of the current water

tariffs system which hardly cover even the operation & maintenance cost. The success of any PPP project depends on clear revenue stream so that the developer can recover the cost.

Q What about the PPP policy framework, particularly for wastewater?

PPP in wastewater seems like a great way ahead but there should be a clear policy for treated wastewater usage by industries, agriculture and other non-drinking purposes. The contract should have well drafted payment security mechanism, clauses to provide comfort to the bankers for lending and well defined force majeure and termination clause, in addition to above, timely approvals and clear roles and responsibilities of relevant government departments.