

FRESH IMPETUS

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PPP Overhaul on the Cards to Push Growth

Plan Panel report to form basis of facelift of public-private projects' framework

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The government plans to give a fresh impetus to public-private partnership by overhauling the framework for such projects on the basis of a study being undertaken by the Planning Commission, which is likely to submit its recommendations within a month. The move comes after a few big PPP projects in infrastructure sector fell apart while those in the power sector have been struggling to sail through.

"We are doing some analysis internally as to what are the kinds of problem that PPPs face. To illustrate these problems, which the government is worried about, we are doing a detailed study of four PPP projects and will come out with a paper," Montek Singh Ahluwalia, deputy chairman of the Planning Commission said. Ahluwalia, however, refused to name the projects identified by the plan panel.

According to a senior government official, who is involved in the exercise, two infrastructure projects and two power sector projects have been identified for the exercise. "We hope to come up in a month's time with the paper, which will also have recommendations on how to make the entire PPP more attractive," said the official, who did not wish to be named.

walked out of mega-highway projects worth Rs 10,700 crore envisaged with the National Highways Authority of India while Reliance Infrastructure recently pulled out of the Rs 5,800 crore Airport Express Line of the Delhi Metro. Problems are also brewing at the Gurgaon Expressway while Tata Power and Reliance Power are struggling to transform their imported coal-based ultra mega power projects into profit-making ventures due to the rise in input costs.

Even as the government sees PPP as a viable concept that has been accepted by central and states across sectors such as roads, ports, airports, power plants and solid waste management, the industry has been clamouring for easier exit options and flexibility of renegotiations in the contracts that range from 15 to 60 years.

The plan panel has asked the industry lobby Confederation of Indian Industry to give its inputs on the subject, a CII official said. "We will submit a detailed paper to the Planning Commission shortly on the problems associated with the PPP projects, most prominent being the inability of the parties involved to renegotiate these long-term contracts," said the official, on the condition of anonymity.

Though the private sector's participation in infrastructure PPP projects has grown substantially from 10% in the 10th Five-Year Plan to 37% during the 11th plan, the government feels it will be difficult to attract the estimated 50% of the \$1 trillion investment in infrastructure in the country during the 12th plan period from private players unless the contractual issues are resolved