

Political Will, Sound Norms Make India Front-Runner in PPP Race

At 261, India had the second-highest number of PPP projects reaching financial closure in 10 years to 2009: ADB study

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India stands in the same league as developed economies like Republic of Korea and Japan on implementation of public-private-partnership (PPP) projects, says a report, giving a thumbs up to the country's efforts to involve private sector in infrastructure development.

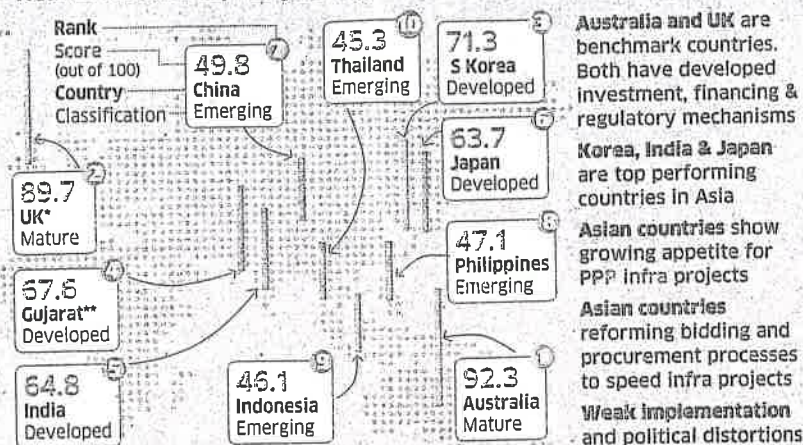
A study commissioned by the Asian Development Bank (ADB) shows India, even with its bureaucratic and regulatory hurdles, outscoring China and Japan to rank third on PPP project performance chart among the Asia-Pacific nations. Only the 'mature' economies of Australia and Korea are ahead of India.

"PPP development in India has been driven by strong political will and advancement in public capacity and processes," said the 2011 Infrascope report, which was prepared by the Economist Intelligence Unit.

The report, however, says India lacks a cohesive regulatory framework to unify the national and state-level structures. This

A Timely Boost For India's PPP Drive

Readiness and capacity to implement and sustain infra PPPs



*Country outside the Asia Pacific **State sub component

SOURCE: 2011 Infrascope - ADB - Economist Intelligence Unit Study

leads to uneven regional performance across the country.

The report gave scores on a scale of 100. The higher the score, the more mature the country is to implement infrastructure projects in a PPP mode. Australia got the highest score of 92.3, followed by Korea (71.3), India (64.8) and Japan (63.7). China managed a score of 49.8.

On the basis of the scores, the countries

have been divided into 4 categories—nascent, emerging, developed and mature.

India has been placed in the 'developed' category with the likes of Korea, Japan, Brazil, and Chile.

China, Pakistan, Bangladesh and Thailand were tagged as 'emerging' while Australia and United Kingdom were classified as 'mature'. China, which has traditionally bettered India in terms of infrastructure in-

vestment and completion of projects, despite topping in implementation fell behind because of its underdeveloped institutional framework and regulatory environment.

India has also surprisingly performed well in enhancing its operational maturity, or the ability to implement infrastructure projects. While India is behind China in operational maturity, it is ahead of the rest of the countries in Asia-Pacific.

With 614 projects in water, electricity and transportation reaching financial closure between 2000 and 2009, China has the highest number of PPP projects, followed by India with 261 projects.

"Government agencies in India have a relatively high level of proficiency in PPP projects, particularly with regard to monitoring of construction," the report said.

While it counting skill shortage as a major hindrance to implementation of infrastructure projects in India, the report batted for the controversial Model Concession Agreements (MCA).

"While there is still no evolved framework, risk allocation has been improving since the introduction of MCA," the report observed. The report adds that middle-income countries, such as India, have utilised technical and financial support of multilateral agencies, including ADB and World Bank, for the development of public sector expertise.

India's high score was primarily due to the efforts taken by the government to put in place a good legal and regulatory framework for PPP projects, giving India an edge over China and Japan.

Australia and UK are benchmark countries. Both have developed investment, financing & regulatory mechanisms

Korea, India & Japan are top performing countries in Asia

Asian countries show growing appetite for PPP infra projects

Asian countries reforming bidding and procurement processes to speed infra projects

Weak implementation and political distortions remain threats to PPPs