

**GOVERNMENT OF INDIA
URBAN DEVELOPMENT
LOK SABHA**

STARRED QUESTION NO:199
ANSWERED ON:27.03.2012
URBAN INFRASTRUCTURE DEVELOPMENT
Tanwar Shri Ashok;Vishwanath Shri katti Ramesh

Will the Minister of URBAN DEVELOPMENT be pleased to state:

- (a) whether the Government has identified the constraints in promoting Public Private Partnership (PPP) for infrastructure development in the urban sector;
- (b) if so, the details thereof and the action by the Government to overcome the same;
- (c) the details of the ongoing PPP projects alongwith the nature of infrastructure development involved therein, State-wise; and;
- (d) the details of the foreign direct investment inflow for urban infrastructure development during the last one year, State-wise and sector-wise?

Answer

MINISTER OF URBAN DEVELOPMENT (SHRI KAMAL NATH)

(a) to (d) : A Statement is laid on the Table of the Sabha.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 199 FOR 27.03.2012 REGARDING URBAN INFRASTRUCTURE DEVELOPMENT

(a) Yes Madam.

(b) The constraints in increasing the number of PPP projects in the urban infrastructure sector include the following:-

(i) Most of the urban sector investments involve third tier of governments, which increase the perceived risks for private sector investments.

(ii) Historically, water supply and sanitation services have been seen as "public goods" that need to be provided at affordable prices (meaning nominal low costs). The low water and sewerage tariffs make water supply and sewerage projects non-bankable.

(iii) Except for a minority of municipalities, the general financial status of most municipalities is precarious.

(iv) lack of precise data especially in the case of water distribution, where poor records of network layout and conditions constrain project development

(v) poor risk sharing models and unrealistic performance expectations which lead to reluctance on the part of the private sector. Proper structuring of a project where the commercial and political risks are appropriately allocated to parties which can bear the identified risks most efficiently is necessary.

(vi) lack of objective prequalification norms

(vii) inadequate operators with operational experience

(viii) poor quality of contracts,

(ix) the lack of adequate capacity for structuring of PPP projects etc.

(c) Urban infrastructure is a State subject and by virtue of the 74th Constitutional amendment, most of the subjects have been further devolved to the urban local bodies. Accordingly, the cities are free to enter into PPP arrangements. The list of PPP projects which are supported through grant funding under the JNNURM are at Annexure (I). Four metro rail projects have been awarded on PPP-BOT namely, Mumbai Metro Rail Line-I, Mumbai Metro Rail Line-II, Hyderabad Metro Line and Delhi Airport Express Line.

(d) Annexures II & III giving details of Region-wise and sector-wise FDI equity inflows from April 2010 to January 2012 respectively have been obtained from the Department of Industrial Policy and Promotion which is the nodal Department for Foreign Direct Investment. However, the data for the urban infrastructure sector is not maintained separately.

