

Channelization of Potential Private Investment for Infrastructure Development in Orissa: A Public Private Partnership Approach

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Orissa continues to be the poorest amid all major states of India with 40% of the state's population living below the poverty line. According to the Economic Survey for 2007-08, rural poverty in the state is one of the highest with a large segment of the scheduled tribe and caste population in western and southern Orissa still living in a shaky state, with a very stumpy financially viable stand. However, the survey demonstrates that recognized undiversified economy, low investment and recurrent natural calamities are the foremost grounds for the state's stunted economy and sluggish economic growth. Since infrastructure is the first step of the development ladder, investment on infrastructure is to be prioritized. While public investment of the state has been unable to cater to the needs, the private investment in the state is not adequate to abridge the gap and further private investors of the state are very much skeptical about their security. Therefore, a Public Private Partnership (PPP) approach is a must in this regard. Although the state government did make a noteworthy policy move to persuade private sector investment, the process of industrialization continues to dawdle. Thus, a rigor is necessary to explore and tap all possible sources of private investment, extending conducive atmosphere to the investors. Therefore, this paper focuses on the channelization of potential investment for infrastructure development in Orissa through PPP.

Introduction

According to the Economic Survey (2007-08), the per capita income of Orissa, in 1993-94, stood at Rs. 5,747 aligned with the national average of Rs. 11,013. The average monthly per capita consumer outlay was Rs. 399 in rural areas and Rs. 757 in urban areas, compared to Rs. 558 and Rs. 1,052 at the national level, respectively. These figures clearly show how poor Orissa is, with 40% of the state's population living below the poverty line. In fact, incidence of poverty has created vicious circles of poverty in the state. To break

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these circles, soaring rate of capital formation through greater volume of investment is a must. But being a poor state, it has very low propensity to save and invest and those who have the potential to invest are very shy owing to risk involved in it. As such the government of the state is not financially proficient to cater to all infrastructure needs of the citizens. Therefore, the government has to encourage potential domestic and alien investors by initiating the habit of investing in socio-physical infrastructure. This joint maneuver of both public and private parties in development of infrastructure and services is termed as Public Private Partnership (PPP), which is the buzz word of the present development process.

On the front of catching the attention of foreign investors, Orissa has been the one among the leader states of India but in case of investment from Canada, the performance is much lesser than the potential. At present, at least 100 Canadian companies are doing business in India. But only five or six companies are on the go in Orissa. Therefore, the state has to extend support so that further Canadian companies could invest money in the state. Thus, after Arcelor-Mittal and POSCO, it's now Canada's turn to walk around investment opportunities in Orissa. The state has been a preferred investment destination for several businesses for long time. The state has got massive prospective in the field of metallurgy and mining, agro-food processing, cement, iron, steel and ferro-alloys, fisheries, tourism, and many more. The sectors that attract the investors from around the globe are: (1) Energy and Power; and (2) Infrastructure. The targeted activities under Energy and Power are: (a) Generation, Transmission and Distribution; and (b) Exploration, Mining and Refinery. Under Infrastructure, the targeted areas are: (1) Information and Communication; and (2) Transport and Roads, and Housing. The state has been established as a favorite destination for investment and the substantial fact behind this claim is strong inflow of investment to the state in the recent past. The industries that make Orissa a favorite destination are steel, aluminum, telecom and IT. The state has 45 projects in steel industry with an annual capacity over 56 MT and four new projects in the aluminum industry with an annual capacity of more than 4 MT.

The area of construction—road infrastructure, housing projects and commercial complexes—has seen utmost inflow. Orissa has also been engrossed in one titanium project with an investment of \$250 mn. Some of the foremost investors in the metal sector comprise players such as POSCO, Arcelor-Mittal, Tata Steel, Bhusan Group, Jindal Group, Essar Steel, Hindalco, Vedanta, Aditya Aluminum, L&T-Dubal, etc. The Singapore Indian Chamber of Commerce & Industry (SICCI) has also conducted workshops and seminars on investment opportunities in Orissa highlighting the areas like education, tourism, trading of metals, and handicrafts/cottage industries.

Limited resources of the State government do not permit to fulfill the public demands for qualitative and quantitative improvement in providing basic physical and social infrastructure to the people. Since the private sector is better equipped nowadays in terms of finance, human resources and managerial capabilities, etc., public infrastructure with private participation is a welcome step for the development of the infrastructure and the service sectors. For infrastructure services such as highways, airports, ports, etc.

PPP has been the ideal means of construction and operation in the state. It enables the government to transfer construction and commercial risks to the private sector, which is best suited to manage them. PPPs can be undertaken through a range of alternative modes such as Build Operate and Transfer (BOT), Build Own Operate and Transfer (BOOT), Build Own and Operate (BOO), Build and Transfer (BT), Build Lease and Transfer (BLT) and Lease Management Agreement (LMA). In order to coordinate the PPP activities in the state, a PPP Cell has been set up under the Planning and Co-ordination Department. Provision of better infrastructure in optimal cost has been the punch line of the PPP mode. The factors required for materialization of this punch line are leveraging the funds of the State and Central governments, supporting private investment, creating beneficial environment to exploit the efficiencies, innovativeness and elasticity of the private sector. All these factors are very well present in the PPP mode of the infrastructure project.

In spite of being the poorest state of the country, no one will doubt on the statement related to the performance of the state that Orissa is a fast growing state in India. A recent study on the economy of Orissa substantiates this statement. Along with this, in terms of investment and envisaged projects, the state has come out as the number one state in the country. With the volume of envisaged projects in Orissa worth Rs. 599,181 cr, the state is far ahead of many developed states of India like, Maharashtra and Gujarat. Again in terms of project execution, Orissa also tops the directory. The areas responsible for these accomplishments of the state are mining, airport and port development, energy, steel, railway and tourism sectors. As a result of rushing of investors to the state, the per capita investment records have climbed over the last five years. By the end of December 2007, the state's per capita investment has reached Rs. 78,569 as against the national average of Rs. 22,669. Thus in this front, the performance of the state is more than three times of the national average performance.

The objective of this paper is to focus on infrastructure development of the state through PPP modes. The benefits generated through this path has been substantiated both by primary and secondary data. While the secondary data provides the different projects under this mode and the overall transformation of the state economy through this, the primary data exhibits the people's perception and feelings about this PPP mode. For knowing people's perception about PPP, the help of Vending Zones in Bhubaneswar (the capital of the state)—a bright example of a success story of PPP in a different name of Progress Through Partnership (PTP) has been taken in this study. The paper highlights the investment opportunities in Orissa in order to reveal the potential of the state to accommodate projects under PPP mode, the performance of the state in floating projects under PPP mode has also been incorporated in the paper. It also pinpoints the achievements of the state capital Bhubaneswar in channelizing potential private investment by way of 'Prayas', a series of ventures undertaken in PPP mode by the Bhubaneswar Municipality Corporation (BMC). The paper also looks at the Legal Framework for PPP Projects, in line with which all PPP projects get conceived and become operational leading to a logical conclusion. Finally, it presents the conclusion.

Investment Opportunities in Orissa

One can think of infrastructure development through PPP mode only if the concerned region has the opportunities to do so. Therefore, assessing the opportunities available for investment in Orissa is a prerequisite for analyzing PPP approach. Orissa's natural gifts are the most important catalyst for investment. Natural resources like minerals, marine, forest and agricultural land, with 480 km long coastlines along the Bay of Bengal have made the state distinct from other states of the country and have made the state rich and attractive from the investment perspective. A number of large, medium and small scale ventures in steel, aluminum, chrome, power, textile, handicraft and a flock of other sectors have strengthened the industrial base of the state substantially. As the state is primarily an agricultural one with maximum negligence to farmers in terms of the reward to their labor, the state has been focusing on agro processing units. Along with this, electronics and software, aluminum industries, gems and jewelry, automobile, basic drugs and pharmaceuticals, petrochemicals and export-oriented units are also prioritized in order to tap all possible opportunities. Besides, handicrafts and artifacts, two unique feathers on Orissa's cap, also invite the investors towards them.

Being well connected by all modern means of transport—surface, air and water—is a prerequisite for any place to be designated as a favored destination for investment. For national and overseas investment in the export-oriented industries, the state has fabulous opportunities. The state, with more than 22,364 km of rail route and 55,000 km of roadways, affords connection to the diverse strategic spots. Loads of trained and semi-trained human resources at a competitive price, in a milieu of peaceful industrial relation and optimistic work ethnicity, tender favorable openings for industrial expansion. Presence of many reputed Engineering colleges, Polytechnics and Management institutes in the State itself speaks a lot about the availability of qualified people and a rich human resources base for rapid industrialization of the State.

The United Nations Industrial Development Organization (UNIDO) has conducted Investor Survey (IS) (2008) considering 309 establishments across 14 districts from micro, small to large industrial units, as per which 93% of them have responded and expressed satisfaction with the facilities available in the state of Orissa. Maharashtra leads the table with 94% satisfaction level aligned with the national average of 76%. Among the total establishments surveyed, 95% showed their interest in one way or other. While 52% were keen to definitely continue their business in the state, 43% showed their willingness in a probabilistic way. Similarly, in the context of expansion plans, while 30% of the establishments responded positively showing their interest for definite expansion plans, 36% gave a positive probabilistic response. While the establishments were asked whether they would recommend Orissa as an investment destination to business associates, interestingly, 62% of them gave a positive response. It clearly suggests how attractive Orissa is for investment. Although it is very difficult to point out exactly the definite factors behind this accomplishment, probably a single window clearance mechanism implemented by the state since 2005 has been the important motivating factor behind this. Table 1 shows the investment opportunities in the districts in Orissa.

District	Industries
Angul	Mining and mineral-based industries, aluminium, coal mines, power generation and fertilizers. SSIs in engineering units, fly ash bricks and grinding.
Bolangir	Mining and mineral-based industries. SSIs in agriculture-based industries and engineering.
Balasore	Alloys, paper mills, tourism, fishing.
Bargarh	Mining, cement, fisheries, animal husbandry, SSIs in engineering, glass and ceramics, paper products, rice mills and agro-based products.
Boudh	Mining, textiles, SSIs in agro-based products and textiles.
Cuttack	Paper mills, textile and steel industries, handicraft and cottage industries (silver filigree, brass and metal works, stone carving, cane and bamboo products among others), food-processing.
Deogarh	Coal industries at Talcher, power generation, steel and food-based industries.
Dhenkanal	Tourism, timber-based industries, bamboo works, refectories and asbestos industries.
Gajapati	Fisheries, horticulture, SSIs in agro-based industries, engineering and metal works.
Ganjam	Chemicals, sugar, textiles, SSIs in food-based products, glass and ceramics, textiles.
Jagatsinghapur	Shipping, food processing, manufacturing, repairing and fisheries.
Jajpur	Mining, food-based industries.
Jharsuguda	Steel and related industries.
Kalahandi	Mining, sugar mill, cotton mill, oil seed-based industry.
Kandhamal	Food-based industries, graphite industry, forest-based products.
Kendrapara	Food-based industries.

Source: www.orissa.gov.in

Key Industry Areas

- Agriculture
- Forest-based Industry
- Minerals (Ferro Alloy, Aluminum)
- Cement
- Paper
- Sugar

- Fertilizer
- Iron and Steel
- Handloom
- Information Technology
- Power
- Tourism

Iron, Steel and Ferro Alloy Industry

Orissa is one of the principal producers of iron and steel in India. The state accounts for about 32.9% of all the iron ore deposits in the country. This makes Orissa the beloved destination for scores of domestic as well as international players to set up their iron and steel plants. The state has enormous reserves of other minerals, such as coal, dolomite and limestone, which are a requisite for the industry. Besides, prolific water resources, surplus power accessibility, high quality connectivity through all means of transportation, have made Orissa the center of attraction from the investors' point of view.

Aluminum Industry

Bauxite is a prerequisite for aluminum and aluminum-based industries. As 50% of the bauxite reserves of India are in Orissa, the state has been the first option for the investors interested in setting up aluminum and aluminum-based industries. Again, the supportive facilities for aluminum industry like water and power supply are also very encouraging in the state. With all these, anyone can with surety rate Orissa as the best option for the potential investors in this line.

Small Scale Industries and Cottage Industries

The small scale industries in Orissa have a good deal of business budding. The industry is exemplified by attributes, such as high export promotion prospects, high value addition, low capital investment requirement and low gestation period. Orissa's handicraft sector has its own unique identity world wide. To encourage exporters, enlarge marketing opportunities, introduce new design and technology and strengthen the production base in the handicrafts sector, the Orissa State Co-operative Handicrafts Corporation has been in operation and has been offering investment opportunities to potential investors.

Agro-Based Industry

As rice, pulses, oil seeds, vegetables, groundnut, cotton, jute, coconut, spices, potato and fruits are the prime agriculture products produced in Orissa, the scope for agro-based industries, such as cattle poultry, coconut oil, cotton oil, dal milling, dehydration of vegetables, edible oil milling, maize milling, mushroom cultivation, non-edible oils, potato chips, rice milling, sugar mills and many more, is great. In coconut cultivation, Orissa is not lagging behind. Coconut cultivation over an area of more than 50,000 hectares provides remarkable opportunities for the state to go for agro-based industries routed through coconut.

The development of agro-based industries is not a singular accomplishment. It has some positive side effect as it acts as a boost to industries like fertilizers.

Mining Industry

Orissa is designated as a rich state in the country for its mineral resources. The facts behind this claim are the percentage of different mineral resources the state accounts for of the country's reserves. As the state has 98% of chromite, 95% of nickel, 50% of bauxite, 32% of iron ore and 24% of coal of India's reserve, it has plenty of opportunities for the potential investors in the mining industry (Table 2). Manganese, lime stone dolomite, graphite, decorative stones, beach sand, china clay, tin ore, etc., are other important minerals that the state has in its kitty. An area of more than 6,000 sq. km of mineral belt in the state is really the focal point of attraction for the investors, as that can be easily tapped for optimal use.

Mineral	Percentage of National Reserves
Iron Ore	32.9%
Bauxite	50.0%
Nickel	95.0%
Chromite	98.0%
Coal	24.0%

Source: Economic Survey (2007-08), Government of Orissa

IT/ITES and Electronic Industries

There has been a considerable growth and development of the IT, IT enabled services and electronics industries in the state of Orissa in recent years. In the growth of software exports, the state's performance is much higher than that of the national average. While the growth of software exports for India as a whole, i.e., the national average was only 28% in 2006-07, it was 58%, i.e., more than the double of the national average in Orissa for the same financial year. As Orissa produces 20,000 Bachelor of Technology and MCA graduates every year, it has enormous endowment to meet the requirements of this industry. With all this potential with the state, it has set the target of exporting software of \$1 bn by 2011-12. Although the state has all facilitating factors, both central and peripheral for IT development, the IT sector in the state is dominated by small and medium enterprises with a total number of more than 300 units.

State's Infrastructure Development in PPP Mode

Creation of public infrastructure is crucial for development process but poor countries/states struggle for arranging fund for the same. So it can be a possibility only if the private investors are used for the purpose by providing a very transparent and conducive policy framework. PPP is such a mode which helps in construction and operation of infrastructure services in a win-win situation. The noteworthy benefit of PPP is that it magnetizes private capital in conception of public infrastructure and in augmenting competence in the terms of services to the users. The state of Orissa is not an exception in popularizing PPP. As rapid economic development is a must for the state of Orissa for reducing the incidence of poverty, high quality physical and social infrastructure are required for the purpose.

So the Government of Orissa has been proactive in advocating PPP mode in order to persuade larger private sector contribution in infrastructure projects. With a view to provide comprehensive policy and regulatory framework and guidelines for attracting and facilitating private sector participation in infrastructure development, a Policy for "Facilitating PPP for Infrastructure Development in the State of Orissa" has been floated. A dedicated Cell under Planning & Co-ordination Department has been setup to facilitate development of projects in PPP format.

Infrastructure Development Corporation (IDCO) has also established a Project Development & Promotion Partnership (PDPP) with IL&FS with a revolving Project Development Fund to develop select projects in key areas.

Procedure for PPP

The entrepreneurs are to first get in touch with promotional agencies such as Industrial Promotion & Investment Corporation of Orissa Ltd., Agriculture Promotion & Investment Corporation of Orissa Ltd., Orissa Electronics Development Corporation Ltd., etc., in conjunction with project report and settle the site taking into account project requirements.

The basic responsibility of IDCO, as the premier body for infrastructure development in the state, is providing assistance in: i) Detection of project site; and ii) Compilation of plan and schedule of land from the revenue authorities. Site selection is a very crucial task as a wrong selection may lead to wastage or misuse of resources and agitation from people's side. Therefore, while selecting project sites, IDCO takes care of certain important things like, to keep away from forest, communal, irrigated and homestead land to an extent that is possible. In fact, it gives preference to government land. IDCO kicks off the procedure of land alienation (for government land) and acquisition (for private land) as soon as the entrepreneur submits the application along with plan/schedule of preferred land and approval of the promotional agency. While for land alienation, application is filed with the concerned tahasildar, for acquisition, application is submitted to the collector of the concerned district. The State government has authorized the collectors to alienate any quantum of government land to IDCO without making any reference to higher revenue authorities. Being a statutory corporation of the government, IDCO makes use of the emergency provisions of Land Acquisition Act for the acquisition of private land. At the time of filling alienation/acquisition proposals, the entrepreneurs are mandated to create a deposit of token amount (roughly 10% of estimated cost) with IDCO. As the alienation or acquisition is concluded by the district administration, the balance amount is paid. For the government land, the cost is charged as per the rates notified in industrial policy. However, for the services rendered by IDCO in the process of obtaining the land, the entrepreneurs pay service charges at 10% of land cost. Thus, the entrepreneurs are to pay both land cost and service charges. Only after depositing the entire amount, the alienated/acquired land is first transferred in favor of IDCO and later in favor of the entrepreneur through appropriate lease accord.

Table 3 exhibits details of the PPP projects undertaken in the state as on February 1, 2007, out of which some are under implementation and others are under consideration. Besides,

Table 3: PPP Projects Being Undertaken in Orissa (As on February 01, 2007)

S. No.	Project Name	Department/ Agency	Estimated Cost (in Rs. cr)	Structure (DGO/ BOT, etc.)	Mode of Award (ICB/ Domestic Tender/ Negotiated)	Period of Contract Concession	Remarks, if any
Under Implementation:							
1.	Palaspanga-Bamebari Road Length - 28 km	Public Works Department	68.00	BOT	Negotiated	15 Years	<ul style="list-style-type: none"> Being implemented through SPV (KIDCO) with mining companies and industries who are major users of the road. Work started. Part funding of the project cost through loan by stakeholders. Cost recovery through tolling of vehicles. SPV to look after maintenance of the road.
2.	Haridaspur-Paradip Rail Link Length - 78 km	Commerce Department	594.34				<ul style="list-style-type: none"> Project being undertaken jointly with Rail Vikas Nigam Ltd., and user Industries. Shareholders agreement has been signed on 11/10/2006 between RVNL, IDCO, PPT, EMIL, RML, JSPL, SAIL, POSCO & MSPL.
3.	Dhamra Port	Commerce Department	2,400.00			34 Years	<ul style="list-style-type: none"> Concession Agreement with ISP Ltd., on April 02, 1998.

Table 3 (Cont.)

S. No.	Project Name	Department/ Agency	Estimated Cost (in Rs. cr)	Structure (DGO/ BOT, etc.)	Mode of Award (ICB/ Domestic Tender/ Negotiated)	Period of Contract Concession	Remarks, if any
Under Implementation							
							<ul style="list-style-type: none"> Shareholders agreement (50:50) between L&T and TISCO signed on October 29, 2004. Land acquisition made for Port site 875.72 acres and for Rail Link 1134.37 acres.
4.	Gopalpur Port	Commerce Department	720.00			34 Years	Concession Agreement signed on 14.09.06 with consortium led by M/s. OSL., Sara International Ltd. and Noble Group.
5.	International Convention Center, Bhubaneswar	Tourism/IDCO	44.00	BOOT	ICB		<ul style="list-style-type: none"> 26 acres of land earmarked. 28 Firms have submitted EOIs. RFP to be designed after land is transferred to IDCO.
6.	INFO Park	IT/IDCO	500.00	BOOT	ICB	70 Years	<ul style="list-style-type: none"> 4.2 million built-up space over 54 acres land to be developed as state-of-the-art IT Park at BBSR. Lease-cum-Development agreement signed on November 10, 2006.

Table 3 (Cont.)

S. No.	Project Name	Department/ Agency	Estimated Cost (in Rs. cr)	Structure (DGO/ BOT, etc.)	Mode of Award (ICB/ Domestic Tender/ Negotiated)	Period of Contract Concession	Remarks, if any
Under Implementation							
							<ul style="list-style-type: none"> Project with clear mandate and milestones. Minimum 60% IT spare. First milestone of 4 lakh sq. ft of IT space to be achieved within 24 months. In principle approval for SEZ obtained.
7.	IT and Corporate Tower	IT/IDCO	146.00	BOOT	ICB	75 Years	<ul style="list-style-type: none"> To be built on 5.47 acres of land in institutional zone in a prime location in Bhubaneswar. Being planned as a Signature Building. RFP under preparation.
8.	Sector Specific SEZ-IT/TES (Knowledge Park) at Gaudakashipur, Bhubaneswar	IT/IDCO	35.67	JV	ICB		<ul style="list-style-type: none"> 10 Firms have submitted EOIs. Land under the process of transfer. Next stage of bidding process to be taken-up after transfer of land.
9.	Sector Specific	IT/IDCO	352.03	JV	ICB		<ul style="list-style-type: none"> 11 Firms have submitted EOIs. Land is under the

Table 3 (Cont.)

S. No.	Project Name	Department/ Agency	Estimated Cost (in Rs. cr)	Structure (DGO/ BOT, etc.)	Mode of Award (ICB/ Domestic Tender/ Negotiated)	Period of Contract Concession	Remarks, if any
Under Implementation							
	SEZ-IT/TES (BPO), Mancheswar, Bhubaneswar						process of transfer. Next stage of bidding process to be taken-up after transfer of land.
10.	IT and Commercial Complex at Rourkela	IT/IDCO	76.06	BOOT	ICB	70 Years	<ul style="list-style-type: none"> 4.7 acres land available owned by IDCO. Short listing of 5 bidders through RFQ already made. RFP document under preparation. SLSWCA has approved the project with value of land as the bidding parameter.
11.	IT and Commercial Complex at Berhampur	IT/IDCO		BOOT	ICB	70 Years	Short listing of 4 bidders through RFQ already made. Land under transfer to IDCO. RFP to be issued after transfer of land. SLSWCA has approved the project with value of land as the bidding parameter.
12.	Sector Specific SEZ-Metallurgical-Based Engineering and	Industry/IDCO	80.6	JV	ICB		9 Firms have submitted EOIs. Land is under the process of transfer. Next stage of bidding

Table 3 (Cont.)

S. No.	Project Name	Department/ Agency	Estimated Cost (n Rs. cr)	Structure (DGO/ BOT, etc.)	Mode of Award (ICB/ Domestic Tender/ Negotiated)	Period of Contract Concession	Remarks, if any
Under Implementation							
	Downstream at Kalinganagar, Jajpur						process to be taken-up after transfer of land. In the meantime SLSWCA has decided to cancel the bidding process as the land is required to be diverted for other purposes.
Under Consideration							
1.	Capital Region Ring Road Length – 98 km	Public Works Department	700.00				<ul style="list-style-type: none"> • ISR submitted by IL&FS IDC is under scrutiny.
2.	Bhubaneswar-Paradip Road Length – 90 km	Public Works Department	700.00				<ul style="list-style-type: none"> • ISR submitted by IL&FS IDC is under scrutiny.
3.	Suakati-Dubuna Length – 56 km	Public Works Department	112.00				<ul style="list-style-type: none"> • Consultant for pre-feasibility study being appointed. • Existing single lane to be converted to 2 lane with paved shoulder of 1.5 m each on both side.
4.	Tensa-Barsuan-Lahunipada Road Length – 38 km	Public Works Department	35.00				<ul style="list-style-type: none"> • Pre-feasibility study being undertaken/consultant being appointed.

Table 3 (Cont.)

S. No.	Project Name	Department/ Agency	Estimated Cost (in Rs. cr)	Structure (DGO/ BOT, etc.)	Mode of Award (ICB/ Domestic Tender/ Negotiated)	Period of Contract Concession	Remarks, if any
Under Consideration							
							<ul style="list-style-type: none"> • Existing single lane to be converted to 2 lane with paved shoulder of 1.5 m each on both side.
5.	Four laning of Sambalpur-Rourkela Road from Existing Two Lane Road Length – 165 km	Public Works Department (World Bank Assisted)	495.00				<ul style="list-style-type: none"> • For studying the financial viability, consultants have been short listed. • The study is being undertaken with loan assistance from World Bank.
6.	Joda-Bamebari Length – 18 km	Public Works Department	36.00				<ul style="list-style-type: none"> • For studying the financial viability, consultants have been short listed. • The study is being undertaken with loan assistance from World Bank. • Existing single lane to be converted to 2 lane with paved shoulder of 1.5 m each on both side.
7.	Koira-Rajamunda Road Length – 46 km	Public Works Department	92.00				<ul style="list-style-type: none"> • For studying the financial viability, consultants have been short listed.

Table 3 (Cont.)

S. No.	Project Name	Department/ Agency	Estimated Cost (in Rs. cr)	Structure (DGO/ BOT, etc.)	Mode of Award (ICB/ Domestic Tender/ Negotiated)	Period of Contract Concession	Remarks, if any
Under Consideration							
							<ul style="list-style-type: none"> The study is being undertaken with loan assistance from World Bank. Existing single lane to be converted to 2 lane with paved shoulder of 1.5 m each on both side.
8.	Angul-Duburi – Sukinda Rail Link Length – 90 km	Public Works Department	417.47				Formation of SPV is in progress.
9.	Gunupur-Theruvalli Rail Link Length – 79 km	Public Works Department	151.00				Formation of SPV is in progress.
10.	Bio-Tech Park	IT/IDCO					<ul style="list-style-type: none"> 63.299 acres of land in Andharua has been earmarked. EOI invited.
11.	Sector Specific SEZ-IT/ITES (INFO City), Bhubaneswar	IT/IDCO	35.67				<ul style="list-style-type: none"> Total Land – 82 ha IT majors like WIPRO, TCS, MindTree, Hexaware have agreed to be Anchor Tenant and Co-Developers.

Table 3 (Cont.)

S. No.	Project Name	Department/ Agency	Estimated Cost (in Rs. cr)	Structure (DGO/ BOT, etc.)	Mode of Award (ICB/ Domestic Tender/ Negotiated)	Period of Contract Concession	Remarks, if any
Under Consideration							
							<ul style="list-style-type: none"> Project SPV to be formed after notification of SEZ. 11 acres of prime land. RFQ under finalization by M/s. E&Y.
12.	Integrated Commercial and Residential Complex at Bhubaneswar	H&UD/BDA					<ul style="list-style-type: none"> Commercial and Housing Project in joint venture mode between Bhubaneswar Municipal Corpn. and Bhawani Construction, the private partner has been undertaken. The builder shall have the ownership of 70% and BMC would get 30% of the built up area. The project will be completed within 3 years.
13.	Sahidnagar Enclave, Bhubaneswar	H&UD/BMC					<ul style="list-style-type: none"> Commercial and Housing Project in joint venture mode between Bhubaneswar Municipal Corpn. and Bhawani Construction, the private partner has been undertaken. The builder shall have the ownership of 70% and BMC would get 30% of the built up area. The project will be completed within 3 years.
14.	Commercial Shopping Complex at Unit-IV, Bhubaneswar	H&UD/BMC					<ul style="list-style-type: none"> Joint venture project between Bhubaneswar Municipal Corporation and M/s. Panchadeep Construction (Pvt.) Ltd.

Table 3 (Cont.)

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Under Consideration							
15.	A.C. Market Complex at Unit-IV, Bhubaneswar	H&UD/BMC					<ul style="list-style-type: none"> The project has just started. The BMC shall have ownership right over 34.65% of the built up area and the JVP 65.35% subject to condition that any increase or decrease in number of floors or size of floors, the percentage would be 34.65% and 65.35% ratio. Joint Venture Project between BMC and M/s. Keshari Estates Pvt. Ltd. The allocation of share of BMC is 35% and JVP is 65% of built up area.
16.	Multi-Product SEZ at Paradip Marshaghai Tahsil of Kendrapara District	H&UD/BMC	712.00				<ul style="list-style-type: none"> Total land – 1093 ha. EOI to be invited after site is finalized and land acquisition starts. In principle approval for SEZ obtained.

Source: Planning & Co-ordination Department, Government of Orissa, Bhubaneswar

the project that the State government has decided to complete by 2010 is the POSCO roads, i.e., 600 km of highways with the cost of Rs. 4,000 cr, which will afford connectivity for the 12 million ton capacity steel plant in Orissa and that will be put up on BOT model.

Prayas

A Series of Ventures Undertaken in PPP Mode by Bhubaneswar Municipality Corporation

Bhubaneswar, the capital of Orissa, should be one example of what the sum would look like when many smaller parts that actually work are added up. 'Prayas' meaning efforts-attempts-trials, learning and enriching and improving itself all the way, is a synchronized term used to represent a series of ventures undertaken in PPP mode, specifically in PTP mode, by BMC to cater to the needs of all in such a manner that all diverse elements, integral to the city's fabric live in harmony imparting beauty and design to it. Following are the pioneering pillars of Prayas.

Vending Zone

It is the zone that accommodates the poor vendors of the city and enhances the city's look by providing continual livelihood for the poor. The concept of the vending zone was mooted by BMC in December 2006. In December 2006, BMC took the lead and the exercise was started by corporators, Khyudra Vyavasayi Mahasangha (the local federation of vendors) and BMC officials. Presently, there are 30 vending zones with 2,000 vendors in different parts of the city.

Mission Green Drive

The mission that identifies stretches along roads and important squares and assigns those to various institutions for development of green patches and good lighting in order to make Bhubaneswar beautiful and a major tourist attraction. Greening and lighting worth Rs. 5 cr are currently being carried out by various partners with facilitating support of the BMC.

Wall Painting

For beautification of the city, BMC started painting the walls of the city in colorful patterns highlighting Orissa's rich cultural flavor, thereby giving a very festive ambience to the city.

Public Private Partnership Parking (PPPP)

In order to have a win-win situation for both BMC and private players, unemployed youth, NGOs and Trusts have been encouraged to manage parking at busy places in the city. Profits out of the parking fee collection are shared on a 50:50 bases. Eighteen such parking slots are functioning; another six are in the offing and BMC is planning to operationalize another 10 places in PPPP mode.

Besides these, the other activities undertaken by BMC in PPP mode are: colony parks, Nagarbandhu Samman, computerized public grievance redressal system, street lighting,

planned eviction of encroachments, property tax assessment, beautification of market building, Sanitation Kusuma Vatika (Flower Bazaar), modern traffic lights, dustbins, uniform to sweepers, bus shelters and Jalachatra.

Prayas is not only meant for beautification of Bhubaneswar rather more categorically, it is for investment generation, poverty alleviation and discipline imposition. BMC embarked on a series of ventures mentioned above not only to impart a much needed facelift to the city, but also to prove the fact that a good administrative set up is always humane, accommodative and citizen-centric.

The vending zone in Bhubaneswar, the most successful and eye-catching pillar of Prayas, is a bright example of development of infrastructure and services in PPP mode but in a different designation of PTP. The credit of success of vending zones will definitely go to BMC.

By putting all the scattered vendors of the city at one compact place, the vending zone has contributed manifold to the society and economy, some of which are mentioned below.

- Traffic problem has been reduced as the poor vendors are not there to obstruct the public movement.
- Vending zones add to the beautification of the city as they are like mini market places, look very decent and hence become the cause of promoting tourism.
- As poor vendors get a permanent place for their business, without having any threat of eviction, they show their keenness in expanding business without exploiting the consumers much. And thereby they get a permanent livelihood. Thus potential investment of the state gets the right path.
- From consumers' point of view, as they find many sellers of same type at a compact marketplace, they gain their bargaining power and hence they are able to pay a reasonable price.
- Consumers are not going to different places for purchasing their requirements; rather, they are only able to get most of their requirements from a particular place and because the zones are located a little away from the main road, parking of vehicles is also not a problem now.
- Vending zones have created competitiveness among the sellers and hence assurance of quality products is also there for the consumers.
- Due to permanency in business, the vendors are getting the same margin even by selling at a lower price, leading to removal of consumer exploitation.
- Vending zones safeguard the walls and public places from the advertisement posters and banners as those are used as the place of advertisements, leading to some revenue to the BMC and associates.

The points mentioned above are not an all exhaustive list of benefits garnered from the vending zones. There are lot many to list. However, one thing is very clear from this that

vending zones are points of attraction of the city as those have been the cause of beautification, livelihood for the poor and traffic discipline. Thus, Prayas is truly the life blood of the development process of Bhubaneswar city.

Legal Framework for PPP Projects

As evident from the previous sections, the private sector has a crucial role to play in financing the construction, operation and maintenance of infrastructure and development projects usually financed and carried out by the government. But the private sector is not self motivated in political and economic setups like India. So the government has to insinuate the requisite role of the private sector as the foremost engine for community's growth and development and afford the most suitable enticements to activate private assets for the reason. However, involvement of private sector in this regard requires inducements like financial incentives as provided by law, an environment of least government regulations and actions, and explicit government deeds in support of the private sector. With the aim of providing all these inducements in PPP, varied modes of PPP projects have been operative with a slightly different legal framework.

Build Operate Transfer

It is a form of project financing, in which a private body obtains a concession from the private or public sector to fund, devise, build, and activate facilities stated in the concession contract. In this mode the project proponent will be able to recover its investment, operating and maintenance expenses in the project. The countries that use BOT model for PPP projects are India, Croatia, Japan, China, Malaysia and Philippines. The infrastructure that is created as per this mode, traditionally, gets transferred to the government at the end of the dispensation period. The earnings of the project become the source of loan repayment for the lenders of the project. Under this mode, the credit appraisal of the lenders of the project is based on the project, not on the credit worthiness of the borrowing unit. Again, the security taken by the lenders is mostly restricted to the project assets.

Build Own Operate and Transfer

It is a financial support model that involves a single party or consortium (BOOT provider) designing, building, funding, owning and operating the idea for a definite period of time and then transferring this possession across to an approved party. Under this deal, the developer designs and builds an entire project or facility at no cost to the government or a joint venture partner. The developer owns and manages the facility as a business for a specified period (usually 10 to 30 years) and transfers it to the government or partner at a formerly agreed-upon price or market price.

Build Own and Operate

It is the most delicate of all the forms of PPP because here there's at least, up front, no government participation at all. Under this, all the activities of the project—building, owning and operating—lie with the private sector. It is almost equivalent to the private investment doing for private purpose, with a mere point of distinction that in BOC

projects there is some continuing level of government involvement which is absent in the private investment.

Build and Transfer

This model involves a contractual understanding in which the project promoter takes on the financing and creation of a given infrastructure or development facility and after its conclusion, the promoter turns it over to the concerned government agency or local government unit. The concerned government agency or local government agency, in turn, pays the total investments made on the project, plus a reasonable rate of return thereon to the proponent on an agreed schedule. Infrastructure projects including serious facilities which, for safety or tactical reasons, need to be operated directly by the government are taken care of by this model.

Build Lease and Transfer

Under this model, a project proponent is approved to finance and construct an infrastructure or development facility. As the project gets completed, the proponent turns it over to the concerned government agency or local government unit on a lease arrangement for a fixed period. After the lease period, the ownership of the facility gets automatically transferred to the concerned government agency or local government unit.

Lease Management Agreement

An agreement whereby the state government, the government agency or the specified agency lets out a project owned by the state government, the government agency, or, as the case may be, the specified government agency to the person who is permitted to operate and continue the project for the period specified in the accord.

As a part of PPP in infrastructure development, BOOT and BOLT and BOT projects are playing a vital role in the world and India too.

Amongst all the arrangements mentioned above, projects under BOOT form are successfully implemented in many countries. India and specifically Orissa is not an exception to it. The detailed structure of the PPP projects in Orissa is depicted in Table 3.

Conclusion

Infrastructure is decisive in determining the size of a community's economic growth and thus its standard of living. Providing adequate and sustainable infrastructure for a state like Orissa—both now and in the future—is one of the major challenges facing the region. In spite of all the efforts for popularizing the PPP mode in order to strengthen the infrastructure development projects, there have been large financing gaps between the funding required for infrastructure projects in the state and the funding presently accessible. This gap is to be bridged to pull out Orissa from the low level of equilibrium trap leading to massive poverty. Cooperation from all fronts—public, private, bilateral, regional and multilateral is a must for meeting the aforesaid financing gap. However, private

sector participation in infrastructure development does not entail a condensed responsibility for government.

The credit of achieving the strongest fiscal turnaround among all Indian states during 2000-06 by lifting nearly 3 million people from the state out of poverty should, to some extent, go to the successful channelization of private investment through proper implementation of PPP projects. Further, the state overcame a deficit of 5.9% of Gross State Domestic Product (GSDP) to reach a surplus of 2.8%—a correction by 8.7%. This achievement of the state is no accident, but is a result of the effective implementation of appropriate macroeconomic policies and ongoing structural reform across the economy—in the labor market, taxation, telecommunications, and so on. Governmental efforts in sectors like energy, water and transport to offer suitable regulatory frameworks and an atmosphere that prop up infrastructure investment also count a lot for the present infrastructure development in the state. In order to consolidate the gains of its fiscal turnaround, the state has to divert more public resources towards infrastructure development so that varied serious challenges can be easily addressed. Along with this, in order to speed up the pace of development, the government has to set free the potential of agriculture, fishery and forestry, on which most of the poor people depend. Besides, large amount of private participation via governmental support and initiation in all these areas will definitely add value in achieving integrated objective of the state.

Although the state has achieved a lot in the front of channelization of potential private investment for infrastructure development through PPP mode, yet there is a long way to go, as only a small fraction of the potential of the state has been tapped. The accomplishment of the infrastructure project is solely based on the stakeholder's outlook. The success of any PPP project depends upon the stakeholders' attitude, because their involvement in the form of paying user charges honestly will help the project companies to recover the project price and that will motivate further private investors to go for new and bigger projects. If the beneficiaries do not comprehend their competence in such projects, it would be a 'sick and seed' for the grooming new BOOT projects in India for developing the infrastructure. Many BOOT projects in India are stressed to find a comfortable explanation in mitigating the commercial risk. The most feasible modus operandi of mitigating the commercial risk is creating the ownership among the beneficiaries. As a result, the beneficiaries will be enthused to give the 'user charge' willingly. However, in the context of recovering the project price, the project companies have to give due importance to the stakeholders' interest. Along with Benefit Cost Ratio (BCR) and Internal Rate of Return (IRR), the project companies have to see the affordability of the beneficiaries too, while analyzing how to recover the project price. The PPP infrastructure projects should be vigilant about the public accountability over the projects. The public should also hold the ownership both in carrying out the projects and settling the project price. It will encourage more companies to come onward to take on the infrastructure projects in Orissa. The objective behind this idea is that the stakeholders (beneficiaries) will become the equityholders (owners) of such infrastructure projects.

For any infrastructure project, the basic factor required is land and because of non-availability of sufficient government land, sometimes, the private lands are used for the purpose. For various projects like POSCO, Tata, Vedanta University, and various rail and road projects, etc., several land acquisitions are going on in Orissa. Many other cases of this sort may come in future as the state is encouraging PPP projects as per its requirements. In the context of land acquisition, in a conservative society like Orissa, because of undue and unproductive attachment to land, public resentment rushes into the picture. So to deal with the delicate issue of handling the sentiments of innocent people, there should be proper compensation package for the land owners in order to nullify agitation. Therefore, the state lands into a dilemma: whether to give value to the sentiment of people at the cost of development or to go for development at the cost of people's sentiment. The best way for the state is to strike a balance between these two extremes. It should not sacrifice the project as it involves ample direct and indirect benefits and at the same time, it should give value to the sentiments of the people by convincing them through a proper displacement policy framework, which will carry heaps of compensation for those who are to lose the land for the project. ☐

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