

ASSOCHAM

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STUDY

**“States PPP Projects – a Rs 2,00,000 crore
Stimulus”**

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Prepared by

Gaurav Sharma

Assocham Research Bureau

INTRODUCTION:

Public-Private Partnership (PPP) projects have played a strategic role in economic prosperity of India. As a mix of mutually beneficial arrangements, PPP model contain incentives for the public and private sector partners to achieve the optimal allocation of the risks associated with the provision of public services.

PPP projects also allow the public sector to focus on delivering the core service or capability it is required to provide. The private sector partner is responsible for supplying the supporting infrastructure and services.

In these difficult times of economic slowdown, effective implementation of State-level PPP projects totaling close to Rs 2,00,000 crore holds the key to jolt the below par GDP growth rate in the near term while the government also needs to ensure that the pipelined projects do not face political hurdles.

The State PPP infrastructure projects mainly in roads, real estate, power, ports and transport has a potential to unleash higher growth rate in Gross State Domestic Product (GSDP) in a phased manner if the investment outlays are utilized and implemented effectively.

PARAMETERS:

Analysis of State PPP Projects in terms of:

- i. Sectors
- ii. Status
- iii. States

DATA SOURCE:

Dept. of Economic Affairs, Ministry of Finance

METHODOLOGY:

I. Sectoral comparison of State level Public-Private Partnership (PPP) Projects has been done for the following parameters:

- i. EPC: Estimated Project Cost
- ii. Status
- iii. States

II. State-level PPP projects have been analyzed under different status, such as:

- i. Bidding
- ii. Ongoing
- iii. Operational
- iv. Under Construction
- v. Pipeline

EXECUTIVE SUMMARY

- The State PPP projects totalling close to a whopping Rs 2 lakh crore in the infrastructure sector would arrest the free fall in GDP growth rate in FY 2009-10 as projects under construction and pipeline projects would stimulate industrial growth, boost up job creation and speed up economic recovery.
- The State infrastructure projects mainly in roads, real estate, power, ports and transport has a potential to unleash higher growth rate in Gross State Domestic Product (GSDP) in a phased manner if the investment outlays are utilized and implemented effectively.
- The State PPP projects under construction and in pipeline for infrastructure sector totaling to Rs 1,33,604.12 crores would fuel high growth rates in GSDP that would resultantly trickle down into robust growth of Indian GDP in FY 2009-10.
- Effective implementation of projects under construction totaling to Rs 51,604.83 crore holds the key to jolt the below par GDP growth rate in the near term while the government also needs to ensure that the pipelined projects do not face political hurdles and projects worth nearly Rs 82,000 crore gets rolled into the under construction mode smoothly.
- Policy measures announced by the Government and RBI require expeditious action in implementation of measures to apply brakes to fast decelerating economic growth.
- The thrust area to bolster the Gross State Domestic Product (GSDP) lies with the swift pace in implementation of under construction and pipeline projects. The State PPP projects under these two segment totalling Rs 1,33,625.22 crores can prove out to be a real advantage for India to achieve a healthy growth rate in GDP for FY 2009-10.
- Among others, PPP projects under bidding process - Rs 45,176.13 crores, Operational projects - Rs 13,136.36 crores and Ongoing projects worth Rs 500 crores would also add significantly to the GDP growth rate.

States Public Private Partnership (PPP) Projects - a Rs 2,00,000 Crore Stimulus: ASSOCHAM

The State PPP projects totalling close to a whopping Rs 2 lakh crore in the infrastructure sector are likely to arrest the free fall in GDP growth rate in FY 2009-10 as projects under construction and pipeline projects would stimulate industrial growth, boost up job creation and speed up economic recovery, according to an Assocham Eco Pulse Study.

The AEP Study titled “**States PPP Projects: a Rs 2,00,000 Crore Stimulus**” stated, the State PPP infrastructure projects mainly in roads, real estate, power, ports and transport have tremendous potential to unleash higher growth rate in Gross State Domestic Product (GSDP) in a phased manner if the investment outlays are utilized and implemented effectively.

The Chamber President Mr. Sajjan Jindal said, State PPP projects under construction and in pipeline for infrastructure sector totaling to Rs 1,33,625.22 crores would stem a steep downfall in India’s GDP growth rate in FY 2009-10; which is expected to slowdown in FY 2008-09 by a minimum of 200 basis points as against the previous year’s growth rate of 9.0 per cent.

The State PPP infrastructure projects supplemented by the stimulus packages announced by the government are capable of averting a downfall of such severe magnitude in FY 2009-10. If effectively implemented, State level PPP projects could fuel high growth rates in GSDP that would resultantly trickle down into robust growth of Indian GDP, stated the AEP Study.

Effective implementation of projects under construction totaling to Rs 51,604.83 crore holds the key to jolt the below par GDP growth rate in the near term while the government also needs to ensure that the pipelined projects do not face political hurdles and projects worth nearly Rs 82,000 crore gets rolled into the under construction mode smoothly.

“State level PPP infrastructure projects by all means are a significant stimulant for domestic economy. The thrust area to bolster the Gross State Domestic Product (GSDP) lies with the swift pace in implementation of under construction and pipeline projects” said ASSOCHAM President, Mr. Sajjan Jindal.

States have been allowed to borrow more in 2009-10 for investing in infrastructure and help spur employment generation. Accordingly, States would not lose their debt relief facility in 2009-10 even if they were to exceed their fiscal deficit target by upto 0.5 per cent of Gross State Domestic Product (GSDP).

Policy measures announced by the government, including around Rs 5,00,000 lakh crore (in fiscal stimulus) and monetary steps taken by the Reserve Bank to boost liquidity by nearly Rs 4,00,000 crores since the crisis hit India's shore in September 2008, require expeditious action in implementation of measures to apply brakes to fast decelerating economic growth, according to the Chamber.

Announcing further fiscal stimulus in the near term would not only add to the burgeoning fiscal deficit but also agitate the bond market with yield rising to unprecedented levels. Financing the government's fiscal stimulus has already set record high borrowing plans for H1 2009-10 as the Government plans to sell bonds worth Rs 48,000 crore a month in the first quarter and Rs 32,000 crore a month in the second quarter.

STATE LEVEL PPP PROJECTS IN INDIA - WHERE IS GROWTH GOING TO COME FROM?

Out of the total estimated cost of projects amounting to Rs 1,92,437.71 crores, the top five infrastructure sectors, namely, roads, real-estate, power, ports and transport would together contribute more than 83 per cent to the investment outlays.

TOP - 5 INFRASTRUCTURE SEGMENTS			
S.No.	Sector	Estimated Project Cost (in Rs Crore)	% Share (in total)
1	Road	43453.84	22.58
2	Real Estate	42610.52	22.14
3	Power	30922.00	16.07
4	Port	21759.00	11.31
5	Transport	21020.69	10.92
	TOTAL	159766.05	83.02

Source: Dept. of Economic Affairs, Ministry of Finance and Assocham Research Bureau

Road and real estate sector encapsulates a major chunk of infrastructure projects under PPP mode at the States level. The PPP projects in these two segment together adds to more than Rs 86,000 crores. The construction activity in these sectors would also lead to greater job creation.

State PPP power projects amounting to Rs 30,922 crores needs to assume an important role to play in generating higher growth rates in States' GDP. Ensuring greater efficiency in power projects should be given a high priority so as to supplement the government's efforts toward economic recovery.

Ports and the transport infrastructure forms an integral part of a services led economy. Huge investments under the PPP mode must be translated into higher economic efficiency of the States that would resultantly flow into Indian GDP.

UNDER CONSTRUCTION AND PIPELINE PROJECTS HOLDS THE KEY:

TOP - 5 INFRASTRUCTURE SEGMENTS				
<u>Under Construction and Pipeline Projects</u>				
(in Rs Crore)				
S.No.	Sector	Pipeline (I)	Under Construction (II)	Estimated Project Cost (I + II)
1	Real Estate	828.22	40071.30	40899.52
2	Road	28441.54	3950.83	32392.37
3	Transport	19320.53	10.00	19330.53
4	Power	16158.00	---	16158.00
5	Port	4782.00	5069.00	9851.00

Source: Dept. of Economic Affairs, Ministry of Finance and Assocham Research Bureau

The thrust area to bolster the Gross State Domestic Product (GSDP) lies with the swift pace in implementation of under construction and pipeline projects.

The State PPP projects under these two segment totalling Rs 1,33,625.22 crores can prove out to be a real advantage for India to achieve a healthy growth rate in GDP for FY 2009-10. If implemented timely, they would serve as an economic stimulant in every respect as the earlier announced fiscal stimulus by the government.

Among others, PPP projects under bidding process - Rs 45,176.13 crores, Operational projects - Rs 13,136.36 crores and Ongoing projects worth Rs 500 crores would also add significantly to the GDP growth rate.

ANNEXURE:

STATUS-WISE LIST OF STATE PPP PROJECTS

Status	Sector	Estimated Project Cost (in Rs Crore)
Bidding	Education	100.00
	Energy	198.72
	Housing	1733.16
	IT	637.49
	MSW	110.70
	Port	3700.00
	Power	14764.00
	Real Estate	1711.00
	Road	8966.66
	Science & Technology	522.00
	Tourism	10883.24
	Transport	1190.16
	Urban Others	615.00
	Water and Sanitation	44.00
Bidding Total		45176.13
Ongoing	Transport	500.00
Ongoing Total		500.00
Operational	Housing	20.00
	MSW	30.00
	Port	8208.00
	Road	2094.81
	Tourism	313.55
	Water and Sanitation	2470.00
Operational Total		13136.36
Pipeline	Agriculture	
	Animal Husbandry	
	Biotech	500.00
	Civil Aviation	170.00
	Education	341.00
	Energy	21.42
	Health	375.00
	Housing	493.00
	IT	1882.03
	MSW	54.84
	Port	4782.00
	Power	16158.00
	Railways	1162.81

	Real Estate	828.22
	Road	28441.54
	Science & Technology	100.00
	Social	150.00
	Sports	900.00
	Tourism	1995.00
	Transport	19320.53
	Urban Others	2850.00
	Urban Power	795.00
	Water and Sanitation	700.00
Pipeline Total		82020.39
Under Construction	MSW	114.33
	Port	5069.00
	Real Estate	40071.30
	Road	3950.83
	Tourism	1295.37
	Transport	10.00
	Urban Others	55.00
	Water and Sanitation	1039.00
Under Construction Total		51604.83
Grand Total		192437.71

SECTOR-WISE LIST OF STATE PPP PROJECTS

S.No.	Sector	Estimated Project Cost (in Rs Crore)	% Share (in total)
1	Road	43453.84	22.58
2	Real Estate	42610.52	22.14
3	Power	30922.00	16.07
4	Port	21759.00	11.31
5	Transport	21020.69	10.92
6	Tourism	14487.16	7.53
7	Water and Sanitation	4253.00	2.21
8	Urban Others	3520.00	1.83
9	IT	2519.52	1.31
10	Housing	2246.16	1.17
11	Railways	1162.81	0.60
12	Sports	900.00	0.47
13	Urban Power	795.00	0.41
14	Science & Technology	622.00	0.32
15	Biotech	500.00	0.26
16	Education	441.00	0.23
17	Health	375.00	0.19
18	MSW	309.87	0.16
19	Energy	220.14	0.11
20	Civil Aviation	170.00	0.09
21	Social	150.00	0.08
	Grand Total	192437.71	100.00

STATE-WISE LIST OF PPP PROJECTS

S.No.	State	Estimated Project Cost (in Rs Crore)
1	Karnataka	105090.20
2	Gujarat	36207.90
3	Orissa	15143.63
4	Punjab	14616.00
5	Madhya Pradesh	8004.07
6	Andhra Pradesh	5807.92
7	Rajasthan	3488.72
8	Assam	2677.00
9	Uttarakhand	1402.24
	Grand Total	192437.70