



RECENT PUBLIC POLICY INTERVENTIONS IN INDIAN INFRASTRUCTURE

Presentation to Indian Electrical and Electronics Manufacturers' Association (IEEMA)

By

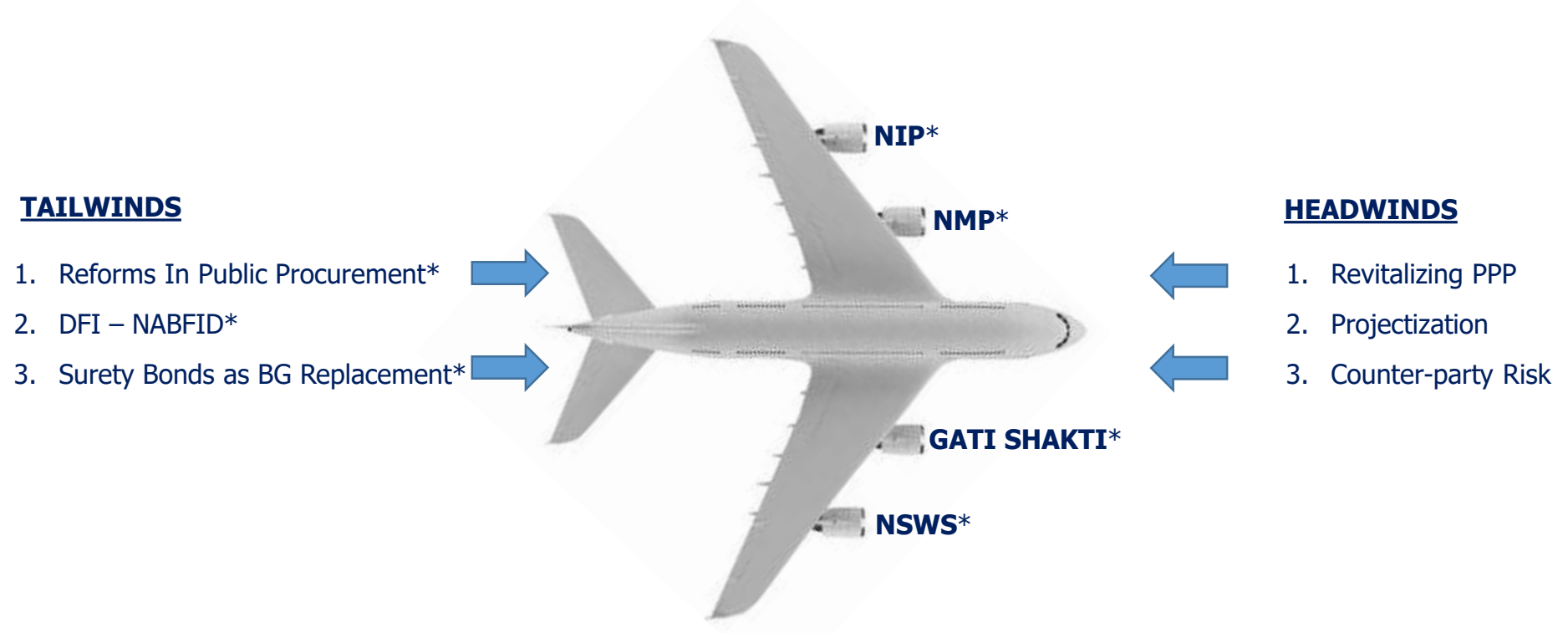
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New Delhi : Friday, December 10, 2021

USA and India Infra Spends: A Comparison

- A few weeks ago, the Biden Administration was able to get a Bill passed for \$1 Trillion for USA infra development
- For India, the NIP (National Infrastructure Pipeline) is ₹111 Lakh Crores or approx. \$1.4 Trillion
- Indian infra is the BIGGEST investment opportunity in the world !

The Interventions Framework



*All these happened in last 11 months

Round-up of the 4 Powering Engines

Plan:

- NIP (National Infra Pipeline)
- NMP (National Monetization Pipeline)

Enabler:

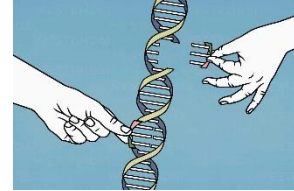
- Gati Shakti
- NSWS (National Single Window System)

Public Policy Procurement: Reforms In 3 Broad Areas

1. Timely Payments



2. Dismantling L1



3. Honoring Arbitration Awards



Payments On Time

1. 75% of running bills in 10 working days
2. Balance 25% within 28 working days
3. Final bill within 3 months after completion of works
4. Provision to pay Interest “may” be put in
5. Responsibility on concerned officers for unwarranted delays
6. On-line system for bills/payments monitoring including facility for contractors to track their positions



Bidding: The Dismantling of L1

1. **For Consultancies:** 3 Procurement methods already in place:
 - QCBS (Quality & Cost Based Selection)
 - LCS (Least Cost System L1)
 - SSS (Single Source Selection)Now allows FBS (Fixed Budget Selection - Price fixed, Merit to Count)



2. **For Works Contracts:**
 - Now allows QCBS if project declared (Quality Oriented Procurement)
 - Limit of 30% on Technical Score

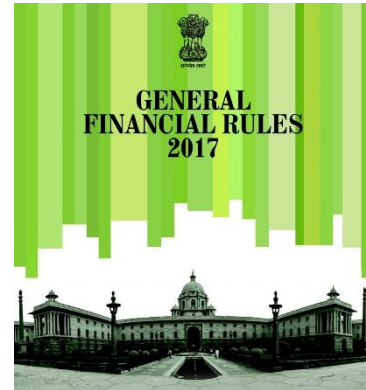
3. **For "Non-consulting Services":**
 - Allows QCBS where order-value less than ₹10 Crores

4. **Allows Single Bids to be considered valid**



Honouring Arbitrations Awards

1. Recognizes negative and obstructive behaviour by statal entities
2. Where award against government entity, 75% of award SHALL be paid to contractor (may include interest) against Bank Guarantee
3. Decision taken 5 years ago finally incorporated in GFR (General Financial Rules) of government
4. Challenging awards cannot be done in a casual/routine manner but with full application of mind by duly constituted Special Committee or Board



Issues Still To Be Addressed

1. Increasing Technical Score Weightage from 30% to 80%
2. Scourge of **arbitrary encashing of BGs** and **threats of Blacklisting**
3. Irrational Bids
4. Swiss Challenge
5. Inclusion of sophisticated goods; along with Works Contracts and Services
6. Independent Engineers format
7. Protecting Bureaucrats against post-facto investigation
8. Getting states on Board
9. Consequence Management



NABFID: National Bank for Financing Infra & Development

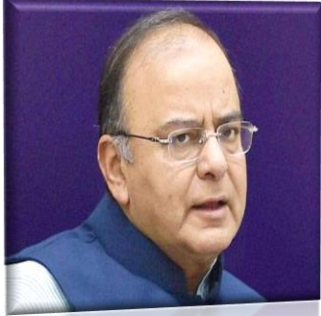
1. Development Capital: Economic versus Financial Returns
2. Creation of a Long-term Bond Market
3. Create innovative financial instruments
4. Raise international funding: @ special 0.1% Government Guarantee
5. Induct other shareholders in due course
6. Social as well as Core Infra in scope

As per Mr. Kamath: *"We are moving fast on all 3 fronts: Charter, Staffing, Pipeline (including warehousing NMP)."*

Surety Bonds as Replacement for BGs

1. Draft of Surety Contracts Guidelines 2021 released by IRDAI. Has provisions and restrictions that need to be worked upon
2. Key advantages:
 - i. SBs issued against contractors track record and financial health, whereas BGs require blocked liquidity
 - ii. BGs are unconditional and payable on demand whereas SGs discharge require examination like an insurance policy
 - iii. Credit limits with banks remain untouched
3. Insurance Companies now brought in to play a much larger role in infra finance

Revitalizing PPP



*Finance Minister -
Mr. Arun Jaitley
announced ₹500
Crore for 3P India
in the Union
Budget : July,
2014*

- Harmonizing and Knowledge-sharing institution needed for PPP acknowledged



**Dr. Vijay L. Kelkar
Committee on
"Revisiting and
Revitalizing the
PPP Model of
Infrastructure
Development"**

- Independent Regulation
- Renegotiation
- 3P India
- Modifying Prevention of Corruption Act
- Better risk-sharing format

Projectization

- The development / construction time for a typical infra project is 4 years
- Thus, for a ₹20 Lakh Crores target of investment on the ground, we require $20 \times 4 = ₹80$ Lakh Crores of “shovel ready” projects
- That is not there !

Counter Party Risk

Nature:

- Central Govt. (Telecom, Power Generation, Coal Mine Cancellations)
- State Govts. (Hyderabad Metro, Renegotiating PPAs, Amravati State Capital, Competing Roads, etc.)

Mitigation:

- Delayed and Uncertain Payments affecting project cashflow
 - ➔ • Need institution like World Bank Group's MIGA (Multilateral Investment Guarantee Agency) at the national level too
 - ➔ • New law in Parliament preventing change in policy without compensation
- Loan repayments as % Cash-inflow capture with flexi-time
 - ➔ • Insist on LPVM Concession formats

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Australia..... A\$110(inc.GST)	Hong Kong..... HK\$80	Korea..... Won 11,000	New Zealand..... NZ\$13.00	Sri Lanka..... Rs1,000
Bangladesh..... Tk450	India..... Rs220	Malaysia..... RM24	Pakistan..... Rupee40	Taiwan..... NT\$275
Cambodia..... US\$8.00	Indonesia..... Rp77,000	Myanmar..... US\$8.00	Philippines..... Pesos385	Thailand..... Baht 300
China..... RMB 75	Japan..... ¥1143+Tax	Nepal..... NR490	Singapore..... S\$12.50 (inc.GST)	Vietnam..... US\$8.00