



Conference on Financing Strategies for Urban Infrastructure July 18 – 19, 2013

The objective of this conference was to provide a platform where we gather together experts with rich experience in the subject to share their insights on developing maintaining urban infrastructure with an invited group of bankers , financial institutions, investment funds, state governments, urban local bodies and other stakeholders in the area. While the focus was on financing, it was expected that the interactions and exposure at this conference would enable those actually undertaking this very important nation building task in India today will be able to perform their roles more effectively and sensitise banks and state Governments/ local bodies to understand each other’s perspectives and requirements.

Yesterday’s sessions which covered the overall scene relating to urban infrastructure with the Deputy Governor setting the tone, covered capacities and governance of ULBs, structuring of PPP projects , the art of project planning, financing strategies, role of private sector etc.

While it would be impossible to do justice to summarise the entire day’s discussion, the main areas are listed below:

State level initiatives

1. Nodal agency at the state level to help ULBs prepare projects, transcend administrative divisions across departments. State government can take the help of organisations such as SBI Caps, IIFCL, IDBI, NHB etc., who can come forward and help support the States.
2. Comprehensive approach to facilitate PPPs - institutional mechanism to facilitate PPPs: Empowered committee for sanctions, Nodal PPP cell, creation of SPVs, etc. the Rajasthan example was notable.
3. Policies to support PPPs e.g. Land acquisition, slum development, resettlement and rehabilitation, township development, etc.
4. Setting up of and implementation of State Finance Commission’s recommendations
5. No changing rules of game mid-way
5. Dedicated Funds for urban development

Enhancing Sources of Revenue for ULBs

1. Property Tax – Rerating and collection

2. Professional Tax – Improving collections from unorganized sector
3. Sources of Non-tax revenue – e.g. ATMs, ad revenue, etc.

Funding Challenges

1. Investment grade rated ULBs don't need to raise funds from outside, the lower rates ULBs who need funds don't find takers. What's the way out?
2. Project specific fund raising instead of entity level
3. Calibration of debt vs. grant depending on the service, capacity of ULB, capability to monetize and levy user charges
4. How can banks give longer duration loans for infrastructure projects?
5. Accounting and auditing standards for ULBs - uniform formats for preparing and reporting accounts
6. Developing muni bond market- slot for such bonds in list of eligible investments by PFs, insurance and pension funds

Project planning and structuring

1. SPVs and corporatisation
2. Setting rational tariff/user charges
3. Clear baseline and performance targets
4. Procurement process and selection criteria - transparent and based on capacities - no 'grab now and fill details later' bidding
5. Project Monitoring and Contract Management
6. Timely payments and dispute settlement process (there is the example of Indonesia Guarantee Fund).
7. Continuity of people and processes
8. Time for regulator - for all PPPs in urban infra?
9. Upfront planning for rehabilitation and social issues and involving all stakeholders including communities (PPPP model)

How does getting the private sector help?

1. Quality control and performance focus
2. Expertise
3. Tariff rationalization
4. Induction of private funds

Infrastructure Asset plays v/s Service Delivery Model

1. So far the focus has been on asset creation and viability gap funding, etc.
2. Instead can it look at as a services model with a focus on employment generation, quality of service delivered, etc.

Clearing house of information

1. Platform for sharing and exchanging best practices, experiences and learnings.
