

Future Road Map

PPPs hold the key

The urban infrastructure sector witnessed several reform-bound initiatives in the past year or so. A few noteworthy projects were also taken up. The sector's requirements, however, continue to be huge. Among the areas that call for attention are urban governance and private sector involvement. Sector experts offer their perspective on the major developments in the sector and the future road map...



"The lessons learnt from various sectors and countries could be replicated in urban infrastructure, particularly in the water, waste water and integrated solid waste management sectors."

Allard Nooy, Chief Executive Officer, JITF Aquasource and JITF Ecopolis

How has the urban infrastructure sector progressed in 2010-11 as compared to 2009-10? What have been the major growth drivers?

Allard Nooy:

I need to distinguish between the two areas and the businesses that I am responsible for. This includes water and waste infrastructure, and integrated municipal solid waste management and renewable energy. Although there are many similarities in private sector participation (PSP) in these areas, there are significant differences as well. On the municipal solid waste management side in particular, we have seen that public-private partnerships (PPPs) have been much more encouraged successfully rewarded, even though it was the water sector that first adopted the PPP model. However, there have not been any major successes in the water sector.

The major growth drivers in the urban infrastructure sector are urbanization and industrialization. These, however, differ across the country given the major differences across states.

What are the key bottlenecks in the sector?

Allard Nooy:

The key bottlenecks in the sector are twofold. They have to do with the user-pays and polluter-pays principles. To overcome these

bottlenecks, we need to stress on education and raising public awareness. The main focus should be on educating the public that one needs to pay for the pollution and waste generated in urban areas. As far as the user pays principle is concerned, education and awareness are required with a clear focus on proper tariff setting for water and realistic waste charges, and disposal and processing fees as far as municipal solid waste treatment is concerned.

If the second phase of the JNNURM were to be approved, what changes would you like to see in its structure and approach?

Allard Nooy:

For the second phase of the JNNURM, my recommendation would be to grant subsidies to the implementer over a longer period of time, and not just as the outset and creation of asset. As per our learnings from the contractors' field, people have snapped up projects in order to secure subsidies but progress on the implementation programme was impeded.

What steps are need to attract greater private participation in the sector?

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Second, it would help both the public as well as the private sectors if standardized contracts were to be developed. Third, I would like to recommend that the government make use of reputable inter-national consultants.

What is the way forward for the urban infrastructure sector?

Allard Nooy:

Further encouragement of PSP in the form of design-build-operate-finance contracts and PPP models would benefit from the concept of project lifetime costing and not just a focus on capital expenditure. We should benefit from lessons learnt. For instance, the implementation of toll systems in the transportation is a good example. Going forward, risks that could be best addressed by the public and private sectors need to be identified and the private sectors need to be identified and properly managed. The lessons learnt from various sectors and countries could be replicated in the urban infrastructure sector, particularly in the water and waste water sectors as well as in the environmental and integrated solid waste management sectors.

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