IIPDF Scheme

For Prelims: India Infrastructure Project Development Fund Scheme (IIPDF Scheme), Public-Private Partnership (PPP) Models, Build-Operate-Transfer (BOT), Build-Own-Operate (BOO), Build-Operate-Lease-Transfer (BOLT), Design-Build-Operate-Transfer (DBFOT), Lease-Develop-Operate (LDO), Operate-Maintain-Transfer (OMT).

For Mains: Initiatives and Development Schemes to Support Public-Private Partnerships.

Why in News?

Recently, the Department of Economic Affairs (DEA), **Ministry of Finance** notified **India Infrastructure Project Development Fund Scheme (IIPDF Scheme)**, a scheme for financial support for **project development expenses of** Public-Private Partnership (PPP) Projects.

What is IIPDF Scheme?

- **About:**
  - The IIPDF Scheme was **set up in 2007.**
  - It is a **Central Sector Scheme** with total outlay of Rs 150 crore for a period of three years from 2022-23 to 2024-25.
  - It is available to the **Sponsoring Authorities** for PPP projects for **meeting the project development costs.**
    - It would be necessary for the Sponsoring Authority to create and empower a **PPP Cell to undertake PPP project development activities** and also **address larger policy and regulatory issues.**
- **Objective:**
  - It is aimed to provide **financial support for quality project development activities.**
- **Significance:**
  - The Sponsoring Authority will, be able to **source funding to cover a portion of the PPP transaction costs,** thereby **reducing the impact of costs related to procurement** on their budgets.
- **Financial Outlay:**
  - The IIPDF will **contribute upto 75% of the project development expenses** to the Sponsoring Authority as an **interest free loan.** The **balance 25% will be co-funded** by the **Sponsoring Authority.**
  - On successful completion of the bidding process, the **project development expenditure would be recovered from the successful bidder.**
    - However, in the case of failure of the bid, the loan would be converted into grant.
  - In case the **Sponsoring Authority does not conclude the bidding process** for some reason, the **entire amount contributed would be refunded to the IIPDF.**

What is PPP?

- **About:**

- PPP is a partnership between a **government agency and private-sector company can be used to finance, build and operate projects,** such as public transportation networks, parks, and city centers.
  - There has been commendable progress in addressing the problems in PPP models. Still, there is a need to revisit PPP models for greater benefits.

- **Types of PPP Models:**
  - **Build-Operate-Transfer (BOT):**
    - It is a **conventional PPP model** in which the private partner is responsible to design, build, operate (during the contracted period) and transfer back the facility to the public sector.
    - The private sector partner has to bring the finance for the project and take the responsibility to construct and maintain it.
    - The public sector will allow private sector partners to collect revenue from the users. The national highway projects contracted out by NHAI under PPP mode is a major example for the BOT model.
  - **Build-Own-Operate (BOO):**
    - In this model ownership of the newly built facility will rest with the private party.
    - On mutually agreed terms and conditions the public sector partner agrees to 'purchase' the goods and services produced by the project.
  - **Build, Own, Operate, Transfer (BOOT):**
    - In this variant of BOT, after the negotiated period of time, the project is transferred to the government or to the private operator.
    - BOOT model is used for the development of highways and ports.
  - **Build-Operate-Lease-Transfer (BOLT):**
    - In this approach, the government gives a concession to a private entity to build a facility (and possibly design it as well), own the facility, lease the facility to the public sector and then at the end of the lease period transfer the ownership of the facility to the government.
  - **Design-Build-Operate-Transfer (DBFO):**
    - In this model, entire responsibility for the design, construction, finance, and operation of the project for the period of concession lies with the private party.
  - **Lease-Develop-Operate (LDO):**
    - In this type of investment model **either the government or the public sector entity retains ownership** of the newly created infrastructure facility and receives payments in terms of a lease agreement with the private promoter.
    - It is mostly followed in the development of airport facilities.
  - **Engineering, Procurement, and Construction (EPC) Model:**
    - Under this model, the cost is completely borne by the government. Government invites bids for engineering knowledge from the private players.
    - Procurement of raw material and construction costs are met by the government.
    - The private sector's participation is minimal and is limited to the provision of engineering expertise.
    - A difficulty of the model is that financial is the high financial burden for the government.
  - **Hybrid Annuity Model (HAM):**
    - In India, the new HAM is a mix of BOT-Annuity and EPC models.
    - As per the design, the government will contribute 40% of the project cost in the first five years through annual payments (annuity).
    - The remaining payment will be made on the basis of the assets created and the **performance of the developer.**

UPSC Civil Services Examination, Previous Year Questions (PYQ)

Prelims

Q. The Global Infrastructure Facility is a/an (2017)

(a) ASEAN initiative to upgrade infrastructure in Asia and financed by credit from the Asian Development Bank.

(b) World Bank collaboration that facilitates the preparation and structuring of complex infrastructure Public-Private Partnerships (PPPs) to enable mobilization of private sector and institutional investor capital.

(c) Collaboration among the major banks of the world working with the OECD and focused on expanding the set of infrastructure projects that have the potential to mobilize private investment.

(d) UNCTAD funded initiative that seeks to finance and facilitate infrastructure development in the world.

Ans: (b)

Exp:

- In 2014, World Bank launched Global Infrastructure Facility (GIF) that coordinates and integrates the efforts of Multilateral Development Banks (MDBs), private sector investors and financiers, and governments interested in infrastructure investment in Emerging Markets and Developing Economies (EMDEs) through facilitating the preparation and structuring of complex infrastructure public private partnerships (PPPs).
- The Global Infrastructure Facility (GIF) supports governments in bringing well-structured and bankable infrastructure projects to the market. GIF's project support can cover the spectrum of design, preparation, structuring, and transaction implementation activities, drawing on the combined expertise of the GIF's technical and advisory partners and focusing on structures that can attract a wide range of private investors.
- **Therefore, option (b) is the correct answer.**

Mains

Q. Examine the development of Airports in India through joint ventures under Public–Private Partnership (PPP) model. What are the challenges faced by the authorities in this regard? **(2017)**

Q. Why is Public Private Partnership (PPP) required in infrastructural projects? Examine the role of PPP model in the redevelopment of Railway Stations in India. **(2022)**

Source: PIB