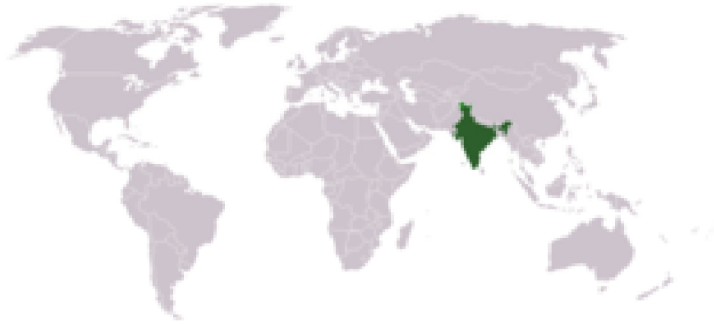


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Report on Projects & Project Management in India

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Infrastructure projects being stepped up

Since the formation of the new government in July 2009 there has been a renewed interest and focus on infrastructure projects.

Roads

Funding

The government plans to invest around Rs 1,00,000 crore to build about 12,000 kilometers of roads [this year](#) mainly through the toll-based model, with options to bring in foreign investors, according to Union minister for road, transport and highways Kamal Nath, pictured at right.



In the move to bring in foreign investors, the ministry of road transport and highways, along with ICICI Bank, is planning to conduct international road shows in Asia, Europe and the US.

As a follow-up of this approach Union Road Transport & Highways Minister Kamal Nath kick-started his campaign in Singapore to woo foreign players to invest in the road sector in India. The road show in Singapore, jointly organised by ICICI Bank and JM Financial Institutional Securities Private

Ltd, completes the Asia tranche of the events. A similar road show was organised in Mumbai last week.

Road shows in Europe and the US are planned in the coming months. The sector's investment requirements till 2012 are pegged at \$12 billion. This is the first time that the ministry has planned to organise such road shows.

He also invited the investors to come out with suggestions to make the present process more attractive for them. Stressing on the vast investment potential in the road sector, he said that his ministry aimed to construct 7,000 km of roads a year.

The minister told investors that with a projected traffic growth of 7 per cent and vehicle growth of 12 per cent per annum along with vast demand from the booming rural sector, India's road sector presents great potential for growth and private sector participation.

Road projects in the country require around Rs 2,00,000 crore over the [next three years](#) for which the government is considering innovative financing instruments that will fund road projects and attract domestic and foreign investors. Efforts are also being made to involve all possible investment channels, including pension funds, sovereign wealth funds, equity funds, besides funds from banks.

The priority of the government is to have 60% of the projects on the toll-based revenue model, while the remaining would be on annuity and engineering-procurement-construction contract models.

Land acquisition

The issue of land acquisition - a sticky area in various states, has not been efficient and has been one of the biggest challenges for completion and cost overruns. One way by which this problem is being solved is by inviting bids only for those projects for which 80% land has been acquired.

Project monitoring

With the focus of the UPA government shifting to time-bound completion of its action plans, the finance ministry is set to revive a web-enabled infrastructure monitoring system where it would help the Prime Minister's Office assess progress of a project at the click of a mouse.

The system, having the capability of GIS mapping developed by the department of economic affairs in the finance ministry primarily for monitoring externally aided projects, has the capability of GIS mapping giving the overall picture of infrastructure projects being implemented in a particular state up to the district level.

The project, called coordination and decision support system (CDSS), is designed in a manner where it can generate reports and charts with different permutations and combinations as per the requirement of the government. It allows uploading actual project pictures and documents. The software is able to track both financial flows and the physical progress.

Though all stakeholders such as the implementing agencies in states have been given access to upload data related to its field pilot projects launched in four states earlier did not take off owing to disinterest shown by various stakeholders in uploading required information in the database. This time, There is a proposal to make it legally binding on all the agencies concerned to adhere to the government's instructions on online submission of progress reports within a deadline.

Process and structural changes

Road transport & highways minister Kamal Nath informed the investors that the ministry was taking steps towards reforming the processes, carrying out structural changes at the National Highways Authority of India (NHAI), and also planning for capacity building for both the contractors and the authority.

The government is examining the possibility of setting up an expressway authority, similar to the National Highways Authority of India (NHAI). The government will also involve the state governments and private investors in building the expressways. The ministry will prepare a paper on setting up the expressway authority in the next three months.



Hyderabad Metro

The Rs 12,000-crore¹ Hyderabad metro rail project awarded to a consortium led by Maytas Infra Ltd has been scrapped. Maytas, associated with erstwhile Satyam Computers has run into rough weather ever since the Satyam scam erupted. Failure of the consortium to achieve financial closure well beyond the stipulated date of March 17, 2009, led to the cancellation.



The state government might re-invite global bids for what is amongst largest PPP initiatives in the making. Always controversial, the award of the Hyderabad metro rail project was always fodder for debate as its viability was not intrinsic, but linked to real estate development rights. With the Maytas deal scrapped, it remains to be seen whether the state government would be keen to pursue the PPP model when the Hyderabad metro comes up for re-award. Although it is premature to comment, the Andhra government now gets a chance to rethink the project modality as most industry experts still believe that the project's viability was not intrinsic-but extraneously linked to real estate development rights. The real estate market has lost much of its sheen since August 2008 when the project was awarded. Even at that time, some pre-qualified developers did not submit financial bids doubting the project's viability, and those that did are now unwilling to take the project.

¹1Crore = 10 million

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