

TRANSPORT

LOWER MIDDLE INCOME *

TRADE-ENABLING

INDIA

Rajasthan State Highways

GIF FUNDING & LEVERAGE

GIF Project Definition
Support:

\$300,000

Anticipated GIF Project
Preparation and Structuring
Activity:

\$2–3 million

Potential Private Investment
Mobilized:

\$86 million

The government of Rajasthan aims to upgrade and rehabilitate approximately 20,000 km of state highways and major district roads to strengthen the highway network with support from the World Bank, the Asian Development Bank, and CIDB Holdings Malaysia. Working with the World Bank, the GIF is providing advisory services to support development of 3,000 km through public-private partnerships (PPPs) and to develop the capacity of a newly-established state body, the State Highways Authority.

EXPECTED PROJECT OUTCOMES

- ◆ Improve intra and inter-state road connectivity
- ◆ Stimulate trade due to more cost-efficient transportation of goods and services
- ◆ Enhance government capacity to identify and implement PPP projects in the road sector
- ◆ Increase highway safety and reduce travel time for the public

TECHNICAL PARTNERS



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP

* Based on World Bank Group classification by income

BACKGROUND

The government of Rajasthan aims to upgrade and rehabilitate around 20,000 km of both state highways and major district roads to strengthen the highway network for better intra and inter-state connectivity, satisfactory ride comfort, enhanced highway safety and reduced travel time.

Since the mid-1990s, India has made extensive use of PPPs in the road sector. The PPP-enabling environment is well-established, with open and transparent bidding processes being the norm. However, several challenges have emerged that threaten the PPP model. Over-optimistic traffic forecasting, construction delays, and defaults have increased the non-performing assets of lenders, which has reduced their appetite for participating in road sector PPPs. This in turn has led to declining participation of developers and sponsors.

This is a problem because national highways carry 40 percent of total road traffic but constitute only 1.9 percent of total length. Reduced interest in road PPPs could severely limit resources available to develop the road system further.

Therefore, the government of Rajasthan has requested financing from the World Bank, the Asian Development Bank, and a Malaysian investment company to develop 8,000 km of state highways. It will be important to coordinate the procurement approaches used within the larger program.

PROJECT FEATURES

The state of Rajasthan is seeking \$500 million in funding from the World Bank to develop and rehabilitate 3,000 km of state highways in two phases. In Phase 1, funding

will leverage private sources of finance primarily through PPPs to finance about 700 km. Detailed feasibility studies on the remaining 2,300 km in the second phase have not yet been undertaken. However, the State Highways Authority (SHA), now being established, will provide options to access a broader range of financing sources by securitizing future revenue streams.

During Phase 2, the World Bank, with support from the GIF, will focus on making the SHA a functional network manager that can identify which parts of the road network provide strategic connectivity. This will enable government to engage in long-term planning, addressing investment and asset management needs so that this strategic road network can be developed and support economic growth and mobility.

WHY GIF

GIF support includes advising on the bankability of alternate procurement approaches, gauging the interest of potential private sector bidders, and helping determine the optimal commercial deal structure for the PPP projects. The GIF will also ensure that there is consistency of approach with ADB and the Malaysian investor.

The GIF also has the expertise to aid the development of the SHA so that it can become the grantor of a bankable and deliverable set of Phase 2 projects. This includes:

- ◆ Developing a methodology and tools for robust capital investment planning that prioritizes projects with the greatest needs
- ◆ Assessing long-term funding options for the SHA beyond the existing public finance and PPP models

It will also provide transaction advisory services to the government to take PPP projects in both phases to a successful financial close.

The Global Infrastructure Facility, or GIF, is a partnership of governments, multilateral development banks and private sector financiers that facilitates private-sector investment in complex infrastructure projects in emerging economies. We serve as a platform through which governments collaborate with international financial institutions and private sector investors to design, structure and implement these complex projects.

The comprehensive project-preparation support provided by the GIF draws on the expertise of its advisory partners which includes commercial banks and institutional investors. The broad partnership ensures that well-structured and bankable infrastructure projects are brought to market in a way that meets the needs of governments and service users in a sustainable way.