Interaction among Various Infrastructure Players

- Various Players are Involved in Infrastructure Project
  - *Governments and Government Agencies*
  - *EPC Contractors*
  - *Financiers*
  - *Project Affected Communities (PACs) and NGOs*
  - *Insurance and Guarantee Providers*
  - *Project Sponsors*
  - *Regulators*

Various Players Involved in Infrastructure Projects

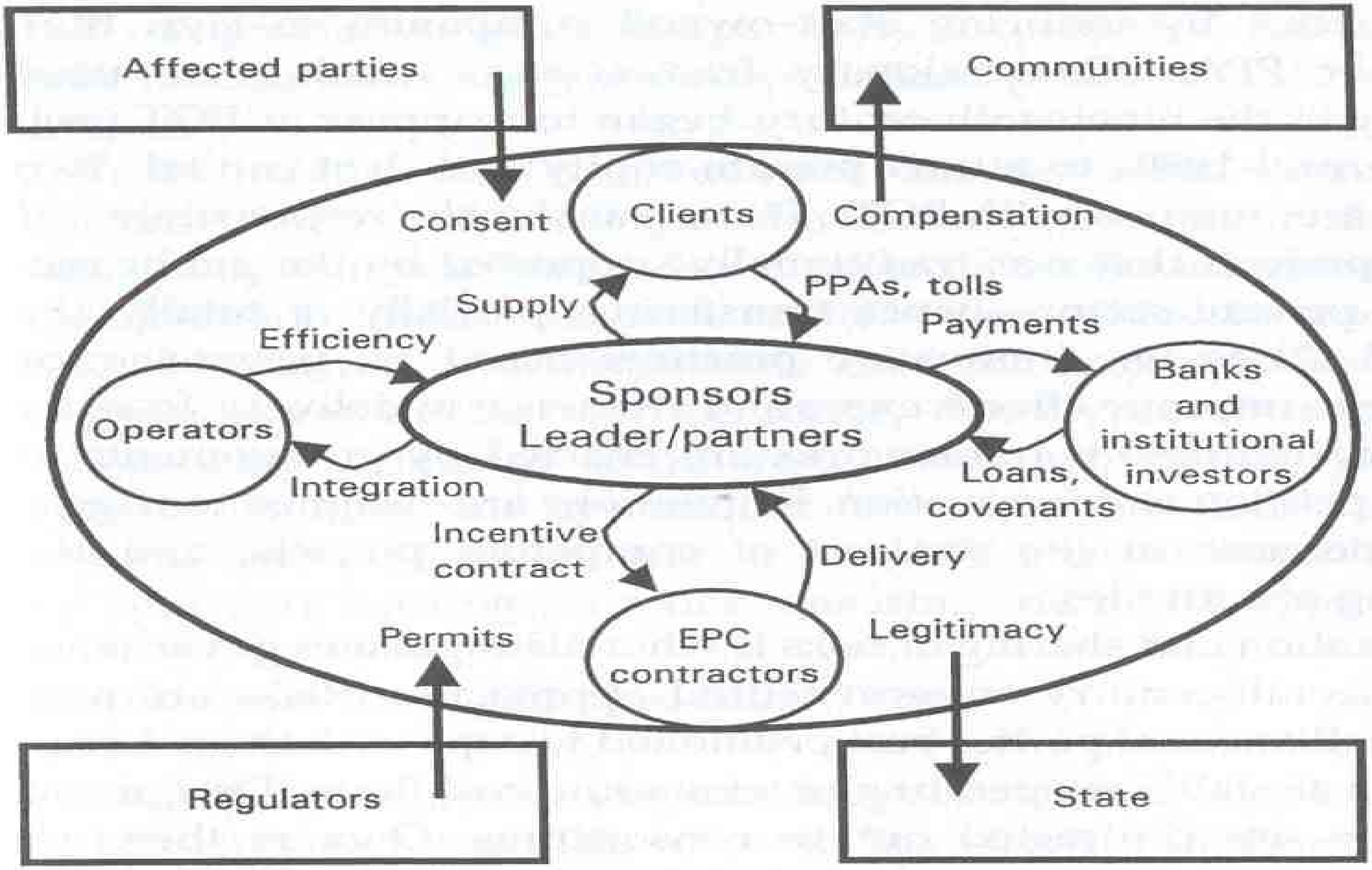

Figure 2.1
Relationships with potential to build governability

Engineer-Procure-Construct (EPC) Firms

- EPC firms are typically engineering and construction firms that help design and/or construct the infrastructure facility
- They may be contracted by the government agency, or by private parties in charge of providing the infrastructure
- Typically they take on completion-risk, construction delay-risk and construction cost-overrun risks
- Leading construction firms such as Larsen & Toubro, HCC etc perform EPC contracts in India

Project Financiers

- Infrastructure projects are often financed through a mixture of grants, debt (loans), Equity (investments) and user charges
- Debt lines of credit are raised through the regular banking system.
- Debt is often provided by multilateral agencies such as the World Bank, the Asian Development Bank, the Japanese Bank for International Cooperation etc
- Equity is often provided through a variety of sources including large organizations in the infrastructure space, Foreign Institutional Investors, Private Equity houses etc.
- Grants for infrastructure projects are often provided through programs such as the Jawaharlal Nehru National Urban renewal mission

Project Affected Communities (PACs) and NGOs

- Any infrastructure project affects its surrounding community in multiple ways
  - It promises to yield benefits to these communities (e.g. improving the water supply or the transportation infrastructure)
  - It might need displacement of some families/houses (e.g. in cases of widening of roads and highways)
- Sustainable Infrastructure Development must be equitable and must yield benefits to the community. As a result the impact of infrastructure on these communities must carefully be assessed
- Very often NGOs are the “Voice” of these Communities to ensure that their needs are met.
- Stakeholder consultations and socio-economic analysis of infrastructure must therefore be conducted to ensure that infrastructure development is equitable.

Insurance and Guarantee Providers

- Several kinds of insurance and guarantees are taken on infrastructure projects
- Insurance relating to the construction phase, force Majeure events (an event can\t be anticipated to control), and insurance during the operation of the facility are often provided
- In the case of Private participation in infrastructure, government guarantees are often given to private players
- Third party Political Risk Insurance (PRI) is also taken to insure against government renege (go back on a promise) on a contract with a private sector.
- MIGA (Multilateral Investment Guarantee Agency) and OPIC (Overseas Private Investment Corporation is currently transformed) are two organizations that provide PRI, subject to meeting certain criteria

Project Sponsors and Consultants

- Project Sponsors are private organizations that take on the responsibility of providing the infrastructure
- Project sponsors sign “concession agreements” with government agencies that describe the term for which they will operate the infrastructure, quality standards that they will need to maintain, revenue generation opportunities and so on
- Project sponsors may either develop the projects themselves or may sign contracts (such as EPC contracts) with other companies
- Both project sponsors and government agencies hire consultants to perform feasibility analysis, structure projects and to manage the process of selecting sponsors and contractors.

Regulators

- Regulators are present when private firms are allowed to function in an infrastructure sector – e.g. in the case of Telecom in India, TRAI acts as a regulator
- Regulator is intended to be independent body. They can potentially and impartially assess the performance of a private firm.
- Tariffs set by private firms are regulated by Regulator, the quality of service that they provide to ensure that they are performing as prescribed in the terms of their respective contracts to the collective benefit of society.