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Eyeing Capital Gains

Amaravati, the proposed new capital of Andhra Pradesh, holds out promise but also faces a funding challenge.

E. Kumar Sharma Print Edition: August 16, 2015



Artist's image of the new capital. Chief Minister N. Chandrababu Naidu says he will build a world-class city.

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The master plans for **Andhra Pradesh's** new capital and the region around it have been submitted. Chief Minister N. Chandrababu Naidu wants to lay the foundation stone of Amaravati - the name derived from Indra's kingdom in Hindu mythology (and also covering a small town with the same name in the region) - on October 22. The city, being built from scratch, will be located in Guntur district, between the towns of Guntur and Vijayawada. A new capital became necessary after Telangana was carved out of **Andhra Pradesh** in June last year, though Hyderabad will remain the capital of both states for 10 years. "We will build a world-class city which will prosper, grow and create wealth for our people," Naidu told BT. He is anxious to see work on the new capital begin and proceed quickly so he can showcase it as an achievement before the next assembly polls in 2019.

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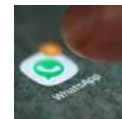
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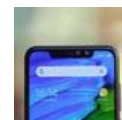
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International Consultants and Jurong Consultants, after Naidu

achievement before the next assembly polls in 2019

sought advice from the Singapore government. The plans have three components - a core "seed capital area" of 16.9 sq km, which will house the seat of government, the business districts and homes of about 3,00,000 people; a larger capital city around it spread over 217 sq km; and finally an overall capital region of 7,420 sq km. Incidentally, three villages - Lingayapalem, Tallayapalem and Uddandarayapalem - are falling within the seed capital region. There is no plan currently to move these villages and how they will be accommodated needs to be seen.

According to an official at the Capital Region Development Authority (CRDA), project developers are likely to be chosen using the 'Swiss challenge' method. Under this system, Singaporean and perhaps some Japanese developers would prepare the detailed project reports and submit to the state government for evaluation with their bids. The Andhra Pradesh government would then call for third-party bidders to make counter-bids. The original bidders would then have the right to either match these bids or improve on them or refuse to bid again. The contract goes to whoever has made a better bid.

A SNAPSHOT OF THE NEW CAPITAL

LOCATION:

Guntur district. The new capital Amaravati will fall between Guntur and Vijayawada towns

MASTERPLAN:

Prepared by Singaporean agencies Surbana International Consultants Pte Ltd and Jurong Consultants Pte Ltd

AREA:

Core "seed capital area" comprising government buildings, etc: 16.9 sq km
Capital area: 217 sq km
Total capital region area: 7,420 sq km

TOTAL ESTIMATED COST
₹1.5 lakh crore

COST OF "SEED CAPITAL" AREA:
Around ₹20,000 crore

Though state officials say costs are still being worked out, it has been estimated that building the seed capital area alone will cost around Rs 20,000 crore, while the entire project will be around Rs 1.5 lakh crore. Where will the money come from? State officials expect the Centre to release at least Rs 1,000 crore annually for the next three years, but a big funding gap will still remain. Andhra Pradesh will have to either borrow from banks by issuing bonds or approach global funding agencies such as the World Bank or the Asian Development Bank. The latter option

has its limitations as the Centre is likely to put a cap on funds any state can raise externally.

The debt, however it is raised, could impact the state's fiscal



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lakh crore. It may appear intimidating from an overall perspective, but if you break it down into individual projects, many may be bankable, with some getting assured funding from government and some funded by the market," says CRDA Commissioner N. Srikanth.

The 14th Finance Commission's recommendations, which increased the states' share of the Centre's tax revenue from 32 to 42 per cent, gave Andhra Pradesh additional central

There are apprehensions that the Singapore model of city development may be blindly superimposed on Amaravati, without addressing local needs

funds of around Rs 12,000 crore a year - or Rs 60,000 crore over five years - but this may not contribute much to the development of Amaravati. The state government has committed itself to salary hikes for its employees amounting to Rs 25,000 crore, while fulfilling its electoral promise of waiving farms loans will cost another Rs 35,000 crore.

Some are also apprehensive that the Singapore model of city development may be blindly superimposed on Amaravati, without addressing local needs or cultural elements, but Srikanth allays such fears. "The broad contours of the chief minister's vision and his consultations with local officials have been shared with the Singapore consultants, on the basis of which they prepared the master plan," he says.

Naidu's track record in urban development is impressive - Hyderabad's IT hub, Cyberabad, was built during his earlier term as chief minister. "I have no doubt it will be a well-planned city," says K.V. Vishnu Raju, Chairman, Anjani Vishnu Holdings, which has interests across the state in food processing, ceramic tiles and higher education. But whether it will attract industry remains to be seen. "I don't really expect it to emerge as an industrial hub as there are already other belts in Andhra where industry is flourishing," he adds. He expects the belts around Nellore, Tirupati and Visakhapatnam - with their proximity to markets in Chennai and Bangalore - to continue to attract industry and is himself investing in a new vitrified tiles' project in Nellore. B.V.R. Mohan Reddy, Chairman of Nasscom and founder of IT company Cyient, agrees. "There are compelling reasons to build a new capital which will be a thing of pride for Andhra Pradesh," he says. "But that alone may not be enough to attract industry, which needs other enablers such as social infrastructure, education and soft skills development in the region."

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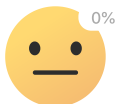


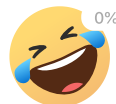
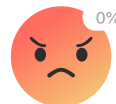
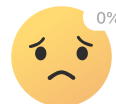
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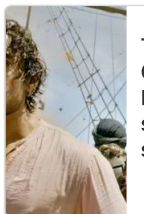
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