This is a new section of the Public-Private Partnership Resource Center website and is currently in draft form. Your feedback is welcome: If you would like to comment on the content of this section of the website or if you have suggestions for links or materials that could be included please contact us at ppp@worldbank.org.

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Betterment Levy for Hyderabad Outer Ring Road, India

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On this page: *Lessons Learned on Government investment in integrated public infrastructure in zones and the implementation of Betterment Levy. Find case studies below, or visit the Guidelines on Innovative Revenues for Infrastructure section.*

Project Summary:

Background

Government investment in integrated public infrastructure in zones can lead to 'betterment' of that zone, increasing its productivity, attractiveness and value for communities using those places and spaces.

Betterment Levy imposes fees on land that has gained value because of improvements in public infrastructure invested by the government. A few cities in India have already used Betterment Levy as an LVC tool.

In Hyderabad, Hyderabad Metropolitan Development Authority (HMDA) uses area-based land value capture (LVC) mechanisms such as impact fees and betterment charges to generate revenues.

Project Structure

The Hyderabad Outer Ring Road (ORR) is a 158-km, eight-lane ring road expressway encircling Hyderabad and connects to more than 30 radial roads, allowing cars to bypass the crowded city center and to move around the city more efficiently, lessening traffic, noise, and pollution in the urban center.[1]

Areas around the corridor (Growth Corridor) is classified as a mixed land use zone integrating land use and transport planning through planned satellite townships and a metro system. Because of the ORR construction, the Hyderabad Metropolitan Development Authority (HMDA) had anticipated large-scale development and other problems that emerge from high-density commercial development, such as traffic congestion.[2]

The corridor aims to develop well-planned and well-connected urban settlements and satellite townships around the Hyderabad Metropolitan area. HMDA prepared a Comprehensive Plan and Special Development Regulations for the areas falling within the Growth Corridor.[3]

Key players for delivering improved services

This Betterment Levy mechanism is a collaboration among multiple stakeholders, which are Hyderabad State Government, banks, HUDA, local authorities, and beneficiaries of the ORR (private developers and

individuals)

HGCL (Hyderabad Growth Corridor Limited) is an SPV that was set up to execute the construction of the ORR that was procured through PPP.

The project's total cost was evaluated to be Rs. 6,696 crores (around 8.4 billion USD), of which Rs. 699 crores (around 87 million USD) amounting to the first phase was provided through loans borrowed from a consortium of commercial banks led by the Bank of Baroda. Rs. 2,439 crores (around 3 billion USD) were financed through PPP and supported the first part of the project's second phase.[4]

Mechanism/s for Maximizing Funding for Infrastructure

The Hyderabad Local Government raised revenue for funding repayment of the upfront capital investment from real-estate development around the ORR using area-based charges as follows:

- Special Development Charges (SDCs) managed by the city government charge up to 1.5 times the regular fee for building permissions. The charge bracket is classified based on the proximity to the ORR, and
- Development Deferment Charges (DDCs) managed by local villages charge landowners who keep lots vacant.

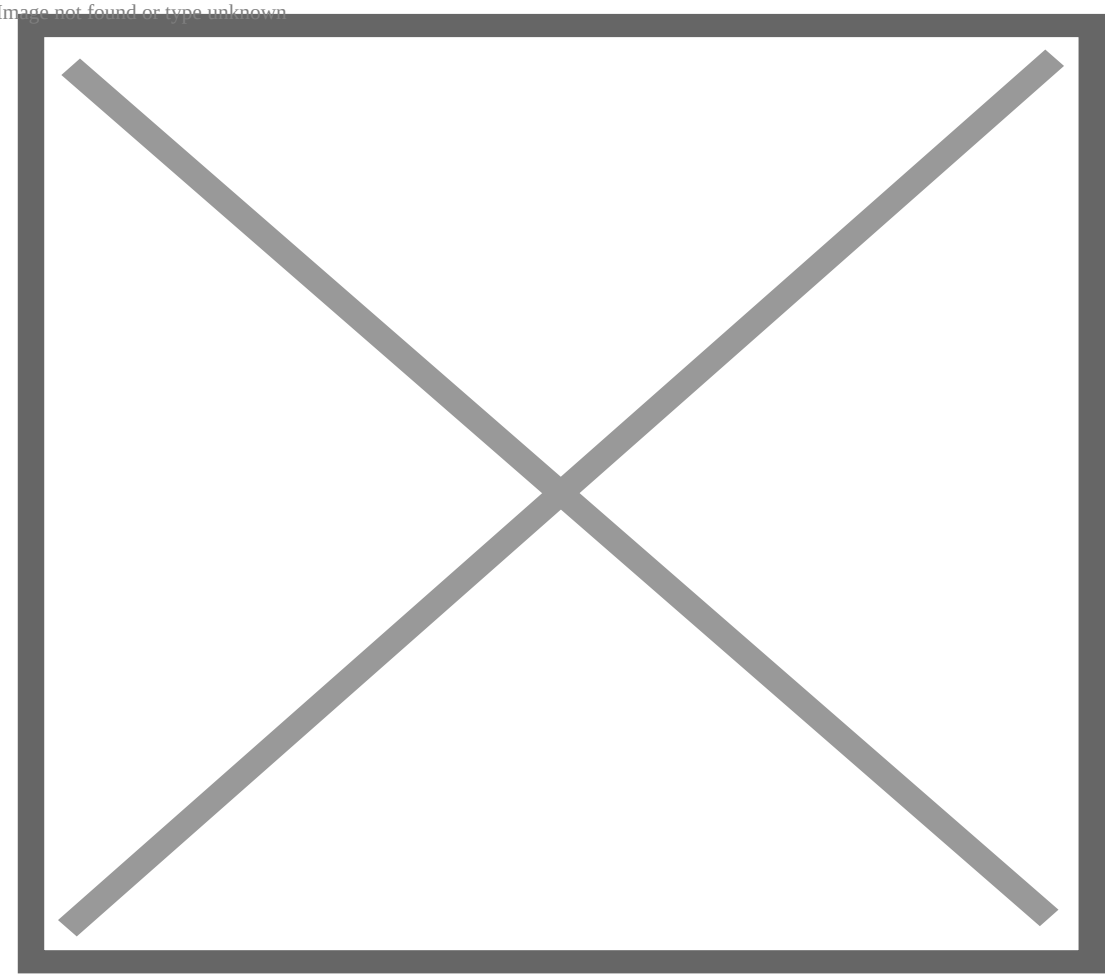
Both mechanisms are one-time charges collected to pay for public infrastructure requirements that emerge from new developments.

Revenues from SDCs and DDCs from 2011 to 2015 were lumped under HDMA’s development charges revenues. In 2016, SDC receipts were 3-4 percent of total development charges and contributed 1.5 percent to net revenues of HDMA.

Revenues from SDC are directed to general budget and reporting lack sufficient granular data on outflows of revenues captured and allocations are not traceable.

Typical Business Model

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Telangana State Government	Source of funds
HMDA (Hyderabad Metropolitan Development Authority)	Planning agency - Receives funding to provide core services (i.e., toll roads) and collect charges from beneficiaries
HGCL	Joint venture – between HMDA & INCAP, responsible for a construction
Beneficiaries	Pays set charges based on zones because of infrastructure improvements

Lesson Learned

Managing the risks

- Implementation Risk**:** The implementation of Betterment Levy in Hyderabad has been less practical and more aspirational in its potential to bring in money for the city and encourage equitable development. Despite this it is a good starting point and a chance for strengthening institutional set up, capability and legislation for successful LVC implementation.
- Political Risk: To effectively address equity concerns and sustain support for progressive taxation and policies, transparency must be upheld. Only then will the higher tax revenues brought on by new infrastructure and subsequent economic growth be employed. Land-use and transportation authorities, along with housing, finance, and economic development agencies, are a few government actors who must coordinate to ensure that Zone Betterment work

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Footnote 1: Urban land value capture in São Paulo, Addis Ababa, and Hyderabad: differing interpretations, equity impacts, and enabling conditions

Footnote 2: Ibid

Footnote 3: Ibid

Footnote 4: Value Capture Finance Policy Framework

Related Content

- **Selected World Bank Tools**

Additional Resources

- Climate-Smart PPPs
- Finance Structures for PPP

The Guidelines on Innovative Revenues for Infrastructure (IRI) is intended to be a living document and will be reviewed at regular intervals. They have not been prepared with any specific transaction in mind and are meant to serve only as general guidance. It is therefore critical that the Guidelines be reviewed and adapted for specific transactions.

To find more, visit the Innovative Revenues for Infrastructure section and the Content Outline, or Download the Full Report. For feedback on the content of this section of the website or suggestions for links or materials that could be included, please contact the Public-Private Partnership Resource Center at ppp@worldbank.org.

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