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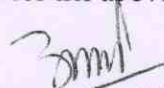
3A/9/2010-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
(PPP Cell)

New Delhi, the October 5, 2010

OFFICE MEMORANDUM

Subject : 26th Meeting of the Empowered Institution for the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding Scheme).

The undersigned is directed to refer to this Department OM of even number dated September 28, 2010, enclosing Agenda Note for the 26th meeting of Empowered Institution held on September 30, 2010 and to enclose Record of Discussion for the above meeting.


(Aparna Bhatia)
Director (PPP)

To

1. **Shri Ravi Mital**, Adviser, Planning Commission, Yojna Bhavan, New Delhi
2. **Ms. Meena Agarwal**, Joint Secretary, Department of Expenditure, New Delhi.
3. **Shri P.K. Tripathi**, Joint Secretary, Ministry of Road Transport and Highways, Transport Bhavan, New Delhi.
4. **Shri Vivek Agarwal**, Managing Director, Madhya Pradesh Road Development Corporation, 16-A, Arera Hills, Government of Madhya Pradesh, Bhopal

Copy to :

- a) PPS to DG(C)
- b) PS to JS (Infrastructure & Investment)

**Government of India
Ministry of Finance
Department of Economic Affairs
PPP Cell**

**Empowered Institution for the Scheme to Support Public Private Partnerships in
Infrastructure**

26th Meeting on September 30, 2010

Record Note of Discussions

The twenty sixth meeting of the Empowered Institution (EI), chaired by Director General (DoC), Department of Economic Affairs was held on September 30, 2010 to consider State highways proposals from Government of Madhya Pradesh (GoMP). The list of participants is annexed.

Agenda Item 1: Proposals from Government of Madhya Pradesh (GoMP) for final approval for the projects:

- a. Two laning of Bhina-Khimalsa-Malthon (39.42 km) on BOT Basis. (VGF support of ₹ 13.82 crore)
- b. Two laning of Bhind Miltona-Gopalpur (SH 50.86) on BOT Basis (VGF support of ₹ 16.58 crore)
- c. Two laning of Damoh Jabalpur (SH 98.91 km) on BOT Basis (VGF support of ₹42.43 crore)
- d. Two laning of Sagar Damoh (SH 68.81 km) on BOT Basis(VGF support of ₹ 23.30 crore)

2. The EI noted that the proposals were considered by the EI in its 16th meeting held on February 2, 2009 and granted 'in principle' approval for VGF assistance indicated above. Thereafter, the bid process has been completed, the Concession Agreements executed and appraisals by the Lead Financial Institutions (LFIs) for the respective projects completed. The LFIs have indicated that the risk profile of the projects is reasonable. Accordingly, Madhya Pradesh Road Development Corporation (MPRDC) forwarded the projects for grant of final approval by EI.

3. The EI had considered the proposals for grant of final approval in its 25th meeting held on September 10, 2010. It was noted that the financing arrangements indicated by the LFIs in respect of the projects showed that the equity support sought was higher than the equity proposed to be brought in by the Concessionaires. The proposed financing arrangements were in contravention of the provisions of the Concession Agreements. Article 25.2.2 of the Concession Agreement (CA) provides that the equity support (VGF) is not greater than the equity component. Therefore, the EI had deferred the grant of final approval to the projects and requested MPRDC to send the revised financing arrangements. MPRDC forwarded the revised financing arrangements, subsequent to the 25th meeting of the EI, duly certified by the respective LFIs of the four projects indicating that the Concessionaires would infuse additional equity into the projects in compliance with the provisions of the executed Concession Agreements.

4. The EI noted that the proposals had been endorsed by the Planning Commission. The EI granted final approval to the project proposals for VGF support indicated above.

(Action: MPRDC)

Agenda Item 2: Proposals from GoMP for in principle approval:

- a. Two-laning of Guna-Ashoknagar-Ishagarh Project (SH-20) on BOT basis (76.15 km ; VGF support of ₹ 21.02 crore)
- b. Two-laning of Bhopal-Bersia-Sironj Project (SH-23) on BOT basis (106.32 km ; VGF support of ₹ 35.12 crore)

5. Joint Secretary, DEA informed that the Appraisal Notes of the DEA had been sent to the members of EI and MPRDC; MPRDC had responded to the observations of DEA. However, Planning Commission, vide fax dated September 28, 2010, have requested that the consideration of the projects may be deferred, since the State Government had not confirmed that the DCAs were based on an MCA and had not provided a copy of the MCA to Planning Commission.

6. Adviser, Planning Commission explained that Planning Commission was reviewing the process of appraisal; in order to ensure that there was no oversight during the appraisal process. It has been, *inter alia*, decided that all appraisals would be

undertaken with reference to examination of the base MCA document adopted by the State Government. He reiterated the request for confirmation that the projects were based on an MCA approved by the competent authority. It was indicated that on receipt of the MCA documents, the appraisal would be completed on priority basis.

7. MD, MPRDC informed that Planning Commission had, till date, been appraising all projects of the State Government; such a request had not been made for the last five projects for VGF support, on which the Appraisal Notes were sent by the Planning Commission. It was indicated that the State Government had observed the same approach for the preparation of instant projects as adopted for the earlier projects. It was informed that the State Government is following the MCA prepared by the Planning Commission. The B.K. Chaturvedi Committee recommendations, which have been adopted by NHAI for National Highways with the approval of the CCI, have also been incorporated in the project DCAs. Further, the projects have been approved by the State Cabinet. It was agreed that the base documents utilised by MPRDC would be sent to DEA.

8. Joint Secretary, DEA informed that the Cabinet Secretariat had earlier clarified that a duly approved MCA is the document which is approved by the Ministry/Department concerned, agreed upon during Inter-Ministerial discussions and approved by the Minister concerned or the Cabinet. With respect to the State Government projects, there is no duly approved MCA for State Highways. Further, approval of the MCA for State projects lies in the domain of the State Government concerned. Therefore, for the purposes of the Scheme, the MCA as approved by the competent authority at the State level would constitute the base document for appraisal of the projects. With respect to the instant proposals, MPRDC had adopted the MCA for Highways which has been approved by the CoI; and incorporated the B.K. Chaturvedi Committee recommendations on the MCA, which have been approved by the CCI. Thus, in addition to the approval of the State Government, the projects are based on the MCA which has been approved by the Government of India. Therefore, the projects may be appraised at the earliest.

9. The representatives of Ministry of Road Transport and Highways (MoRTH) indicated that they have certain observations with respect to the Schedules and technical specifications of the projects. Joint Secretary, DEA requested MPRDC to

26th Meeting of the Empowered Institution: September 30, 2010.

Record of Discussion

consider the observations of MoRTH and send a written response for consideration by the EI.

10. The EI deferred the grant of 'in principle' approval to the projects and requested MPRDC to forward the MCA document for Madhya Pradesh State Highways to DEA. The EI requested Planning Commission to send the Appraisal Notes in respect of the projects expeditiously after receipt of the MCA.

(Action: MPRDC and Planning Commission)

11. The meeting ended with a vote of thanks to the chair.

**Ministry of Finance
Department of Economic Affairs**

**Empowered Institution for the Scheme to Support Public Private Partnerships in
Infrastructure**

26th Meeting on September 30, 2010

List of participants

I. Department of Economic Affairs

1. Shri Bimal Jhulka, DG(Currency) (*In Chair*)
2. Shri Govind Mohan, Joint Secretary
3. Ms. Aparna Bhatia, Joint Director

II. Planning Commission

4. Shri Ravi Mital, Adviser
5. Shri K.R. Reddy, Joint Advisor

III. Ministry of Road Transport and Highways

6. Shri Ghanshyam Kumar, AEE
7. Shri B.K. Sinha, SE

IV. Government of Madhya Pradesh

8. Shri Vivek Aggarwal, MD & Secretary