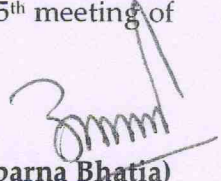


3A/3/2011-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
PPP Cell

New Delhi, the November 15, 2011

Subject: Record of Discussion of the 35th meeting of the Empowered Institution for the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding Scheme).

The undersigned is directed to enclose the Record of Discussions of the 35th meeting of the Empowered Institution held on November 2, 2011.



(Aparna Bhatia)
Director PPP

Encl: as above

1. **Shri Ravi Mital**, Adviser, Planning Commission, Yojna Bhavan, New Delhi (Fax 23096655)
2. **Ms. Meena Agarwal**, Joint Secretary, Department of Expenditure, North Block, New Delhi.
3. **Shri Raghav Chandra**, Joint Secretary (Highways), Transport Bhawan, New Delhi (Fax 23359477).
4. **Shri S.K. Lohia**, OSD (Metro), Ministry of Urban Development, Nirman Bhawan, New Delhi (Fax 23061102)
5. **Shri B.H. Anil Kumar**, Managing Director, Karnataka Road Development Corporation Limited, 1st Floor, Thimmaiah Road Cross, Miller Tank Bed Area, Vasanthanagar, Bangalore-560052
6. **Dr. Raj Kumar Khatri**, Secretary, Government of Karnataka, Infrastructure Development Department, Karnataka Government Secretariat, Vikasa Soudha, Bangalore(Fax 080 22280605)
7. **Shri Vivek Agarwal**, Managing Director, Madhya Pradesh Road Development Corporation, 16-A, Arera Hills, Bhopal-462011
8. **Shri Dhananjay Dhawad**, Secretary (Works), Public Works Department, Government of Maharashtra, Mantralaya, Mumbai.

Copy to:

- a) PPS to AS & DG (C)
- b) PS to JS (I&I)


(Aparna Bhatia)
Director PPP

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

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

35th Meeting on 02 November, 2011

Record Note of Discussions

The thirty fifth meeting of the Empowered Institution (EI), chaired by Additional Secretary and Director General (Currency), Department of Economic Affairs (DEA) was held on November 02, 2011. The list of participants is annexed.

2. The Chair welcomed the participants and noted that the EI would consider twelve proposals from four State Governments, viz., two proposals for grant of final approval from Government of Karnataka and 10 proposals for grant of in principal approval. The latter included two proposals from Government of Karnataka, one proposals from Ministry of Road Transport and Highways (MoRTH) in the State of Rajasthan, one proposal from Government of Maharashtra and four proposals from Government of Madhya Pradesh.

Agenda Item I: Proposals from Government of Madhya Pradesh (GoMP) for grant of in-principle approval for:

- i. Two laning of Ashoknagar-Vidisha, TPC Rs. 85.44, Length of 35.68 km, VGF of Rs. 17.09 crore and Concession period of 30 years ;
- ii. Two laning of Patan-Tendukheda-Rehli, TPC Rs. 169.44, Length of 86.4 km, VGF of Rs. 33.89 crore and Concession period of 30 years ;
- iii. Two laning of Sehora-Majhgawan, TPC Rs. 90.27, Length of 39.85 km, VGF of Rs. 18.05 crore and Concession period of 30 years ; and
- iv. Two laning of Manawar-Singhan-Kukshi, TPC Rs. 94.57, Length of 38.23 km, VGF of Rs. 18.91 crore and Concession period of 30 years .

3. Director DEA informed that appraisal notes from Planning Commission for the aforementioned proposals have not been received.

4. Advisor, Planning Commission informed that they had received the soft copies for the project proposals in the recent past, the appraisal of projects is under process and, therefore, the consideration of the projects may be deferred by the EI. It was further informed that appraisal notes would be sent within the next one week. It was suggested that MPRDC may be allowed to invite RfQ for the projects. MD, MPRDC informed that the process of the RfQ has already been completed, the RfPs have been invited and the bid due date of the projects is being extended till the approval of EI is received. An addendum would be issued in order to comply with the observation of the EI, if any. MD, MPRDC indicated that the project documents were based on the standard documents recommended by Planning Commission and, at the advice of Planning Commission, even the provisions contained in the MCA for National Highways, incorporated in pursuance of the acceptance of the B.K. Chaturvedi Committee by the Cabinet, had not been included in the project documents. He requested that the project may be granted in-principle approval so that the bids for the projects could be received.

5. Director, DEA pointed out that in accordance with the Guidelines of the Scheme, the RfP should be issued only after approval of the EI. MPRDC was advised to comply with the same and also ensure compliance even in all future projects.

6. The EI deferred the consideration of the proposals and advised Planning Commission to send the appraisal notes at the earliest.

(Action: Government of MP and Planning Commission)

Agenda Item II: Proposal from the Government of Karnataka (GoK) for Final Approval:

- i. Improvement of Whagdhari Ribbanpally road SH 10 in Andhra Pradesh from Government of Karnataka, Total Project Cost (TPC) Rs. 238.58 crore; Length: 135.85 km; VGF Rs. 47.716 crore (20% of TPC) and Concession Period (CP) 30 years; and**

- ii. **Improvement of Dharwad Ramnagar road SH 34 in Karnataka from Government of Karnataka, Total Project Cost (TPC) Rs. 230.29 crore; Length: 60.40 km; VGF Rs. 46.06 crore (20% of TPC) and Concession Period (CP) 30 years**

7. Managing Director (MD), Karnataka Road Development Corporation (KRDC) presented the proposals. He informed that financial closure has been achieved with a TPC of Rs. 314.31 crore for **Whagdhari Ribbanpally** proposal and Rs. 270.84 crore for **Dharwad Ramnagar** proposal, which are much higher than the respective TPCs indicated in the Concession Agreements. This could effect the Termination Payments of the projects and the contingent liabilities of the State Government. Further, a Supplementary Agreement regarding the quantification of VGF support in absolute value (and not in Net Present Value terms, as indicated in the final bid) was yet to be executed with the Concessionaire, since it was under approval of the State Government. He requested that conditional approval may be granted for the Project as construction works have already commenced.

8. Joint Secretary, DEA observed that VGF being provided by the State Government for the two projects was not being reflected in their Financing Documents and requested that the same may be clarified. If required the Financing Documents may be revised to reflect the factual position about the proportion of grant, equity and debt to construct the projects. MD, KRDC agreed to examine the matter and clarify the position.

9. Director, DEA clarified that the quantum of contingent liabilities would not increase due to a higher TPC in the financing documents since the Concession Agreements provide that the Termination payments are to be made with reference to the Total Project Cost (TPC) defined as the *lowest of*: cost indicated by the Authority in the Concession Agreement or indicated in the Financing documents **or as actually** expended on the project on completion of construction. Advisor, Planning Commission also supported this view.

10. The EI deferred the proposals and advised the State Government to send the Supplement Agreement for VGF grant limited to 40% of TPC along with the revised Financing Documents for consideration by the Empowered Institution.

(Action: Government of Karnataka)

Agenda Item III: Proposals of the road sector from the Government of Karnataka (GoK) for grant of in-principle approval:

- i. **Development of road from Shimoga- Honnali to Harihara, Total Project Cost (TPC) Rs. 125.17 crore; Length: 77.5 km; VGF Rs. 25.03 crore (20% of TPC) and Concession Period (CP) 30 years**
- ii. **Development of road (SH-20) from Devasgur-Chikkasugur Raichur Kalmala to Linsugur, Total Project Cost (TPC) Rs. 230.29 crore; Length: 102.5 km; VGF Rs. 46.08 crore (20% of TPC) and Concession Period (CP) 16 years**
- iii. **Development of road from NH-63 near Ginigere-Gangavathi to Sindhanur, Total Project Cost (TPC) Rs. 190.16 crore; Length: 83 km; VGF Rs. 38.03 crore (20% of TPC) and Concession Period (CP) 30 years**

11. Director, DEA indicated that Government of Karnataka has revised the proposals and the DCAs based on the appraisal notes of the members of EI. However, the revised documents were yet to be examined by the appraising agencies and were yet to be circulated as DCA's were received through email only on the evening of November 1, 2011. A few discrepancies and anomalies in the revised DCAs were observed upon quick review of the revised documents by DEA, viz., two lane plus as capacity augmentation had been deleted in the main body of the DCAs, however, it continued to find reference in the Schedules B and C of the DCAs.

12. The EI deferred the three proposals and requested the members of the EI to examine the revised documents before the next meeting of the EI.

(Action: Government of Karnataka)

Agenda Item IV: Proposal from the Government of Karnataka (GoK) for grant of in-principle approval: High speed Rail Link (HSRL) to Bengaluru International Airport (BIA), Total Project Cost (TPC) Rs. 5844.5 crore; Length: 33.5 km; VGF Rs. 1168.90 crore (20% of TPC) and Concession Period (CP) 30 years

13. Director, DEA informed that the Ministry of Urban Development and Planning Commission has sought more time for appraisal of the project. Advisor, Planning Commission, informed that as per their discussion with the MoUD and the State Government of Karnataka the documents would require to be revised in order for the same to be implemented by the Bangalore Metro Rail Corporation as is being proposed by the MoUD.

14. The Chair noted that the proposal had been pending for long. The delay was likely to result in higher project cost and related costs of acquiring the right of way for the project. He advised Planning Commission to send their written comments on the project to enable consideration of the project in the next meeting of the EI.

15. The EI deferred the consideration of the project to the next meeting of the EI.

(Action: Planning Commission, Government of Karnataka and MoUD)

Agenda Item V: Proposal from the MoRTH in the State of Rajasthan for in-principle approval: 2-lane with paved shoulder from Sikar to Bikaner and Bikaner Bypass of NH 11 in the State of Rajasthan under DBFOT basis, Total Project Cost (TPC) Rs. 627.58 crore; Length: 237.578 km; VGF Rs. 125.51 crore (20% of TPC) and Concession Period (CP) 25 years.

16. Joint Secretary, MoRTH presented the proposal and informed that the Implementing Agency for the project is Government of Rajasthan. The project financials suggest that the stretch is financially viable with VGF support of upto 36% of the TPC. It was confirmed that the documents have been revised in response to the the appraisal notes of the members of EI.

17. The Chair sought confirmation regarding availability of resources for funding the project under NH (O) and that the project has been approved by the Minister concerned to be implemented under the VGF Scheme. Joint Secretary, MoRTH confirmed that project has been approved by the Minister and funds are available for development of the project under NH (O). List of project approved under NH (O) carrying the instant project proposals name

was shared. Director, DEA requested that the same may be provided in a written communication to DEA's query, for record of the members of the EI. This was agreed to.

18. All the members of the EI were in agreement for approval of the Project.

19. The EI decided to consider grant of in-principle approval to the project subject to compliance of the following conditions:

- i. MoRTH would send written response to the observations of the members of EI.
- ii. MoRTH would circulate revised projects documents to the members of EI.
- iii. The environmental, forest and other approvals and clearances would be obtained before the award of the Project.
- iv. 90% of the land would be provided to the Concessionaire as per the Model Concession Agreement (MCA) by Appointed Date.
- v. Approval from the Public Private Partnership Appraisal Committee (PPPAC) and the Empowered Committee (EC) would be obtained before inviting the financial bids.
- vi. MoRTH would send written confirmation regarding availability of the budgetary provisions for meeting the cost of the pre-construction activities, balance VGF above as provided under the VGF Scheme and confirmation of the approval of the Competent Authority for implementation under NH (O).

(Action: MoRTH)

Agenda Item VI: Proposal from Government of Maharashtra (GoM) for grant of in-principle approval for Improvement of Nagpur-Bori-Taljapur Road MSH-3 from Kalamb to Umarkhed in Yavatmal District under BOT basis, TPC Rs. 812.11, Length of 165.843 km, VGF of Rs. 162.42 crore and Concession period of 30 years .

20. Director DEA informed that Government of Maharashtra had sought more time to comply with observations of the appraisal notes and have requested that the consideration of the project may be deferred.

21. The EI deferred the consideration of the project till the receipt of the response to the appraisal notes and revised documents from the State Government.

(Action: Government of Maharashtra)

22. The meeting ended with a vote of thanks to the Chair.
