

**F. No. 3/2/2019-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
(PPP Cell)**


North Block, New Delhi
13th January 2020

OFFICE MEMORANDUM

Subject: Record of Discussion of 81st Meeting of the Empowered Institution (EI) for the Scheme for Financial Support to PPPs in Infrastructure [Viability Gap Funding (VGF) Scheme]

The undersigned is directed to enclose a copy of Record of Discussion of the 81st Meeting of the EI under the VGF Scheme held on 02.01.2020 for information and necessary action.

Encl: as above


(Mukesh Kumar Gupta)
Director (PPP)
Ph: 23095037

To

1. Shri Rajeev Ranjan, Additional Secretary, Department of Expenditure, North Block, New Delhi
2. Shri E. K. Majhi, Additional Secretary, D/o Consumer Affairs, Food & Public Distribution, Krishi Bhawan, New Delhi
3. Shri S K Saha, NITI Aayog, Yojna Bhawan, New Delhi

Copy to:

- i. Executive Director (Silos), FCI, New Delhi
- ii. Sr. PPS to Additional Secretary (Investment)
- iii. PPS to JS (IPF)

F. No. 3/2/2019-PPP
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Empowered Institution (EI) Meeting on the 'Scheme for Financial Support to Public Private Partnership in Infrastructure'

81st EI Meeting held on 2nd January 2020

Record Note of Discussion

The 81st meeting of Empowered Institution (EI) under the VGF Scheme was held on 02nd Jan 2020. The list of participants in the meeting is annexed.

The proposal under consideration is for development of Silos of 50,000 MT for Storage of Wheat at Harduaganj, Aligarh, UP on DBFOT basis under PPP mode. The proposal has been received from Department of Food and Public Distribution and Food Corporation of India (FCI) for "in-principle" approval under the VGF Scheme.

The EI noted that the VGF Scheme prescribes that VGF up to Rs. 100 crore for each project may be sanctioned by the EI, proposal for VGF up to Rs. 200 crore may be sanctioned by the Empowered Committee (EC) and those exceeding Rs. 200 crore may be sanctioned by the EC with the approval of the Finance Minister.

Agenda Item I: Proposal of Food Corporation of India (FCI) to Develop Silos of 50,000 MT for Storage of Wheat at Harduaganj, Aligarh, UP on DBFOT basis under PPP mode

Development of Silos under PPP at Harduaganj, Aligarh (Uttar Pradesh)

Design Capacity: 50000 MT; No. of Silos: 4 with 12,500 MT capacity each

Total Project Cost: Rs. 40.139 crore

Concession Period: 30 years including 2 years of construction period.

VGF Sought: Maximum up to 20 % of Total Project Cost from Government of India as per the VGF Scheme

Major Development Works: Building and Civil works, Silos Plant and Machinery for 50,000 MT capacity, Electrical and other utilities, Refurbishment of common facilities, Modification of the existing Railway siding

2. Joint Secretary (IPF), DEA informed the EI members that there was one proposal of FCI for Development of Silos of 50,000 MT for Storage of Wheat at Harduaganj, Aligarh, UP on DBFOT basis under PPP mode. Total Project Cost of the proposal is Rs. 40.14 crore. The proposal has been appraised by the DEA, NITI Aayog and Department of Expenditure and the comments have been sent to the FCI.
3. General Manager (Silos), FCI made a presentation on the salient features of the proposal. He explained that Two Stage Bidding process is being followed for the proposal. Concession Period is 30 Years including 2 years of construction period. FCI would pay the fixed and variable charges from the 1st year of operation.
4. NITI Aayog raised the following issues:
 - a. The conditions precedent clause, as a prudent practice, includes a proviso for extending timelines (by not more than 90 days) for fulfillment of the Conditions Precedent by the Authority which has not been opted in this case. GM (Silos) replied that the Model Concession Agreement for silos has been followed.
 - b. Concern was expressed about the threshold of the shareholding of 51% in case of Change in Ownership in the DCA submitted by the FCI. NITI Aayog was of the view that it is a prudent practice to have the threshold limit of 33%. GM (Silos) explained that earlier EI approved proposal of Borivali, Maharashtra was having the threshold limit of 51% which has been followed here.
 - c. In clause 2.2.11 of the Ddaft RfQ, the threshold limit has been kept at 15% for the person resident outside India (for the approval of authority from the national security perspective) while the Model RfQ of NITI Aayog prescribes it up to 25%. GM (Silos) explained that in this regard, the Model RfQ of Department of Expenditure has been followed which does have the limit of 15%.
 - d. Concern was expressed about deletion of the phrase "free of any encumbrance" from the clause 10.2.2 of the DCA. DEA was also of the same view that the phrase "free of any encumbrance" provides clarity to bidders. Therefore deletion of the same is not required. It was directed that FCI will ascertain that all the clauses of RfQ, RfP and DCA are in line with the RfQ/RfP issued by DoE, Model Concession Agreement for silos and approved by the EI in earlier meetings.
5. Representative of Department of Expenditure wanted to know whether the Concession Agreement has provisions on required service level indicators to ensure quality of service and provisions of penalties in case of non- performance. GM (Silos) clarified that the Concession Agreement includes the service level indicators and provisions pertaining to penalties in case of non-performance.
6. Joint Secretary (IPF), DEA raised the point about technical eligibility in terms of TPC that has been defined as 100% of TPC for the proposal, while the model RfQ provides it as 200% of TPC. GM (Silos) replied that mentioned criteria has been revised to increase the competition. It was also approved in the 78th meeting of EI held on 20th July 2017 for Silo projects for Dhamora, UP and Borivali, Maharashtra.
7. Joint Secretary (IPF), DEA enquired about the market sounding to know the interest of the potential bidders. General Manager (Silos), FCI replied that the stakeholder

consultations have been done and at least 6-7 bidders are expected to participate. He further stated that the proposed project is similar to the earlier Eight (8) Silos projects granted **“in principle approval”** in 68th EI, 69th EI and 78th EI meetings held on 3rd Nov 2015, 22nd Dec 2015 and 20th July 2017 and all the preferred bidders have quoted premium instead of VGF for all locations except Kotakapura, Punjab, wherein VGF of Rs..5.69 crore had been quoted.

8. Joint Secretary (IPF) further enquired about the basis for the premium quoted by the bidders instead of VGF, and the rationale behind the fixing of fixed storage charges @ Rs. 104.44 per MT per month. Joint Secretary (IPF), DEA opined that it is crucial to ascertain the project financials vis-a vis the fixed storage charges to ascertain the reasonableness of charges being paid by the FCI, as it is a huge liability in form of subsidy to the Government of India. FCI representatives were unable to explain the basis of fixation of storage charges and therefore the financials of the project.
9. In view of the above, it was decided by the EI to defer the proposal. It was suggested that FCI present their proposal with all the required justifications (including the basis for calculation of fixed and variable charge), after incorporating the suggestions made by DEA, NITI Aayog and DoE, before the next EI Meeting.
10. The meeting ended with vote of thanks to the Chair.



**Ministry of Finance
Department of Economic Affairs**

Empowered Institution (EI) for the “Scheme for Financial Support to PPP in Infrastructure”

81st Meeting of EI held on 2nd January 2020

List of Participants

Sl. No	Name	Designation
1	Shri K Rajaraman	Additional Secretary (Inv), DEA - in Chair
2	Dr. Kumar V. Pratap	Joint Secretary (IPF), DEA
3	Shri B.K. Singh	Executive Director, FCI
4	Shri Mukesh Kumar Gupta	Director (PPP), DEA
5	Shri N.K. Kashmira	Director, Department of Food and Public Distribution
6	Dr. Shivalli M Chouhan	Director, Department of Expenditure
7	Shri Rajat Sharma	GM (Silos), FCI
8	Shri R.N. Bhargava	Adviser (Silos), FCI
9	Ms. Nidhi Arora	Consultant, NITI Aayog
10	Shri Shubham Goyal	Assistant Director (PPP), DEA