

F.No.3A/1/2014-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
(PPP Cell)

New Delhi the 12th February, 2014.

Subject: Record of Discussion of the 52nd Meeting of the Empowered Institution for the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding Scheme).

Please find enclosed the Record of Discussion of the 52nd Meeting of the Empowered Institution held on February 3, 2014, under the Chairmanship of Secretary (EA).

Encl: as above.

V. Srikanth
12/02/2014
(V. Srikanth)

Deputy Director (PPP)

1. **Smt. Meena Aggarwal**, OSD(PPD), Department of Expenditure, North Block, New Delhi.
2. **Shri Ravi Mital**, Adviser, Planning Commission, Yojana Bhawan, New Delhi.
3. **Shri R.K. Singh**, Joint Secretary, Ministry of Road Transport and Highways, Transport Bhavan, New Delhi.
4. **Shri Shyamalkumar Mukherjee**, Secretary (Works), Public Works Department, Government of Maharashtra, Madam Cama Road, Hutatma Rajguru Chowk, Mantralaya, Mumbai-400032.
5. **Shri Vivek Agarwal**, Managing Director, M.P. Road Development Corporation Ltd., 16-A, Arera Hills, Bhopal.
6. **Dr. Arun Paliwal**, General Manager, Madhya Pradesh Road Development Corporation Ltd., 16-A, Arera Hills, Bhopal-462011.
7. **Shri K. Krishna Reddy**, Managing Director, Karnataka Road Development Corporation Ltd., 1st floor, 16/J, Millar Tank Bed Area, Thimmaiah Road Cross, Bangalore-560052.

Copy to:

- a. PSO to Secretary (EA)
- b. Sr. PS to JS (Infra).
- c. PS to DS (PPP)

V. Srikanth
12/02/2014
(V. Srikanth)

Deputy Director (PPP)

*Recd
One
12/2/2014*

F.No. 3A/1/2014-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
PPP Cell
Empowered Institution for the Scheme for Financial Support to Public Private
Partnerships in Infrastructure

52nd Meeting on February 03, 2014

Record Note of Discussions

The fifty-second meeting of the Empowered Institution (EI), chaired by Secretary, Department of Economic Affairs (DEA) was held on February 03, 2014. The list of participants is attached.

The EI noted that there were seven (07) road sector proposals for consideration for viability gap funding (VGF) under the Scheme. Of these proposals, one proposal is for final approval from Ministry of Road Transport & Highways (MoRTH). Six proposals are for in-principle approval, four proposals from Government of Maharashtra, and one proposal each from Governments of Madhya Pradesh and Karnataka.

The EI also noted that the Scheme for Support to PPPs in Infrastructure prescribes that VGF up to Rs. 100 crore for each project may be sanctioned by the EI, proposals for VGF up to Rs. 200 crore may be sanctioned by the EC, and amounts exceeding Rs. 200 crore may be sanctioned by the EC, with the approval of the Finance Minister.

A. Proposal for grant of Final Approval

Agenda Item I: Proposal from Ministry of Road, Transport and Highways (MoRT&H) for final approval: Two-lane with paved shoulder from Sikar to Bikaner and Bikaner Bypass of NH 11 in the State of Rajasthan under DBFOT basis.

Project Details:

Total length: 237.578 km; Total Project Cost (TPC): Rs. 650.84 crore (as per executed Concession Agreement); Concession Period: 25 years including 2 years of construction period.

VGF quoted by L-1 bidder: Rs. 247.32 crore (38.0% of TPC), VGF from Government of India: Rs. 130.168 crore (20% of TPC); VGF from Sponsoring Authority (MoRT&H): Rs. 117.152 crore (18% of TPC)

Major development works/ structures: Development of 4-lane-32.290 km (from Sikar (km 356.9) to Laxmangarh (km 375.269) & 2-lane-205.288 km (Km.340.188 to km 356.9 (Sikar Bypass), Km 375.249 to km 557.775 and km 553.869 of NH 11 to 267.325 of NH – 89 (Bikaner By-pass); ROB:4; No. of bypasses: 2 (Sikar and Bikaner bypasses); Service Roads: 1.133 km on both sides; Major Junction: 12; Minor Junction: 113; Culverts: 93; Toll plazas: 4 (at km 362.5, km 420.2, km 507 & km 11(Bikaner bypass); Truck laybys: 5, Bus-bays: 16; Underpasses: 4

2. Joint Secretary, Department of Economic Affairs (DEA) stated that the proposal was granted in-principle recommendation by the Empowered Institution (EI) in its 35th meeting held on November 2, 2011. The Public-Private-Partnership Appraisal Committee (PPPAC) & Empowered Committee (EC) recommended the project in its 48th meeting held on December 13, 2011.
3. Joint Secretary, DEA sought clarifications of the following; (a) the reasons for variance in the dates of Financial Closure (FC) and Appointed Date (AD), (b) TPC at financial closure is around 40 percent greater than the DPR estimates on TPC as per the RFP/RFQ released for bidding. Chief Engineer, MoRT&H explained that due to delay in legal vetting and processing of departmental approvals of the documentation, a delay of 4 months in achieving the AD has been observed. Further, it was stated that primary reasons for variation of TPC was that the difference between the release of RFQ document and RFP document was about 2 years. Hence, 20% escalation for this cost increase was factored in the TPC during the FC. Further, an increase due to interest rate was estimated at 3.5% in these 2 years. It was also stated that since the preparation of the Feasibility Report, the pavement crust condition had deteriorated needing further improvements to the pavement crust; the length for reconstruction of the road had increased and design requirement changed upon preparing detailed site specific drawings and General Arrangement Drawing (GAD) for structures were initially indicative and were revised during FC, which were cumulatively adding to the increase in TPC.
4. Deputy Advisor, Planning Commission stated that the project's executed Concession Agreement, Schedule B, two annexure (Annexure I for two-laning portion of the project and Annexure II-for Four laning portion) were intended to be provided separately. These separate annexures were meant to be Manual of Standards and Specifications (MSS) for the intended up-gradation. However, it has been noticed that only one Annexure has been provided and the other is missing. This was recommended to be amended. The Chair directed MoRT&H to examine this matter with respect to the project's executed Concession Agreement and suitably arrange to provide the MSS for the two-lane and four-lane portions separately. Chair also stressed the need for expediting departmental clearances, vetting etc.

(Action: MoRT&H)
5. All members of the EI were in agreement on recommending the project proposal for grant of final approval for VGF support.
6. **The Empowered Institution granted final approval and recommended the project to the Empowered Committee for viability gap funding (VGF) of maximum Rs. 247.32 crore (38 percent of TPC of Rs. 650.84 crore) as total VGF for the project under the Scheme. Out of the total VGF to be provided, maximum Rs. 130.168 crore (20% of TPC) from Government of India (Ministry of Finance) and maximum Rs. 117.152 crore (18 percent of TPC) from Ministry of Road, Transport and Highways (MoRT&H) may be provided.**

(Action: MoRT&H & DEA)

B. Proposals for grant of In-Principle Approval

Agenda Item II: Proposal from Government of Karnataka (GoKa) for in-principle approval: Two/Four-laning (with part paved-side-shoulders and part soft shoulder) at km 0.0 to km 61.60 of Nelamangala and Chikkaballapura road section on BOT (Toll) basis

Project Details:

Total length: 64.054 km; Total Project Cost (TPC): Rs. 168.04 crore; Concession Period: 29 years including 1.5 years of construction period.

VGF sought from Government of India: Rs. 33.608 crore (20% of the TPC), VGF from Government of Karnataka (GoKa): Rs. 22.819 crore (13.58% of the TPC), Total VGF support sought: Rs. 56.43 crore (33.58% of the TPC)

Major development works/ structures: Major Bridges: 1 at km 14.01; Minor bridges: 7; ROB: 1; RUB: 2; Toll plazas: 2 (km 17 at SH-74, near Kodipalya & km 42.0 at near Melekote cross), Bus-bays: 24, Major road junctions: 10, Culverts: 75; Truck Lay Bys: 2.

7. Joint Secretary, DEA sought clarifications for the following; (a) the status on land acquisition, shifting of utilities and environmental clearances (b) RFP/RFQ documentation not provided with the EI memo, (c) updated traffic details as presently average total traffic is around 3000 PCU, (d) variation in scope of work and (e) as responses to the Appraisal note of the members of EI are yet to be provided, these may be submitted in writing. Managing Director (MD), Karnataka Road Development Corporation Limited (KRDCL) responded that out of the total land of 280 hectares that is required for the project, 210 hectares (75% of the total land) is already acquired and only 48 hectares (17% of the total land) remains yet to be acquired. This is proposed to be provided in accordance with the tenets of the project's concession agreement. The Chair asked that status of land availability and acquisition may be certified in writing to the members of EI.

(Action: GoKa & KRDCL)

8. Further, in response to the queries raised by Joint Secretary, DEA, it was indicated that no forest clearance is required for the project and shifting of utilities is very minimum. The RFQ /RFP have been submitted to the EI Secretariat recently. For other clearances, the State Government shall provide requisite support to the Concessionaire in accordance with the provision of the project's Concession Agreement. It was stated that written responses shall be sent to the EI secretariat.

(Action: GoKa/KRDCL)

9. Deputy Advisor, Planning Commission stated that the project has very low volume of traffic, hence may not be commercially viable and may fail to attract a bid. Chair suggested that commercial viability maybe tested through the bidding process. If in all other aspects the project appears feasible, the project may be allowed for market testing.

10. Executive Engineer, MoRT&H stated that there is an overlap of a section with the National Highway (NH) where up-gradation is proposed. Thus, appropriate "No Objection" approvals from MoRT&H would be required. MD, KRDCCL stated that up-gradation to NH portion is being done is only for an overlapping portion of 500 mts. This would enable smooth flow of traffic. The Chair asked MoRTH to expedite examination of the case and issue No Objection to GoKa/KRDCL as the proposal entails providing upgraded service quality to the users traversing the instant road. GoKa/KRDCL was directed to refer the matter to MoRT&H for obtaining the No Objection approval which may be obtained prior to release of the RFP to the bidders.

(Action: GoKa/ KRDCCL & MoRT&H)

11. All members of the EI were in agreement to grant of in-principle approval for VGF support to the project.

12. **The Empowered Institution granted in-principle approval to the project for combined and total viability gap funding (VGF) of maximum Rs. 56.427 crore (33.58 percent of TPC of Rs. 168.04 crore) from Government of India (GoI) and Government of Karnataka/ Karnataka Road Development Corporation Limited (GoKa/KRDCL) under the Scheme. Out of the total VGF to be provided, maximum Rs. 33.608 crore (20.0 percent of TPC) from Government of India and maximum Rs. 22.819 crore (13.58 percent of TPC) from GoKa/KRDCL. The approval is subject to the following:**

- a. GoKa/KRDCL shall confirm in writing the details of total land required, available land and balance land yet to be acquired.
- b. GoKa/KRDCL shall ensure that the legal vetting of the revised documents is undertaken to ensure that there are no discrepancies in the contract documents and the final project's concession agreement shall be shared expeditiously with the bidders.
- c. GoKa/KRDCL shall obtain clearances such as land clearances, environment clearances and shifting of utilities etc, before commencing work on the project site and in accordance with the requirements of the project's concession agreement.
- d. GoKa/KRDCL shall obtain prior approval of the EI on any change in TPC, scope of work or project configuration as noted above.
- e. GoKa/KRDCL shall undertake corrections in the project's concession agreement in compliance with the observations of DEA, Planning Commission and MoRTH which have been agreed to by GoKa/KRDCL in their response to the appraisal notes. GoKa/KRDCL shall duly intimate to the bidders all the changes incorporated in the procurement documents.
- f. GoKa/KRDCL shall intimate and obtain prior approval of the EI on any change in VGF requirements as noted above alongwith justification, which is based on competitive bidding as per the VGF Scheme, as decided in the 51st meeting of the EI held on December 18, 2013.
- g. GoKa/KRDCL shall circulate the final documents to the members of the EI for record.
- h. GoKa/KRDCL will ensure that the RFP is issued only after obtaining the "No Objection" certificate for the NH overlap stretch from MoRT&H.

(Action: GoKa/ KRDCCL, MoRT&H andDEA)

