

F. No. 3/24/2015-PPP
Ministry of Finance
Department of Economic Affairs
(PPP Cell)

North Block, New Delhi
Dated 13th March, 2019

OFFICE MEMORANDUM

Subject: Record of Discussion of 33rd Meeting of the Empowered Committee (EC) for Final Approval of Viability Gap Funding (VGF) for Development of Silos for Storage of Wheat on DBFOT basis under PPP mode at Kotkapura, Punjab under the Scheme and Guidelines for Financial Support to PPPs in Infrastructure (VGF Scheme) – reg.

The undersigned is directed to enclose a copy of Record of Discussion of 33rd Meeting of the EC for the Final approval of VGF for the captioned project under VGF Scheme held on 07th March 2019 under the Chairmanship of Secretary (EA) for information and necessary action.

Encl: as stated above


(Mukesh Kumar Gupta)
Director (PPP)

1. CEO, NITI Aayog, Yojna Bhawan, New Delhi
2. Secretary, Department of Expenditure, North Block, New Delhi
3. Secretary, D/o Consumer Affairs, Food & Public Distribution, New Delhi
4. Executive Director (Silos), FCI, New Delhi

Copy to:

1. Sr. PPS to Secretary (EA)
2. PPS to JS (IPF)

F. No. 3/24/2015-PPP
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Department of Economic Affairs
(PPP Cell)

Record of Discussion of the 33rd Empowered Committee (EC) Meeting for the ‘Scheme and Guidelines for Financial Support to Public Private Partnership in Infrastructure’ held on March 07th, 2019.

The 33rd meeting of Empowered Committee (EC) for Final Approval of VGF for Development of Silos for Storage of Wheat on DBFOT basis under PPP mode at Kotkapura, Punjab under the Scheme for Financial Support to Public Private Partnership in Infrastructure chaired by Secretary, Economic Affairs, was held on 07th March 2019. The list of participants is annexed.

2. The VGF Scheme prescribes that VGF up to Rs.100 crore for a project may be sanctioned by the Empowered Institution (EI) chaired by Additional Secretary (EA), proposal for VGF up to Rs 200 crore may be sanctioned by the Empowered Committee (EC) chaired by Secretary (EA), and amounts exceeding Rs.200 crore may be sanctioned by the EC, with the approval of Finance Minister. Since no Additional Secretary in DEA is presently designated for chairing the Empowered Institution (EI) meeting, the proposal for final approval for VGF for the project was put up to the EC.

Proposal from Ministry of Consumer Affairs, Food & Public Distribution, Government of India for “Final” Approval of Viability Gap Funding (VGF)

Agenda Item: Final approval of Viability Gap Funding (VGF) for Development of Silos for Storage of Wheat on DBFOT basis under PPP mode at Kotkapura, Punjab under the VGF Scheme.

Project Details: Total Capacity: 25,000 MT; No of Silos: 02 with 12, 500 MT capacity; Total Project Cost (after completion of construction): Rs 26.57 crore; Concession Period: 30 years including 2 years construction period.

VGF: Maximum 20% of the Total Project Cost from Government of India

Major Development Works / Structures: Railway Siding; System and Equipments like Electronic Weighbridge: 60 MT; Number of samplers: 2; Number of Streams: 1; Temperature monitoring system: 1; Aeration system (per silo): 1; Baggage system; Associated infrastructure: Internal roads; Parking bay (20 3-axle trucks, 4 cars and 24 two-wheelers); Reception, cafeteria and rest rooms; Fire detection and fighting system; Security system; Power infrastructure; Administrative building; Laboratory etc.

3. Joint Secretary (IPF), DEA informed the EC members that the proposal for Development of Silos for Storage of Wheat on DBFOT basis under PPP mode at Kotkapura, Punjab was accorded “in-principle” approval under GoI’s Scheme and Guidelines for Financial Support to Public Private Partnerships in Infrastructure in the 68th Meeting of Empowered Institution (EI) held on 03.11.2015 and conveyed on 27.11.2015 . The proposal is now being considered for Final Approval of VGF.

4. Executive Director (Silos), FCI made a short presentation on the proposal and informed the EC that the preferred bidder has quoted Viability Gap Funding of Rs.5.69 crore, which is 15.97% of the TPC estimated by FCI (Authority) at Rs.35.62 crore. He apprised EC that Concession Agreement was signed on 08.06.2016, and construction of the project was completed on 30.09.2017 with an actual project cost of Rs.26.57 crore. He further stated that as per the Scheme Guidelines, lowest TPC should be considered to calculate the VGF, hence in the present case , the eligible **VGF is 20% of Rs.26.57 crore i.e. Rs.5.314 crore.**

5. The main concern with the proposal was that it has been submitted for “Final approval” after the completion of the construction of the project, whereas as per Scheme Guidelines the “Final Approval” should be submitted to EI/EC within three months from the date of Award, or such extended period as may be permitted. As per Scheme Guidelines, the quantum of VGF shall be in the form of Capital Grant during the construction of the project, but in the instant case the project is already operational. Hence, for both these reasons, the proposal violates the Scheme Guidelines. Executive Director (Silos), FCI replied that there is delay from their end to submit the proposal within the stipulated time period and noted the point for compliance in future.

6. The issue about construction of Storage facility with two (02) Silos of 12,500 MT capacity each instead of proposed four (04) Silos of 6,250 MT capacity each was also raised. Executive Director (Silos), FCI replied that there is no change in Total Capacity of Silos i.e. 25000 MT; hence, this is not considered as Change in Scope of the Project as flexibility has been provided under PPP model to the developer.

7. As per the VGF Guidelines, the project should provide a service against payment of a pre-determined tariff or user charges. ED (Silos), FCI confirmed that pre-determined tariff or user charges have already been mentioned in Article 27 and 28 of the Concession Agreement.

8. In the light of the above clarifications, all EC members agreed to grant “Final approval” of VGF for Development of Silos for Storage of Wheat on DBFOT basis under PPP mode at Kotkapura, Punjab equivalent to 20% of the Actual Project Cost of Rs 26.57 crore i.e.**Rs 5.314 crore** subject to the following conditions:

- i. As per the VGF Guidelines, the project should provide a service against payment of a pre-determined tariff or user charges as mentioned in the Article 27 and 28 of the Concession Agreement. Authority may ensure that this is being adhered to over the entire concession period.
- ii. Prior to disbursement, the Empowered Institution, the Lead Financial Institution and the Concessionaire shall enter into a Tripartite Agreement.
- iii. FCI may ensure that unsecured loan of Rs.4.18 crore from Promoters should comply with the definition of equity as contained in the Concession Agreement.
- iv. VGF shall be utilized for payment of outstanding Term Loan and not equity of the Project.

9. The meeting ended with vote of thanks to the chair.

Ministry of Finance
Department of Economic Affairs

Record of Discussion of the 33rd Empowered Committee (EC) Meeting for the 'Scheme and Guidelines for Financial Support to Public Private Partnership in Infrastructure' held on March 07th, 2019.

List of Participants

- i. Shri Subhash Chandra Garg, Finance Secretary and Secretary, Department of Economic Affairs (In Chair)
- ii. Shri Rajeev Ranjan, Additional Secretary, Department of Expenditure
- iii. Shri E.K. Majhi, Additional Secretary, Ministry of Consumer Affairs, Food & Public Distribution
- iv. Shri Kumar V Pratap, Joint Secretary (IPF), DEA
- v. Shri S.K. Saha, Advisor (PPPAU), Niti Aayog
- vi. Shri Mukesh Kumar Gupta, Director (PPP), DEA
- vii. Shri Manoj Kumar Madholia, Deputy Director, DEA
- viii. Shri Arun Dewan, OSD (PPP), DEA
- ix. Shri. Shubham Goyal, Assistant Director (PPP), DEA
- x. Shri Syedain Abbasi, Executive Director (Silos), Food Corporation of India
- xi. Shri R.N. Bhargava, Adviser (Silos), Food Corporation of India