

**Minutes of the Meeting of the Empowered Institution held on 17-2-2006 under the chairmanship of Additional Secretary (EA).**

Meeting of the Empowered Institution was held on 17-2-2006 under the chairmanship of Additional Secretary (EA) to consider the proposal of PPP projects. The following officers participated in the meeting.

1. Shri. Anurag Goel, A.S.(Expenditure),
2. Shri G. Haldea, Advisor to Deputy Chairman, Planning Commission
3. Shri Arvind Mayaram, J.S. (Infra), DEA
4. Shri Vijay Lakhanpal, Director (PF-II), Deptt. of Expenditure
  
5. Shri B.S. Bhandari, Director (I), Planning Commission
6. Shri K.R. Reddy, Dy. Advisor, Planning Commission
7. Shri A.P. Pathak, SE, Planning Commission
8. Shri Bhanu Mehrotra, D.S. Planning Commission

2. Before considering specific proposals, the Committee discussed general issues pertaining to how the PPP projects would be examined for the purpose of determining the VGF required for each of them. Adviser to Deputy Chairman, Planning Commission desired that the role of Planning Commission and the line Ministries in the VGF scheme should be clearly defined. As detailed appraisal would be done before the issue of final approval, the Department which will undertake this work should be identified right in the beginning to ensure that there is no duplication of work and concomitant delay in processing of the proposals. He also pointed out that the understanding of PPP mechanism in the Central and State Ministries is still rudimentary and massive efforts are required to create a higher level of awareness about not only about the VGF scheme but also how PPP projects can be developed to build up the pipeline. He acknowledged the concern of the Government that the scheme has not fully taken off and there is very little likelihood that any amount will be disbursed during the current financial year. Additional Secretary (Expenditure) raised the issue of how the VGF would be determined to ensure that there is no undue outflow of funds from the public exchequer. He wanted to know whether the proposal which has received in principle approval of the Empowered Institution

could later be rejected at the stage of final sanction. It was explained that whereas technically it was possible that some cases may get rejected, however this should only be an exception and to the extent possible the proposal should be properly assessed for eligibility before in principle approval is accorded.

3. J.S.(Infra), DEA was called upon to explain the different stages of project development in PPP format. He gave the outline of the project development cycle and the different stages at which developer entity would come to the Empowered Institution.

a) **Step 1 – Initial Screening Report**

Before the developer entity (State Government/statutory body) initiates steps and spends money to prepare DFIBR (Detailed Feasibility & Investment Banking report) which would provide firm figures for realistic estimate of VGF, technical feasibility, commercial terms, assessment of risks and risk apportionment, regulatory requirements etc.

At this stage DEA would only examine desirability and eligibility of the project for VGF. Eligibility would be determined on the basis of the guidelines.

**Outcome-** Empowered Institution would issue ‘**Eligibility Certificate**’.

b) **Step 2 - Appraisal**

DFIBR would be presented to DEA and this would be appraised to determine whether (i) the assumptions based on which VGF has been worked out are sound, (ii) risks have been properly assessed and apportioned on rational considerations and are not unduly loaded against the ‘public’ part of the partnership (iii) the all safeguards issues, approvals, etc. have been factored in, (iv) Documentation, including **concession agreement**, has been completed and is in order, and (iv) bidding process road map has been fully mapped.

**Outcome-** Empowered Institution would, after appraisal, issue ‘**In Principle Approval**’.

c) **Step 3 - Sanction**

The DEA would be satisfied that the bidding process has been transparent and fair and in the prescribed manner, that during the bidding process, the

goal posts have not been shifted to suit the bidders and that the VGF requirement has been arrived at in a rational manner.

**Outcome-** Empowered Institution would issue ‘**Sanction**’ for the payment of VGF to the project in the manner prescribed.

4. He further clarified that in some cases, the developer entity may approach the Empowered Institution, at Step–2 level if he is ready with the DFIBR. Therefore, we should be prepared to accept proposals both at Step–1 and Step-2 levels. However if this is accepted, partial modification in the guidelines may be necessary.

After brief discussion, it was decided that this matter be taken up separately in consultation with the other Members.

5. As regards issue of detailed appraisal, it was decided that this task would be done by the DEA. For this, capacities would be built within the Department and if need be, some specialized aspect could also be outsourced.

Subsequently, individual projects were considered and the decisions were taken as follows;

**A. Four Laning of Halol-Godhra-Shamlaji Road**

Project is sponsored by Gujarat State Road Development Corporation Ltd. & Gujarat Infrastructure Development Board and the location is Gujarat Panchmahal, Sabarkantha Distt. Halol-Godhra-Samlaji road is part of one of the longest corridors running parallel to NH-1 and is a section of State Highway No.5 Halol is a town located at about 32 km. From Vadodara (located on NH-8) Vadodara-Halol road is a four lane road with service road running end to end of road. VGF sought in the form of capital grant is to the tune of Rs.99.76 crores.

**Decision : The proposal was approved ‘in principle’**

**B. Four-laning of Rajkot-Jamnagar-Vadinar road**

Project is sponsored by Gujarat State Road Development Corporation Ltd & Gujarat Infrastructure Development Board and the location is Sanrashira, Gujarat. Rajkot-Jamnagar-Vadinar link is a section of State Highway No-25.

Project road is situated partly in Rajkot district and partly falls under Jamnagar district. The project road starts from km of 5.00 near Rajkot ends near km 125.4 near Vadinar. The total length of the project road is 126.8 km. This road services highly industrialized area of Jamnagar and Vadinar and ports located on the coast line of Gulf of Kutchh. VGF sought in the form of capital grant is to the tune of Rs.108.64 crores.

**Decision : The proposal was approved ‘in principle’**

**C. Four-laning of Ahmedabad – Viramgam road**

Project is sponsored by Gujarat State Road Development Corporation Ltd & Gujarat Infrastructure Development Board and the location is Gujarat, Ahmedabad Surendranagar District. Ahmedabad-Viramgam link is a section of State Highway no.17. Project Road is situated in Ahmedabad district. The project road starts from km of 11/800 near Sarkhej rotary on NH-8A and ends near km 59/100 near Viramgam. Total length of the project road is approximate 48 km. VGF sought in the form of capital grant is to the tune of Rs.33.34 crores.

**Decision : The proposal was approved ‘in principle’**

With regard to the pending proposals, it was decided that to the extent possible, the cases should be processed and put up before the Empowered Institution before 31<sup>st</sup> March, 2006.

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