

3A/6/2009-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
PPP Cell

New Delhi, the December 18, 2009.

OFFICE MEMORANDUM

Subject: 20th 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 Discussion of the 20th meeting of Empowered Institution for the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding Scheme), chaired by the Additional Secretary (Economic Affairs), held on 14th December, 2009.



(Abhijit Phukon)
Deputy Director (PPP)

To

1. Ms. Meena Agarwal, Joint Secretary, Department of Expenditure.
2. Shri Ravi Mittal, Adviser, Planning Commission, Yojana Bhavan, New Delhi.
3. Shri P.K. Tripathi, Joint Secretary, Department of Road Transport and Highways, Transport Bhavan, New Delhi.
4. Shri Mohammad Suleman, Secretary, Public Works Department, Government of Madhya Pradesh, Bhopal.
5. Shri G.M. Kandhare, Secretary (Works), Government of Maharashtra, Public Works Department, Mantralaya, Mumbai-400032.
6. Principal Secretary, Government of Karnataka, Infrastructure Development Department, Karnataka Government Secretariat, Vikasa Soudha, Bangalore (Fax 08022281123).
7. Shri Pratyaya Amrit, Secretary, Road Construction Department, Government of Bihar, Patna.

Copy to:

- a) PPS to AS(EA)
- b) PS to Joint Secretary (Infrastructure)

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

20th Meeting on December 14, 2009

Record Note of Discussions

The twentieth meeting of the Empowered Institution (EI), chaired by Additional Secretary, Department of Economic Affairs was held on December 14, 2009. The list of participants is annexed.

2. At the outset, the Chairperson welcomed the participants and noted that the EI would consider nine proposals; one proposal for final approval of viability gap funding from Ministry of Road Transport and Highways and eight proposals for 'in principle' approval from the States of Madhya Pradesh, Maharashtra, Karnataka and Bihar.

Agenda Item 1: Proposal from Ministry of Road Transport and Highways (MoRTH) – for final approval: Development of Bewar-Gomti section of NH 8

3. The EI noted that MoRTH has proposed development of two-lane road at Bewar-Gomti Section in Rajasthan, a non-NHDP stretch. The project was considered by the EI in its 18th meeting held on July 2, 2009 and granted 'in principle' approval. The project, on completion of bidding had been awarded M/s ITNL. ITNL designated ITNL Road Infrastructure Road Development Company Limited (IRIDCL) as the Special Purpose Vehicle to implement the project. The Concession Agreement was signed in April, 2009. The Union Bank has been appointed as the Lead Financial Institution (LFI). Term loan amounting to Rs.100 crore has been recommended for sanction by LFI in October, 2009. Accordingly, MoRTH has sought final approval for grant of Viability Gap Funding (VGF) of Rs.39 crore.

4. It was noted that the total project cost, as estimated by the LFI, is Rs.355 crore as against Rs.195 crore in the project DCA. The representative of MoRTH clarified that the amount was as per the executed Development Agreement. The cost has been estimated based on bill of quantities of

different items. The cost taken by the developer in 2009 was different from the rates prevailing at the time of estimation of the project cost by MoRTH. Adviser, Planning Commission noted that the variance in the cost could also be in view of the fact that the execution of the project envisaged two-stage augmentation. As general practice, MoRTH takes into account the capital cost of the first stage, viz., two laning of the highway. However, the developer would have taken into account the cost of two laning the project as well as the subsequent cost of four laning the project stretch. MoRTH was requested to ascertain the same and inform the members of the EI.

(Action: MoRTH)

5. The EI noted that the Scheme for Support to PPPs in infrastructure defined the total project cost as the lowest of the cost estimated by the Sponsoring Authority or the project cost as sanctioned by the Lead Financial Institution or as actually expended, as provided for in the Scheme. Therefore, the VGF granted approval would be determined by the project cost, as estimated by the Sponsoring Authority and indicated in the project Concession Agreement, viz., 20 percent of Rs. 195 crore. The EI granted final approval to the proposal for viability gap funding of Rs. 39 crore.

(Action: MoRTH)

Agenda Item 2: Proposals for 'in principle' approval from Government of Madhya Pradesh

- a. **Two laning of Ujjain-Unhel-Nagda-Jaora road (Km 59.400 of SH 27 to Km 132.800 of SH 31)**
- b. **Two laning of Satna-Chitrakoot road of SH-11**
- c. **Construction of new four lane alignment connecting Lebad to Manpur (SH 31 to NH 3)**

6. The representative of Madhya Pradesh Road Development Corporation (MPRDC) informed that the State Government has revised the project documents of the proposals in the light of the recommendations of the B.K. Chaturvedi Committee. It was noted that all observations on the project documents had been incorporated. Adviser, Planning Commission sought confirmation that notification of fee had been made a Condition Precedent in the project DCAs. The representative of MPRDC clarified that the fee notification would be appended to the project DCAs before issue of RfP to the shortlisted bidders. It was also confirmed that two-stage bid process was being observed. The EI noted that all outstanding issues in respect of the projects had been addressed and requested MPRDC to justify the proposed augmentation of the project highways based on traffic projections.

Two laning of Ujjain-Unhel-Nagda-Jaora road

7. The representative of MPRDC explained that the project highway would connect Indore with Ratlam, resulting in saving in travel distance by 30 km. It was expected that the proposed stretch, which was currently not catering to any commercial traffic would become an important link highway after the proposed augmentation. Therefore, the traffic on the project, on reaching COD, was likely to be around 8,000 PCUs.

8. The EI granted 'in-principle' approval to the proposal for Viability Gap Funding upto Rs. 37.858 crore.

(Action: MPRDC)

Two laning of Satna-Chitrakoot road of SH-11

9. The representative of MPRDC explained that the project stretch was currently a single lane road. It was explained that highway traverses through an area with prevalence of dacoity. The highway was expected to be more secure through the proposed strengthening and improvement of the Ghat sections and likely to encourage movement of commercial traffic. It was expected that there would be 100 percent increase in traffic once the widening and strengthening of the highway is completed (i.e. on COD).

10. The EI granted 'in-principle' approval to the proposal for Viability Gap Funding upto Rs. 24.356 crore.

(Action: MPRDC)

Construction of new four lane alignment connecting Lebad to Manpur

11. The representative of MPRDC explained that the existing alignment was a two lane highway passing through the Ghats and it was not possible to widen it to a four lane highway. At places, the road was very steep, resulting in difficulties in movement of heavy commercial vehicles. MPRDC has, therefore, proposed the four laning of the new alignment to connect the two existing four lane alignments of SH-31 and NH-3. The project is expected to provide a direct connectivity to the traffic on NH-3 from Mumbai to Delhi. Therefore, the traffic on the project, on reaching COD, was likely to be around 14,020 PCUs.

12. The representative of MPRDC stated that initially the project cost was Rs. 206.53 crore (including Rs.18.13 crore as cost of land acquisition and shifting of utilities). However, the State Government had to slightly alter the alignment of the project stretch and also provide for 1 ROB. Hence, the project cost had been revised to Rs.218.41 crore (including Rs.18.13 crore as cost of land acquisition and shifting of utilities). The EI approved the revised Total Project Cost for the purposes of the DCA as Rs.200.10 crore and granted 'in-

principle' approval to the proposal for Viability Gap Funding upto Rs. 40.02 crore.

(Action: MPRDC)

Agenda Item 3: Proposals from Government of Maharashtra for grant of 'in-principle' approval

- a. **Four laning of Jam-Warora-Chandrapur road km 0.000 to km 400 (SH 264) Jam to Warora**
- b. **Four laning of Karanji-Wani-Ghuggus Chandrapur road in Yavatmal and Chandrapur Distt**
- c. **Four laning of Nagpur Bori Tuljapur Road MSH 3 in Yavatmal District**

13. The EI noted that State Government had revised the project documents on the basis of the observations from the members of the EI. The EI noted that the outstanding issues in respect of the project documents were being addressed by the State Government. The representative of the State Government was requested to justify the proposed augmentation of the project highways based on traffic projections.

Four laning of Jam-Warora-Chandrapur road

14. The representative of the State Government presented the project proposal. It was explained that the project stretch is an important link connecting the State Highway and National Highway. The region had dense economic activity due to the location of power plants, cement and steel industry and coal mines. However, the project stretch in its current condition, was bottleneck to the smooth flow of traffic from Jamb to Warora. Fatal accidents were witnessed on the stretch due to the movement of heavy multi-axle vehicles on the dilapidated stretch. It was expected that with the development of the project highway would encourage flow of commercial traffic.

15. Adviser, Planning Commission indicated that the per unit project cost was reasonable. Therefore, the EI could consider granting 'in principle' approval to the project and enable the State Government to test the market appetite for the project.

16. The EI granted 'in principle' approval to the project for VGF upto Rs.44.72 crore.

(Action: Government of Maharashtra)

