

**Subject: Minutes of meeting of the Empowered Institution held on 01.05.2007**

The 10<sup>th</sup> meeting of the Empowered Institution (EI) to consider proposals received for Viability Gap Funding (VGF) was held on 01.05.2007 at 3.00 PM in Room 131-A, North Block. The list of participants is annexed.

2. The Empowered Institution (EI) considered the following proposals:

- (a) Construction of Four-lane Bhopal By-pass in Madhya Pradesh
- (b) Four laning of Lebad-Jaora section of SH 31 in Madhya Pradesh
- (c) Hyderabad Metro project

3. Managing Director, Madhya Pradesh Road Development Corporation (MPRDC) made a presentation on the two projects relating to the State Highways of Madhya Pradesh. The following issues were discussed in context of these projects:

(a) Project Cost: It was noted that while the project authorities give a certificate regarding the project cost the detailed basis of the project cost for the proposals submitted under the scheme need to be examined as the quantum of the viability grant being given by GOI has a direct relation with the project cost. It was also mentioned that in several instances the project cost is revised during the course of appraisal by GOI of the proposal submitted under the VGF scheme. In earlier projects submitted by MPRDC as well as the projects presently under review the project cost has been revised without providing sufficient justification. It was agreed that Department of Economic Affairs would discuss with Department of Expenditure and Planning Commission, issues relating to determination of project cost in case of various projects submitted under the VGF scheme. For the above projects, MPRDC agreed to furnish the certificate of the State Government regarding the justification of the project cost. It was also agreed that GOI will not consider any revision in costs beyond the project cost projected in the agenda note circulated and the viability grant shall be pegged to 20% of the project cost for which in “principle approval” is granted.

(b) Standards and Specifications: It was noted that project cost was directly related to standards and specifications prescribed for any particular sector. It was agreed that in all sectors an attempt would be made to establish standards and specifications to be adopted for project preparation including benchmarking duly approved by competent authority.

(c) Mixed land use: MPRDC was requested to consider mixed land use while developing highway projects to enable self-sustainable projects so that the demand for grant is reduced. MPRDC indicated that the two projects under consideration were at an advanced stage and any changes now would delay the projects. They agreed to consider this option in future projects. This was accepted.

(d) Concession Agreement: It was pointed out the revised concession agreement was received only on the previous day which did not provide sufficient time for examination of the document. It was agreed that the revised document would be discussed by MPRDC with representatives of Department of Economic Affairs and Planning Commission so that the agreed position or the unresolved issues, if any could be discussed in the next meeting of the Empowered Institution.

4. The Empowered Institution granted in principle approval to the two high way projects in Madhya Pradesh subject to the approval of the concession agreement. The project authority was advised to benchmark the roads as per agreed norms and prepare estimates based on State PWD/Central PWD/National Highways/IRC specifications.
5. Principal Secretary, Govt. of Andhra Pradesh (GOAP) explained the salient features of the Hyderabad Mass Rapid Transit (MRTS) Project. He explained that the selection of the corridor the MRTS project was based on capacity and did not attempt to replace the alternate transport of bus network. He stated that the project was discussed earlier in Ministry of Finance and GOAP had agreed to most of the observations made by GOI on the project structure as well the concession agreement.
6. Principal Secretary, GOAP informed that the issue of GOAP equity in the project the comment of GOI that GOAP should abstain from having equity participation in the project and exercise its control over the concessionaire through the concession agreement was submitted to the State Government. However, the State Government while agreeing to reduce the equity from 26% to 11% has not conceded to have no equity participation in the project. It was stated that in case GOAP insists on equity participation then for availing of the GOI grant it has to undertake that it would not expect any dividend from its equity at least for the initial 10 to 15 years since a situation where GOI contributes grant funding for a State project where a State Government earns a dividend cannot be justified. GOAP agreed to this position.
7. Principal Secretary, GOAP indicated that the concession agreement for the project would be based on the Model Concession Agreement under preparation in GOI. Planning Commission informed that the second draft of the MCA has been finalised and circulated some of the project authorities including GOAP for comments based on which the third draft would be finalized and circulated to all stake holders. The final draft then prepared based on the comments would be submitted for the approval of Committee on Infrastructure.
8. Principal Secretary, GOAP indicated that the initial shortlisting of bidders have been completed and five firms have been shortlisted for the project. The GOAP would now proceed with further shortlisting based on technical proposals as an interim stage of bidding. For this purpose they would require approval of Empowered Institution which could be given subject to the finalization of the concession agreement.
9. The Empowered Institution stated that the project submitted by GOAP was in conformity of the VGF scheme and granted approval to GOAP to proceed with further shortlisting of bidders. The proposal would be submitted for the in principle approval once the concession agreement is finalised.
10. The meeting ended with thanks to the Chair.