

**Government of India
Ministry of Finance
Department of Economic Affairs
PPP Cell**

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

11th Meeting on September 12, 2007

Record Note of Discussions

The eleventh meeting of the Empowered Institution (EI) to review the progress of 23 projects, earlier considered and approved by Empowered Institution, was held on September 12, 2007 in North Block, New Delhi. The meeting was chaired by Additional Secretary, Department of Economic Affairs (DEA). The list of participants is annexed.

2. At the outset, Additional Secretary, DEA welcomed the participants and requested each Sponsoring Authority to indicate the status of proposals, the tentative date for completion of the bidding process, time frame seeking final approval of the EI and the extent of disbursement of viability gap funds anticipated during the current financial year.

Government of Madhya Pradesh

3. The representative of **Government of Madhya Pradesh** indicated the status of seven projects from Madhya Pradesh Road Development Corporation (MPRDC) as under:

3.1 **Strengthening of Mandsaur-Sitamau Road (upto Rajasthan Border):** The bidding process has been completed and the Concession Agreement was signed on 10.07.2007. The pre-construction activities have commenced. Financial closure is expected in October 2007. Disbursement of first instalment of Viability Gap Funding (VGF) for the project, amounting to Rs.3.791 crore is expected during March, 2008.

3.2 **Strengthening of Matkuli-Tamia-Chindwara, MP:** The bidding process for the project has been completed and the Concession Agreement was signed on 10.07.2007. The pre-construction activities have commenced. Financial closure is expected by April, 2008. No disbursement of Viability Gap Funding is anticipated during the current financial year.

3.3 **Strengthening of Chandpur-Alirajpur-Kukshi-Badwani Road:** The bidding process has been completed and the Concession Agreement was signed on 10.07.2007. The pre-construction activities have commenced. Financial

closure is expected by November, 2007. Requirement of VGF for the project during 2007-08 is Rs.2.52 crore.

- 3.4 **Four laning of Bhopal-Devas State Highway:** The bidding process has been completed and the Concession Agreement was signed on 10.07.2007. The pre-construction activities have commenced. An amount of Rs.16.2 crore of VGF for the project is expected to be disbursed in March, 2008.
- 3.5 **Four laning of Jaura-Nayagaon State Highway:** The Concession Agreement had been signed on 20.08.2007. Premium of Rs.15.39 crore is payable to MPRDC annually by the concessionaire and to increase at the rate of 5% per annum.
- 3.6 **Four laning of Lebad Jaura State Highway:** The Concession Agreement, based on the Model Concession Agreement for State Highways, had been signed on 30.07.2007. Premium is to be paid by the Concessionaire to MPRDC 1008 days prior to COD.
- 3.7 **Construction of four laning of Bhopal bypass:** The project is yet to be tendered. The bidding process will be initiated after approval of the Concession Agreement by DEA and Planning Commission.

4. Government of Madhya Pradesh (GoMP) was requested to immediately forward the above proposals for final approval by the Empowered Institution

(Action: Government of Madhya Pradesh, MPRDC)

5. Government of Madhya Pradesh sought to know whether the Tripartite Agreement could be signed before reaching financial closure. Additional Secretary (Expenditure) indicated that the Government of Madhya Pradesh was advised that the Tripartite Agreement may be signed after the financial closure of the project. If required, Government of Madhya Pradesh may seek extension of time from EI.

(Action: Government of Madhya Pradesh, MPRDC)

Government of Gujarat

6. The representative of Government of Gujarat indicated that the bidding process initiated in respect of the following three projects.

- Four laning of Rajkot-Jamnagar-Vadinar, Gujarat
- Four laning of Ahmedabad Viramgam-Maliya Road, Gujarat
- Halol-Godhara-Shamlaji Road, Gujarat

Bidders had been pre-qualified and Request for Proposal issued. The last date for submission of bids is December 27, 2007. Evaluation of bids and issue of LOI to the successful bidders is expected to take two months after receipt of bids. As per the RFQ, thereafter, 30 days required to enter into concession agreement with the successful bidders. It was informed that Gujarat State Road Development Corporation (GSRDC) has initiated pre-construction activities, including land acquisition, utility shifting, forest clearance etc. Since the activities are complex in nature, time consuming and involve multiple agencies, the State Govt has requested

for extending the time limit of in-principle approval till March 31, 2008 in respect of the three projects.

7. Representative of GSRDC further indicated that there had been rise in the project costs since the grant of in principle approval by the Empowered Institution. It was explained that after the grant of in principle approval, the Sponsoring Authority had undertaken the techno-feasibility study and reformulated the bid documents resulting in delay in the onset of the bidding process. Government of Gujarat was requested to send an application, justifying the escalation in the project costs of the three projects for consideration by the Empowered Institution. Government of Gujarat was also requested to indicate the substantive deviation made from the MCA in the Concession Agreements of the three projects.

(Action: Government of Gujarat)

Government of Maharashtra

8. Representative from Government of Maharashtra indicated the status of the under mentioned five road projects sanctioned by the Empowered Institution:

8.1 Four laning of Nashik- Niphad- Aurangabad Road SH-30 (Section Nashik-Niphad Vaijapur road), Maharashtra: Bidding process initiated. Four entrepreneurs were pre-qualified. No financial bid received from entrepreneurs.

8.2 Four laning of Manjarsumbha-Lokhandi-Sawargaon-Latur State Highway, Maharashtra: Bidding process initiated. Three entrepreneurs qualified in pre qualification criterion Revised proposal considering CSR and deducting Latur North Bye-pass is in progress.

8.3 Four laning of Jalna-Deulgaon Raja to Berala Phata and construction of Deoulgaon Raja Bypass, Maharashtra: Bidding process initiated. Only one bid received with concession period of 20 years and VGF of Rs 47.29 crore (39.89%). The VGF requirement reduced by entrepreneur only by Rs 2 lakh during negotiation.

8.4 Four laning of Berala Phata-Chikali-Adampur-Khamgaon upto NH 6, Maharashtra: Bidding process initiated. Only one bid received with concession period of 20 years and VGF of Rs 64.99 crore (89.86%). The VGF requirement reduced by entrepreneur by only Rs 2 lakh during negotiation, which is under scrutiny.

8.5 Four Laning of Osmanabad (Yedasi)-Latur-Nanded Road, Maharashtra: Bidding process initiated. 5 entrepreneurs were pre-qualified. Two bidders submitted their offer. Only one offer with 20 years concession period and VGF of Rs 217.00 crore (57%). With the consent of Finance Department, sought second offer for 30 years concession period and VGF of Rs 160 crore. Tender is under scrutiny and negotiation (as per revised cost of 441.19 crore, VGF is Rs 176.36 crore (38%)).

9. It was indicated that the bidding process had been initiated for all the projects. However, the Sponsoring Authority was experiencing difficulties due to inadequate response and receipt of bids with very high quotation of the VGF requirement for the projects. Further, representative of Government of Maharashtra indicated that the project costs had increased substantially which had impacted the viability of the projects. Representative of Planning Commission suggested that the structuring of the projects may require a review. Noting that the Project reports had been prepared by the public works department of the State Government, it was suggested by Joint Secretary (Infrastructure), DEA that Government of Maharashtra may get one project report prepared from an independent consultant to take a view on the extent of escalation in the project on account of increase in the costs of raw materials. Additional Secretary (EA) clarified that change in the VGF amount is admissible only if it is on account of the bids received and not on account of change in the project cost. Government of Maharashtra was requested to prepare and send a detailed status of the five road projects along with timelines for the disbursement schedule for the projects.

(Action: Government of Maharashtra)

10. Thereafter, the representative from MMRDA briefed the status of the **Mumbai Metro Rail Project Chakop-Bandra-Munikhud – 2nd corridor**. It was indicated that the bidding process had been initiated and the evaluation of the 8 bids received is underway. It was further stated that the State Government was awaiting the finalisation of the Model Concession Agreement for metro projects and Model RFP document before seeking financial bids. It was informed that no disbursement of VGF for the project was required during the 2007-08. The Sponsoring Authority was advised that pending finalisation of the MCA, MMRDA may finalise the project report and the Concession Agreement for the project, in consultation with Ministry of Urban Development (MoUD) and send it for consideration by the Empowered Institution.

(Action: MMRDA/MoUD)

Government of Rajasthan

11. Representative of Government of Rajasthan indicated that the VGF requirement of the seven projects had increased from 35% to 55% due to increase in price of material, labour, interest rate, etc. The State Government is, therefore, reviewing the viability of the seven projects granted “in principle” approval by the Empowered Institution. The Sponsoring Authority was requested to send detailed, project-wise status of the seven projects, their project reports and the timelines for reaching disbursement of VGF for consideration of the Empowered Institution.

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