

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

....

**Empowered Institution for the Scheme to Support Public Private Partnerships in  
Infrastructure and Scheme for India Infrastructure Project Development Fund**

**12<sup>th</sup> Meeting on March 5, 2008**

**Record Note of Discussions**

The twelfth meeting of the Empowered Institution (EI) was held on March 5, 2008 in North Block, New Delhi. The meeting was chaired by Additional Secretary, Department of Economic Affairs (DEA). The list of participants is annexed.

**Agenda Item 1: Proposal from Government of Madhya Pradesh for final approval of the project: Four laning of Bhopal Dewas State Highway**

1. The representative of Madhya Pradesh Road Development Corporation (MPRDC) informed that financial closure for the project (as well the other three projects being considered by the EI for Final approval) had been achieved. In respect of the instant proposal, it was confirmed that:

i. The amount of 1.6 % of Total project cost as estimated by MPRDC to be paid by CEL and MSKPIL to M/s BSBK as technical fee will be paid by CEL and MSKPIL from their own funds and will not be loaded on the Concessionaire Company and will not form a part of the Total Project Cost of Dewas Bhopal Project. A confirmation letter to this effect from the Lead Financial Institution had been obtained.

ii. The sectional tolling was provided for in the Draft Concession Agreement approved by EI and only the length of the sections were clarified in the pre bid clarifications which were issued prior to the last date of submission of RFP and were circulated to all those who purchased the RFP's. Hence, there was no deviation from the approved Draft Concession Agreement.

iii. Status of land acquisition: 99.43% of the land has been handed over to the Concessionaire.

iv. Concession agreement: Representative of Planning Commission indicated that certain observations to the draft Concession Agreement for project (and three other projects being considered by the EI for Final approval) had not been incorporated in the final executed Concession agreements. Representative of MPRDC informed that the conditions, as stipulated while

granting in-principle approval had been incorporated in the Concession Agreements.

2. The Empowered Institution granted the final approval for Viability Gap Funding (VGF) assistance of 81 crores to the Project.

*(Action: Government of Madhya Pradesh)*

**Agenda Items 2-4: Proposals from Government of Madhya Pradesh for final approval for the projects:**

- a. Strengthening of Matkuli-Tamia-Chhindwara Road Project**
- b. Strengthening of Chandpur-Alirajpur-Kukshi-Badwani Road Project**
- c. Strengthening of Mandsaur-Sitamau Road Project**

3. The representative of Madhya Pradesh Road Development Corporation (MPRDC) informed that the increase in project costs of the three projects, as per the appraisal by the Lead Financial Institution for the projects, was on account of:

- i. The bids for the projects being invited as per on the Detailed Project Reports; hence there were changes done by the Concessionaire in design and the cost appraised by LFI were computed on the current Schedule of Rates.
- ii. The financing cost and incidental costs such as Performance Security, Stamp duty, Bank Charges were not included in the total project costs computed by MPRDC; these components have been incorporated by the Lead Financial Institution.

4. It was noted that the additional costs would be borne by the respective Concessionaire of the three projects, either from equity or debt and will have no bearing on the total VGF assistance. Representative of MPRDC informed that the land acquisition for the three projects had been completed and the land had been handed over to the Concessionaires in all the three cases. In the case of Mandsaur-Sitamau project it was informed that the Concessionaire had invested the entire equity as per financing plan and the debt disbursement has started. 41% of the debt had been disbursed and MPRDC had released part of its Grant.

5. The Empowered Institution granted the final approval for VGF assistance in respect of the three projects as indicated below:

- a. VGF assistance of Rs 19.69 crore for Matkuli-Tamia-Chhindwara Road.
- b. VGF assistance of Rs 12.60 crore for Chandpur-Alirajpur-Kukshi-Badwani Road.

- c. VGF assistance of Rs 5.05 crore for Mandsaur-Sitamau Road.

*(Action: Government of Madhya Pradesh)*

**Agenda Item 5: Proposal from Government of Madhya Pradesh for approval of Draft Concession Agreement for the project: Four laning of Bhopal Bypass Road.**

6. The observations of Planning Commission and their legal consultants to the draft Concession Agreement of the project and response by MPRDC thereon was examined. It was pointed out that the promoters' equity in the project should not be less than the VGF assistance given by Government of India. The representative of MPRDC informed that Clause 25.2.2 of the Draft Concession Agreement stipulated that the Equity in the project will have be more than the VGF assistance.

7. Representative of Planning Commission reiterated that the clause on the procedure for selection of Independent Engineer, viz. "transparent bidding process applicable to the multilateral agency supported projects" was vague and could lead to disputes. The State Government was urged to either adopt the provision provided in the MCA or specify the bidding process applicable to a specific multilateral agency.

8. The EI granted approval to the draft Concession Agreement of the Project, subject to the above conditions.

*(Action: Government of Madhya Pradesh)*

**Agenda Item 6: Proposal from Government of Madhya Pradesh for 'in-principle' approval of the project : Four laning Indore-Ujjain Road Project**

9. It was noted that MPRDC had communicated that the revised cost of the project was Rs 237.59 crores as against the earlier proposed project cost of Rs 251.92 crores. The reduction in project cost was on account of the curtailment of project length by 2.15 km in Indore, which was being covered under BRTS scheme. The project would now start after the ROB of Indore town.

10. It was pointed out that the promoters' equity in the project should not be less than the VGF assistance given by Government of India. The representative of MPRDC informed that Clause 25.2.2 of the Draft Concession Agreement stipulated that the Equity in the project will have be more than the VGF assistance. The calculation in the proposal were done on the assumption of 20% VGF and debt equity of 70:30. These could change after the receipt of financial bids and in the final appraisal by Financial Institute. However, the

issue would be addressed in the light of Clause 25.2.2 of the draft Concession Agreement.

11. The representative of MPRDC confirmed that :

- i. Toll Rules: The project specific toll notification had been issued by the State Government on 3.3.08 for the the project.
- ii. Clause 12.1 of Draft Concession Agreement provides that the concessionaire shall be allowed to start construction on the section of the road after submitting the design for that section. It was confirmed that the start of construction would be permitted after the Financial Closure of the project.
- iii. Land acquisition had been initiated and would be completed as provided for in the agreement.

12. Representative of MPRDC indicated that the clause on the Termination of Agreement on account of the Project crossing the pre-decided level of traffic for a continuous period of three years had not been incorporated in the DCA since the State Government was of the view that it was better to provide certainty of concession period to the bidders. It was explained that the view of the State Government would result in a sub-optimal situation and that the Clause 29.2.3 in the MCA was to safeguard the user interests and to ensure that the highways do not remain consistently congested. It was decided that the Clause 29.2.3 and 30.2(c) of the Model Concession Agreement should be included in the Draft Concession Agreement. These pertains to the Termination of Agreement on account of the Project crossing the pre-decided level of traffic for a continuous period of three years and that of changes in the toll period on account of construction on Additional Toll Way. Furthermore, the State Government was advised to adopt the Manual of Standards & Specifications published by Planning Commission for the project.

13. The EI granted in-principle approval to the project subject to fulfilment of the above conditions and the project being based on the Manual for Standards and Specifications published by Planning Commission and the Model Concession Agreement as approved by the competent authority in the State.

*(Action: Government of Madhya Pradesh)*

**Agenda Item 7: Proposal from Government of Andhra Pradesh for ‘in-principle’ approval of Construction of second road bridge across river Godavari (revised proposal)**

14. The representative of Andhra Pradesh Road Development Corporation (APRDC) informed that the project was based on the Model Concession

Agreement for State Highways. It was suggested by representative of Planning Commission that the Manual on Standards and Specifications published by Planning Commission may be adopted for the project. This was agreed to by the State Government. The representative of the State Government explained that the project cost had escalated on account of revision of the Standard Schedule of Rates and increase in the prices of construction material such as bitumen. The revised proposal was granted in principle approval for viability gap funding assistance of upto 20% of the total project cost estimated by APRDC, subject to the project being based on the Model Concession agreement and the Manual of Standards and Specifications.

*(Action: Government of Andhra Pradesh)*

15. The representative of APRDC informed that they had forwarded RFQ documents in respect of three road projects, viz., Hyderabad-Ramagundam Road; Narketpally-Medaramitla road; and Puthalpattu-Naidupet road, for in-principle approval for proceeding with pre qualification of bidders. It was indicated that the RFQs were based on the Model RFQ notified by Ministry of Finance. The EI granted approval for proceeding with the pre-qualification of bidders for the three projects and urged the State Government to expedite furnishing of complete documents in respect of the projects for consideration for grant of in-principle approval for grant of VGF assistance.

*(Action: Government of Andhra Pradesh)*

**Agenda Item 8-10: Proposals from Government of Karnataka for 'in-principle' approval:**

- a. **Improvement in Chikkanya Kanahalli Tiptur Hassan Road**
- b. **Improvement of Dharwad- Ramnagar Stretch**
- c. **Two laning of Whaghari- Ribbanpally stretch**

16. The representative of Government of Karnataka indicated that the comments of the constituents of the EI had been examined by the State Government and were being incorporated in the draft concession agreements of the three projects.

17. The State Government was advised to ascertain whether KRDC had the mandate to grant concessions. The representative of the State Government informed that the view of the State Government was that the cost and responsibility of utility shifting and obtaining clearances such as railway clearances, removal of trees, etc., should be borne by the Concessionaire of the projects. It was pointed out that the responsibility of shifting of utilities and clearance of trees was with the Concessionaire as per the MCA. However, the cost of shifting utilities had to be borne by the State Government. It was further pointed out that the responsibility of obtaining railway clearances

should ideally be of the State Government; however, in case the State Government's view is to assign the responsibility to the concessionaire, the commitment of Railways to part-finance the ROBs (if any) should be ensured/clarified before inviting bids for the projects. The representative of the State Government indicated that they would prefer to restrict the number of prequalified bidders to five and round off the Toll Rates to the nearest Rs 5. This was agreed to.

18. The EI granted in-principle approval to the three proposals, subject to the above conditions and the projects being based on the Model Concession Agreement, approved by the competent authority in the State Government, and the Manual of Standards and Specifications published by Planning Commission.

*(Action: Government of Karnataka)*

**Agenda Item 11: Proposal from Government of Gujarat for approval for enhanced costs of four laning of Ahmedabad Viramgam Maiya Road; Four laning of Rajkot Jamnadar Vadinar; and Halol- Godhara- Shamlaji Road**

19. The agenda item was dropped at the request of representative of Government of Gujarat, who informed that the bids for the three projects had been invited and the State Government did not seek enhancement of VGF assistance for the projects.

**Agenda Item 12: Proposal under IIPDF Scheme from Government of Gujarat for Development of Transport Nagar at Ahmedabad.**

20. Representative of Planning Commission noted that the process of selection of the consultants for project development had been initiated by the Government of Gujarat before the notification of the Guidelines and Scheme for IIPDF. Therefore, the eligibility of the proposal for assistance under the IIPDF scheme required further consideration. The agenda item, was accordingly, deferred.

21. The meeting ended with a vote of thanks to the chair.