

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

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

18th Meeting on July 2, 2009

Record Note of Discussions

The Eighteenth meeting of the Empowered Institution (EI), chaired by Additional Secretary, Department of Economic Affairs was held on July 2, 2009. The list of participants is annexed.

**Agenda Item I: Final approval of proposal from Government of Andhra Pradesh
for Construction of Bridge across river Godavari**

2. It was noted that the Government of Andhra Pradesh proposed construction of a 4.15 km bridge over River Godavari. The proposal was granted in-principle approval by the Empowered Institution in March 2008. The State Government had completed the bidding process and selected M/s Gammon Infrastructure Project Ltd. (GIPL). The Concession Agreement was executed and Financial Closure achieved on May 26, 2009.

3. Representative of Planning Commission noted that, on undertaking the appraisal of the executed Concession Agreement, it was noted that certain comments of Planning Commission on the DCA have not been incorporated in the revised CA. These include change in the scope of the concession from DBFOT to BOT; ambiguities in the DCA regarding the scope being DBFOT or BOT; deletion of the provision on right of waiver of Conditions Precedent by the Government; provision of a safety consultant, safety funds and change in the definition of the Total Project Cost to include Equity Support. It was noted that the change in the definition of Total Project Cost was erroneous. Representative of GoAP informed that the definition of Total Project Cost was amended by the State Government due to misinterpretation of the comments of the legal consultants of Planning Commission, attached with the Appraisal Note. Furthermore, the State Government was willing to amend the definition to align it with the Model Concession Agreement, and the concurrence of the Concessionaire to effect the change in the executed Concession Agreement had been obtained. It was decided that the State Government would amend the Concession Agreement and inform the Empowered Institution.

4. The Empowered Institution recommended the proposal for grant of final approval for Viability Gap Funding of Rs 118.60 crore to the Empowered Committee.

(Action: Government of Andhra Pradesh; DEA)

Agenda Item 2: Approval of Proposals for enhancement of Project Cost from Government of Karnataka

- i. Two laning of Chikkanayakanahalli-Tiptur-Hassan road in the State of Karnataka**
- ii. Two laning of Dharwad-Ramnagar stretch of SH 34 in the State of Karnataka**
- iii. Two laning of Whagdhari-Ribbanpally stretch of SH 10 in the State of Karnataka**

5. The Empowered Institution noted that the three proposals from Government of Karnataka were granted 'in principle' approval by the Empowered Institution in its twelfth meeting held on March 5, 2008. Government of Karnataka issued the RfP of the projects. However, no response was received from the bidders. On examination of the project proposals, the State Government noted that the project costs, which were based on the schedule of rates of 2006-07 were needed to be updated to the current schedule of rates (2008-09). Accordingly, Government of Karnataka has sought 'in principle' approval for revised project costs as indicated below:

Name of the Project	Approved cost	Revised cost
i. Improvements to Chikkanayakanahalli-Tiptur-Hassan road	220.00	225.80
ii. Improvements to Dharwad –Alnawar-Ramnagar-Almond Road	193.00	237.60
iii. Improvements Ribbanpally Whagdhari – Ribbanpally road.	197.20	276.65

6. Representative of Planning Commission observed that the capital cost of the three projects were proposed to be increased by 11.3%, 23.04% and 40.3% respectively during a period of about 14 months since February 2008 and suggested that the costs of Whagdhari-Ribbanpally stretch may be moderated. It was pointed out that the toll rates applicable for the projects were higher than the NHAI rates which could depress the traffic on the project highways and impact their viability. The State Government was requested to clarify whether the project documents had been revised to incorporate comments of the members of the Empowered Institution.

7. Representative of the Government of Karnataka have stated the increase in project costs was on account of revision of SR 2006-007 to SR 2008-09. Further, in the case of Whagdhari-Ribbanpally stretch, the increase in project cost was also on account of slight change in the project structure at the recommendation of the Technical Committee of the Project; and provisions made for independent consultant charges and contingencies. It was decided that increase costs on account of change in structure would not be admissible for the project and the project cost may be enhanced upto 23 percent in line with the Dharwad –Alnawar-Ramnagar-Almond Road.

8. The Empowered Institution approved the enhancement in the Total Project Costs, as proposed by GoK, in respect of Chikkanayakanahalli-Tiptur-Hassan road

and Dharwad –Alnawar-Ramnagar-Almond Road; and upto 23 percent Ribbanpally Whagdhari – Ribbanpally road subject to the following conditions:

- i. GoK would certify that the projects costs are based on approved schedule of rates;
- ii. GoK would certify that the project documents have been revised as approved by the Empowered Institution in its twelfth meeting while granting 'in principle' approval to the proposals
- iii. GoK would forward the revised documents to DEA for record.
- iv. The State Government would examine the toll rates adopted for the projects vis-a-vis toll rates adopted by NHAI

(Action: Government of Karnataka)

Agenda Item 3: Proposal from Government of Gujarat for grant of 'in principle' approval: Four laning of Bagodara-Dhandhuka-Vallabhipur-Bhavnagar Road Project

9. The Empowered Institution noted that Gujarat State Road Development Corporation (GSRDC) had earlier posed another project, viz., four laning of Sarkej - Vatanam-Bhavnagar, which also started from Bhavnagar and ran parallel to the instant project stretch. Representative of GSRDC clarified that on the 127.7 km project stretch, the traffic for the two project stretches was common only on 20 km road length; and the project was strategically important for the state and commercially viable.

10. It was noted that the project documents suffered from the same infirmities as had been pointed out for project documents of Sarkej -Vatanam-Bhavnagar by the members of EI. It was agreed that GSRDC would incorporate all the decisions of the Group of Representatives of DEA, Planning Commission and GSRDC (which had examined the project documents of Sarkej -Vatanam-Bhavnagar and arrived at a mutually acceptable position) for the project documents of the instant project. It was also agreed that Development Charges would not be included in the Total Project Cost for the purposes of estimation of Viability Gap Funding. GSRDC would revise the project documents and send the same to DEA for record with the certification that all the agreed to changes had been incorporated.

11. The EI recommended the proposal for grant of in principle approval for Viability Gap Funding of Rs 204.68 crore to the Empowered Committee.

(Action: Government of Gujarat; DEA)

Agenda Item 4: Proposal from Government of Bihar (GoB) for grant of 'in principle' approval: Construction of Green field bridge across river Ganga connecting Bakhtiyarpur and Shahpur Patori

12. Representative of Bihar stated that all observations of Planning Commission and DEA had been responded to. Representative of Planning Commission observed that the bridge was proposed to be constructed between two existing bridges, one of which was not tolled and the other tolled for a nominal charge of Rs 10. Hence, the estimated diversion of traffic from the existing bridges, to a bridge with a toll charge of Rs 147, may not materialise. Representative of MoRTH questioned whether the siting of the bridge was most appropriate; the length of the bridge could be shorter if it was constructed more downstream. Representative of GoB clarified that the peak discharge at both the locations was the same; hence the length would not be effected; further the current location provided a north south grid connection.

13. Joint Secretary, DEA asked the representative of the State Government to explain the assumptions on the basis of which the figures on diversion of traffic to the greenfield bridge had been arrived at. It was noted that the estimated traffic did not justify a four lane Bridge and that the project did not appear to be commercially viable. The State Government was requested to reconsider the requirement of constructing a four lane bridge at the proposed location since it did not appear to be commercially robust project based on sound traffic or revenue assumptions.

(Action: Government of Bihar)

Agenda Item 5: Proposal from Government of Rajasthan for grant of 'in principle' approval:

- i. **Development of two lane road Bhilwara to Bundi via Mandalgarh and Bijoliya**
- ii. **Development of two lane Road Jaipur to Bhilwara via Phagi, Malpura, Kekri and Shapura**

14. The EI noted that the project proposals were approved by the EI in July 2006. Though the traffic did not justify two laning, the roads were economically important and their per unit cost was very reasonable; hence they were likely to be commercially viable. It was noted that the State Government had agreed to incorporate the changes in the DCA as suggested by members of EI. The project proposals were granted in-principle approval subject to the State Government sending the revised project documents with the certificate that all changes had been incorporated in the project documents.

(Action: Government of Rajasthan)

Agenda Item 6: Proposal from Ministry of Road Transport & Highways (MoRTH) for grant of 'in principle' approval: Development of two lane Road of Beawar-Gomti section of NH 8 on PPP basis following DBFOT pattern

15. The EI noted that Ministry of Road Transport and Highways had proposed widening and strengthening of the two-lane Beawar-Gomti section of NH 8 in the

state of Rajasthan on BOT basis. It is proposed to augment the capacity of the project road in two stages; first, by widening and strengthening the 2 lane carriageway from 7 m to 10m (2 lane with paved shoulders) and in the 2nd stage to a 4 lane carriageway including construction of a bypass around Jawaja village. The project was conceived and prepared as a project not requiring VGF. The proposal and project documents were examined by Standing Finance Committee (SFC) chaired by Secretary, RTH, with representation from Departments of Economic Affairs, Expenditure and Legal Affairs as well as Planning Commission. Subsequently, the proposal was approved by Secretary, Economic Affairs in the capacity of Chairman, PPPAC and thereafter by the Cabinet, with VGF upto 40% of Total Project Cost. On completion of the bidding process, it was found that the lowest bidder had quoted grant requirement of Rs. 75.465 crore (38.7% of TPC). Accordingly, MoRTH has sought VGF equivalent to 20% of TPC amounting to Rs.39 crore.

16. Since the due diligence for the project had been completed through the framework of SFC and PPPAC, followed by approval by the Cabinet, the Empowered Institution granted in-principle approval for VGF support to the project.

(Action: Ministry of Road Transport & Highways)

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