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

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

36th Meeting on December 1, 2011

Record Note of Discussions

The thirty sixth meeting of the Empowered Institution (EI), chaired by Additional Secretary and Director General (Currency), Department of Economic Affairs (DEA) was held on December 1, 2011. The list of participants is annexed.

2. The EI considered five proposals, four from the Government of Madhya Pradesh and one from Ministry of Road Transport and Highways (MoRTH) for grant of in-principle approval for viability gap funding (VGF) support.

Agenda Item I: Proposal from Government of Madhya Pradesh (GoMP) for grant of in-principle approval for Two laning of Ashoknagar-Vidisha, TPC Rs. 85.44, Length of 35.68 km, VGF of Rs. 17.09 crore and Concession period of 30 years.

3. DGM, MPRDC presented the proposal. It was indicated that appraisal notes of Department of Economic Affairs (DEA) and Planning Commission had been received and MPRDC has agreed to incorporate all the recommendations of DEA and Planning Commission in their appraisal notes. However, one of the suggestions of Planning Commission, which was with regard to fixation of concession period with reference to the design capacity (taken as 15,000 PCUs) as 27 years has not been found acceptable by the State Government. It was indicated that the roads were being designed based on Level of Service (LoS)- C. Hence, design capacity of 25,000 PCUs has been adopted for the project stretch.

4. The Chair queried about the availability of land for the project. CE, MPRDC confirmed that 80% of the land is already available with the Authority and additional land required shall be handed over to the Concessionaire prior to the Appointed Date.

5. SE, MoRTH indicated that traffic is not justified for 2-laning of the road. CE, MPRDC clarified that current total traffic is around 4,500-5,000 PCUs and the present road condition is very bad. It is estimated that once the roads are improved, the traffic is expected to grow by 15-20% and is expected to reach 6,000 PCUs by the year 2014 (expected date of COD). Thus, the 2-laning is justified.
6. SE, MoRTH observed that the road pavement has been overdesigned at 10MSA for the given level of traffic; dilution of these specifications to align them to IRC-37 and appropriate MSA based on traffic would reduce the total project cost and may result in a better response from the bidders. The Right of Way (ROW) also appeared insufficient for the project. CE, MPRDC informed that higher MSA has been designed as a mitigation measure for higher traffic expected on the road post the project’s implementation and since the concession period is expected to be 30 years.

7. SE, MoRTH further indicated that the detailed financial analysis has not been provided and thus the financial viability could not be verified. DGM, MPRDC informed that as per the financial analysis the project does not appear financially viable as Equity IRR with maximum VGF of 40% of TPC has been estimated as 2.92% against the benchmark norms of 15%. However, out of the total 26 VGF projects, 13 projects, having similar traffic pattern, have received premium. Further RFP for this project has already been issued and based on the RfQ short listing, good responses from around 20 bidders have been received. Thus, it was requested that MPRDC may be permitted to test the market with the four projects under consideration by the EI.

8. Director, DEA informed that RFP for the four projects have been issued, which is in contravention to the Guidelines of the Scheme. However, these projects may be considered for approval for viability gap funding by EI as a one-time exception and may not be taken as precedent for other State Highways projects by Madhya Pradesh. In future, MPRDC may ensure that the RFP is invited only after the grant of in-principle approval by the EI. MPRDC agreed to the same.

9. Director, DEA also indicated that in view of the fact that the RFP has already been issued for these projects, good responses have been received at the RfQ stage and changing of specifications at this stage may lead to uncertainty among the bidders. Hence, changes in the specifications may be considered in case the projects do not get adequate response during bidding. Planning Commission, MoRTH and DOE were in agreement with this view.

10. Deputy Secretary, DoE observed that the traffic growth has been projected as 15-25% which appears to be on the higher side. DGM, MPRDC explained that the traffic projections have been taken as per the Detailed Feasibility Report (DFR) based on the comprehensive traffic survey and diverted traffic. Further, based on the past experience of other projects the traffic has grown at similar rates. The Chair observed that this route is the missing link in the religious circuit of Lalitpur-Chanderi via Ashoknar to Vidhisha and it is likely that considerable traffic shall be diverted on the project stretch once the project is implemented.

11. Director, DEA, sought confirmation that the DCAs for the four projects, without the provisions recommended by BKC Committee have the approval of the State Cabinet. DGM, MPRDC informed that State Cabinet has approved both the
DCAs, i.e., with and without the provisions recommended by BKC Committee and approved by the Union Cabinet.

12. All the members of the EI were in agreement for grant of approval to the project.

13. The EI granted in-principle approval to the project, subject to the following conditions:
   a. MPRDC would circulate revised projects documents to the members of EI.
   b. The environmental, forest and other approvals and clearances would be obtained before the award of the Project.
   c. 90% of the land would be provided to the Concessionaire by Appointed Date as per the Model Concession Agreement (MCA).

   (Action: MPRDC)

**Agenda Item II: Proposals from Government of Madhya Pradesh (GoMP) for grant of in-principle approval for:**

i. Two laning of Patan-Tendukheda-Rehli, TPC Rs. 169.44, Length of 86.4 km, VGF of Rs. 33.89 crore and Concession period of 30 years;

ii. Two laning of Sehora-Majhgawan, TPC Rs. 90.27, Length of 39.85 km, VGF of Rs. 18.05 crore and Concession period of 30 years; and

iii. Two laning of Manawar-Singhan-Kukshi, TPC Rs. 94.57, Length of 38.23 km, VGF of Rs. 18.91 crore and Concession period of 30 years.

14. DGM, MPRDC presented the Patan-Tendukheda proposal and informed that after the implementation of this project stretch travel distance of 35km shall be shortened. Post the implementation of the project, considerable traffic diversion is anticipated on the project corridor. Thus, it was requested that the project may be approved by the EI.

15. DGM, MPRDC presented the Sehora-Majhgawan proposal and informed that the present condition of the road is very bad. This road caters to the industrial belt traffic and will shorten the route of travel for Katni. The adjacent road is a section of NH-7 i.e. Jabalpur-Katni-Rewa corridor and is likely to take at least 3-4 years for development, which shall be undertaken by NHAI.

16. DGM, MPRDC presented the Manawar-Singhan-Kukshi proposal and informed that this section is a missing link and the proposed development in a necessity.

17. Advisor, Planning Commission stated that VGF requirement for the projects appears to be more than 40% of the TPC. SE, MoRTH stated that these three projects also have the same issues as the project in proposal 1 above.
18. The Chair observed that project costs as estimated by MoRTH are greater than as estimated by MPRDC for similar stretches. MoRTH was requested to examine the main areas of difference in the scope of work of projects awarded by NHAI and by MPRDC and present the basis of variation in costs to the EI.

(Action: MoRTH)

19. All the members of the EI were in agreement for grant of approval to all the three projects.

20. The EI granted in-principle approval to the projects subject to the following conditions:
   a. MPRDC would circulate revised projects documents to the members of EI.
   b. The environmental, forest and other approvals and clearances would be obtained before the award of the projects.
   c. 90% of the land would be provided to the Concessionaire as per the Model Concession Agreement (MCA) by Appointed Date.

(Action: MPRDC)

Agenda Item III: Proposal from Ministry of Road and Transport and Highways (MoRTH) in the State of Maharashtra for grant of in-principle approval for four-laning of Nashik-Sinnar section of NH-50, TPC Rs. 320.16, Length of 25.31 km, VGF of Rs. 64.03 crore and Concession period of 20 years;

21. Secretary, PWD, Government of Maharashtra presented the proposal. It was informed that this project shall provide a missing link towards seamless travel connectivity between Nashik and Shirdi and would shorten the travel distance. The NH-50 runs from Pune to Nashik; the stretch from Pune to Khed is a length of 30 km which is already 4-laned on BOT (Toll) basis under NHDP-Ph III; and from Khed to Sinnar, a travel distance of 135 km, the DPR is under preparation by NHAI for development under NHDP -IV. Accordingly, the present project Sinnar –Nashik is proposed for upgradation to 4-laning as the missing link.

22. Secretary, PWD, GoM further stated that DMIC corridor is expected to run along this road. Accordingly, Sinnar bypass of 9.5 km has been proposed. TOR for EIA has been provided to MoEF, Land acquisition for a distance of only 9.5 km is required.

23. SE, MoRTH state that this project has already been approved under NH (O). Director, DEA pointed out that a letter of approval for NH (O) may be provided confirming the commitment of balance VGF. Further, it was stated that since the project is a central sector project, it would also be considered by the PPPAC for grant of final clearance.

24. Director, DEA suggested that the project may be considered for approval by the EI for the purposes of grant of approval for VGF support under the Scheme.
25. SE, MoRTH sought clarification that whether 5.8 km of NH-50 within Pune municipal limit should be included for O&M and be clubbed with the proposed Project. Secretary, PWD, GoM responded that municipal plans for expansion cannot be addressed as a part of the project’s proposal; hence, inclusion of this section for O&M may not be feasible. Other members of the EI were in agreement of the same. Secretary, PWD, GoM informed that RFQ has already been undertaken and RfP would be issued after clearance by the PPPAC.

26. The EI granted in-principle approval to the project subject to the following conditions:
   a. MoRTH would circulate written response to the appraisal notes of DEA and Planning Commission on the project prior to its consideration by the PPPAC.
   b. GoM/MoRTH would circulate revised projects documents to the members of EI.
   c. The environmental, forest and other approvals and clearances would be obtained before the award of the Project.
   d. 90% of the land would be provided to the Concessionaire by Appointed Date as per the Model Concession Agreement (MCA).
   e. Approval from the Public Private Partnership Appraisal Committee (PPPAC) would be obtained before inviting the financial bids.

   (Action: DEA, MoRTH & Government of Maharashtra)

Additional Agenda Item: Communication from Government of Maharashtra regarding Mumbai Trans Harbour Link project in the State of Maharashtra proposed to be posed for grant of in-principle approval for VGF support.

27. Director, DEA informed that Government of Maharashtra has communicated that the State Government proposes to seek VGF support for Mumbai Trans Harbor Link Project and shall be sending the complete project documents for consideration by the members of the EI shortly. In the interim, the RfQ for the project has been invited. It has been communicated that Model RfQ document has been followed.

28. Advisor, Planning Commission stated that as project has followed Model RFQ document and that there have been precedents wherein projects had commenced with the RfQ process prior to seeking VGF under the Scheme. However, if there is any change in the estimated project cost during appraisal by members of EI, the same would have to be addressed.

29. The Chair, advised that the communication received from GoM may be circulated to the members of the EI for further examination and comments, if any.

   (Action: Department of Economic Affairs)

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