

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

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

**38<sup>th</sup> Meeting on 06 March, 2012**

**Record Note of Discussions**

The thirty-eighth meeting of the Empowered Institution (EI), chaired by Additional Secretary and Director General (Currency), Department of Economic Affairs (DEA) was held on March 06, 2012. The list of participants is annexed.

2. The EI noted that there were seven proposals under consideration, viz., two proposals for grant of final approval from Government of Maharashtra and five proposals for grant of in-principle approval, of which three proposals were from Ministry of Road, Transport and Highway (MoRTH) and one proposal each from Government of Bihar and Government of Karnataka.

**Agenda Item I: Proposal from Government of Maharashtra (GoM) for grant of final approval for: Four-laning of Jam Warora-Chandrapur-Ballarpur-Bamni Road section of SH 264, TPC Rs. 449.25 crore, Length of 63.60 km, VGF of Rs. 89.85 crore and Concession period of 30 years.**

3. Director, DEA indicated that project was earlier considered and deferred in the 37<sup>th</sup> meeting of EI, held on January 6, 2012, and GoM was requested to expedite circulation of the Common loan agreement executed with the Lead Financial Institution to members of EI along with the revised financial documents. GoM was also requested to rectify the errors in Total Project Cost (TPC) as indicated in the executed Concession Agreement and as approved by the EI at the time of grant of in-principle approval for VGF support. Further, State Government was advised to undertake legal vetting of the documents to ensure that there are no discrepancies in the executed contract documents.

4. Deputy Secretary, GoM informed that the financing documents, Supplementary Agreement for executing the change in TPC in accordance with

the MCA and legal vetting for the documents have been provided to the members of the EI. Accordingly, it was requested that the project may be granted final approval.

5. The Chair sought information on the status of implementation of the project along with the position on land acquisition. In response, Deputy Secretary, GoM indicated that 30 per cent of the construction work has been completed and land is available for the project, except at the toll plaza location which is under process of acquisition.

6. All the members of EI were in support of grant of final approval for the project.

7. **The EI granted final approval to the project with TPC as Rs. 449.25 crore for VGF support of Rs. 89.85 crore (20 per cent of the TPC.)**

*(Action: GoM)*

**Agenda Item II: Proposal from Government of Maharashtra (GoM) for grant of final approval for: Four-laning of Jam Warora-Chandrapur-Rajura-Asifabad Road section of SH 266, TPC Rs. 223.61 crore, Length of 40 km, VGF of Rs. 44.72 crore and Concession period of 30 years.**

8. Director, DEA indicated that project was earlier considered and deferred in the 37<sup>th</sup> meeting of EI, held on January 6, 2012, pending examination of the financing documents by members of EI and submission of legal vetting of the documents by GoM. The State Government was also informed that since VGF sought by the L-1 bidder is more than 40 per cent of the TPC approved by the EI, the project was not eligible for support under the Scheme. The representative of the State Government had informed in the 37<sup>th</sup> meeting of the EI that they would take up the matter internally and also discuss with the Concessionaire.

9. Deputy Secretary, GoM, informed that financing documents, Supplementary Agreement for restricting the VGF requirement upto 40 per cent of the TPC in accordance with the Scheme and legal vetting for the documents have been provided to the members of the EI. Accordingly, it was requested that the project may be granted final approval for VGF support.

10. The Chair queried about the status of the project alongwith the position on land acquisition. In response, Deputy Secretary, GoM indicated that 50 per

cent of the construction work has been completed and the land is available along the project stretch, except at the toll plaza location, which is under the process of acquisition.

11. All the members of EI were in support of grant of final approval for the project.

12. The EI granted final approval to the project with TPC as Rs. 223.61 crore for VGF support of Rs. 44.72 crore (20 per cent of TPC).

*(Action: GoM)*

**Agenda Item III: Proposal from Ministry of Road and Transport and Highways (MoRTH) for grant of in-principle approval for Four-laning of Rewa - Sidhi section of NH -75E in the State of Madhya Pradesh, TPC Rs. 627.87 crore, length of 71.563 km, VGF of Rs. 125.57 crore and Concession period of 30 years.**

13. Director, DEA informed that the project is proposed to be developed by MoRTH under NH (Others) and implemented by MPRDC. The EI noted that the project was considered and deferred in the 37<sup>th</sup> meeting of the EI, held on January 6, 2012, with a view to re-examine the proposed structuring of the project based on revised traffic projections provided by MoRTH and submission of response to the appraisal notes of Planning Commission.

14. Director, DEA indicated that the traffic on the project stretch does not justify the proposed four-laning and the project may be restructured for two-laning with paved side shoulders (PSS).

15. CE, MPRDC indicated that the proposed road is a major industrial belt and 135 per cent of the present traffic is expected to be generated on this road due to upcoming big industries like Hindalco, JP Cement, Sasan Cement plant, Reliance coal blocks, WCL Coal limited etc. Further, mega power plants like Sasan Power Ltd, Chitrangi Power plant, Mohan super thermal power plant, JP Nigri thermal power plant, NTPC super thermal power plant and DB power plant were being established between the Sindhi and Singrauli regions, which are likely to be completed by 2015-16. The four-laning on the proposed project is expected to be completed by 2014-15, and, due to the development of the region the traffic on the stretch is likely to justify requirement for four-laning. CE,

MPRDC informed that the adjacent stretch, i.e., Sidhi to Singrauli, which was earlier granted in principle approval by the EI, has received bids for VGF of Rs. 39 per cent of the TPC. All the other adjoining stretches are also being implemented as four-laned roads. Hence, it was requested that the project may be approved with four-lane configuration.

16. Director, DEA indicated that bid response with VGF of 39 per cent of the TPC has been received for Sindhi-Singrauli project wherein the current traffic is more than 10,000 PCUs. In contrast, the current traffic on the instant project stretch is only 5,500 PCUs. Hence, the project may not be viable for four-laning. Advisor, Planning Commission indicated that the project is not justified for four laning and land acquisition may also be an issue.

17. Joint Secretary, DEA indicated that as the State Government is actively pursuing the project to be taken up as four laned road, it is advisable that the VGF beyond twenty percent and maximum up to forty percent along with the land acquisition cost may be borne by the State Government. This view was supported by Planning Commission and Department of Expenditure.

18. CE, MPRDC responded that the subject road being a National Highway (NH) and as per the Memorandum of Understanding (MOU) between the State Government and MoRTH, entire cost related to development and construction of the road including VGF and land acquisition shall be borne by the MoRTH. CE, MPRDC stated that MPRDC is acting as an implementing Agency only for the project road on behalf of MoRTH. The members of EI were of the view that since the project is proposed to be developed at the request of the State Government for holistic development of the region, the MoU may be reviewed to allow VGF upto twenty per cent of TPC to be borne by MPRDC.

19. The Chair indicated that the present traffic does not justify the need for immediate four laning and traffic projections are based on anticipated traffic, which is dependent upon the planned development activities in the region. The State Government, in consultation with MoRTH, may examine the observation of Planning Commission in their appraisal note that in case the State Government proposes to four-lane the stretch for overall development in the region, VGF upto twenty per cent of the TPC may be borne by the State Government. All the members of EI were in support of the Chair.

20. The EI deferred the consideration of the project and advised MoRTH to restructure the project based on traffic justification or review the MoU executed with the State Government, as advised by the EI.

*(Action: MoRTH)*

**Agenda Item IV: Proposal from Ministry of Road and Transport and Highways (MoRTH) for grant of in-principle approval for Two-laning with PSS of Nagaur-Jodhpur section of NH -65, TPC Rs. 439.960 crore, Length of 134.64 km, VGF of Rs. 87.99 crore and Concession period of 17.5 years.**

21. Director, DEA informed that the project is proposed to be developed by MoRTH under NH (Others) and implemented by PWD, Government of Rajasthan. Director, DEA stated that the subject project was considered and deferred in the 37<sup>th</sup> EI meeting, held on January 6, 2012, due to non-receipt of appraisal note by the Planning Commission. The appraisal note has since been received and responded to by MoRTH.

22. Advisor, Planning Commission stated that the cost per km for the project was Rs. 3.26 crore per km, which is on the higher side and thus requires a review. SE, MoRTH, responded that the project consisted of a part of Nagaur Bypass of only 19.225 kms, one Rail over Bridge (ROB) and hence, the cost of the project is justified. Further, Advisor, Planning Commission asked why only a part of the Bypass was being considered. He suggested that instead the entire Bypass may be covered. The representative from the State Government of Rajasthan informed that the Nagaur Bypass is being developed through State's own resources and only a part that is 19.225 was required to be structured as a part of the project.

23. The Chair queried about the status of land availability. SE, MoRTH responded that 36 per cent of the total required land is already available and the rest is under process for land acquisition.

24. Director, DEA indicated that Planning Commission in its appraisal note has proposed revision of concession period to 16 years as against 17.5 years. Director, DEA indicated that as per the DEA appraisal note a concession period of 17.5 years is justified based on the design capacity. Advisor, Planning Commission accepted that the concession period of 17.5 years may be retained.

25. Director, DEA requested MoRTH to confirm that the project has the approval of the competent authority for award under NH (Others) and sought written confirmation with regard to availability of budgetary resources for meeting expenditure on pre construction activities and viability gap funding up to twenty per cent of TPC. This was agreed to.

26. **The EI deferred the project pending clarification from MoRTH** whether the project was eligible for tolling in accordance with the National Highway Fee Amendment Rules 2010, wherein base cost per km eligible for tolling for development of two laned projects has been indicated as Rs 2.50 crore at April 1, 2008 prices.

*(Action: MoRTH)*

**Agenda Item V: Proposal from Ministry of Road and Transport and Highways (MoRTH) for grant of in-principle approval for Four laning with PSS of Jodhpur-Pali section of NH-65, TPC Rs. 332.70 crore, Length of 71.553 km, VGF of Rs. 66.54 crore and Concession period of 25 years.**

27. SE, MoRTH presented the project and indicated that project is proposed for four laning and the cost per km is only Rs. 4.64 crore. The project includes Pali bypass of 12.315 km. The project is proposed to be developed by MoRTH under NH (Others) and implemented by PWD, Government of Rajasthan. The RFQ process for the project has been completed. It was requested that the project may be granted in-principle approval for VGF support.

28. Advisor, Planning Commission indicated that the two projects from Nagaur to Jodhpur and Jodhpur to Pali may be combined for cost effectiveness and for enhancing the viability of the project. Representative from Government of Rajasthan informed that this may not be feasible as Jodhpur Bypass has not been included in the project's scope of work and is proposed to be developed through State's own resources under the Engineering Procurement and Construction (EPC) mode. Director, DEA observed that it would be advisable to include the Jodhpur Bypass for seamless development of the project. SE, MoRTH requested that since the RFQ process has already been completed and RFP document is ready for release, the two separate projects may be tested in the market on BOT (Toll) basis.

29. The Chair queried about the status of land availability. SE, MoRTH responded that land acquisition is under process.

30. The EI granted in-principle approval to the project for VGF support of Rs. 66.54 crore having TPC of Rs. 332.70 crore subject to the following conditions:

- a. MoRTH shall confirm that the project has the approval of the competent authority for award under NH (Others) and that budgetary resources for meeting expenditure on pre construction activities and viability gap funding upto twenty per cent of TPC are available.
- b. 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. 80 per cent of the land would be provided to the Concessionaire as per the Model Concession Agreement (MCA) by Appointed Date.

*(Action: MoRTH)*

**Agenda Item VI: Proposal from Government of Bihar for grant of in-principle approval for Two-laning with PSS between Bihta-Mahabalipur-Aurangabad section of SH-2 & NH-98, TPC Rs. 362 crore, Length of 116.20 km, VGF of Rs. 72.40 crore and Concession period of 20 years.**

31. Director, DEA indicated that the project was earlier considered by the EI in its 37<sup>th</sup> meeting. Representative of MoRTH had during the meeting indicated that MoRTH would prefer to amend the No Objection Certificate (NOC) issued to Government of Bihar (GoB) in respect of the NH component of the project stretch to provide greater clarity of the roles and responsibilities of MoRTH and GoB regarding development of the NH stretch by BSRDC on PPP basis. Accordingly the EI had deferred the consideration of the proposal in its 37<sup>th</sup> meeting.

32. Director, DEA stated that a revised communication from MoRTH regarding development of the NH stretch by GoB on BOT (Toll) basis has been received. However, the MoRTH through a faxed communication a day prior to the instant meeting has conveyed that the proposed project may not be considered eligible for viability gap funding since it is under consideration for

development through loan assistance from World Bank (WB) for implementation of the project on EPC mode.

33. The Chair queried upon the status of the loan from the World Bank and its terms and conditions. Representative of MoRTH informed that the negotiations for the loan are yet to take place and the proposal is at initial stages of consideration.

34. Joint Secretary, DEA stated that since the project has been proposed on BOT (Toll) basis, it is advisable to first test the market response before posing it for construction on EPC mode. Hence, the project may be considered for approval.

35. Representative of MoRTH further indicated that that National Highways Fee (Determination of Rates and Collection) Rules, 2008 read with National Highways Fee (Determination of Rates and Collection) Amendment Rules, 2010, prescribe under Rule 4 (3) that *“the rate of fee for use of a section of national highway, having two lanes and on which average investment for upgradation has exceeded rupees two and a half crore per km at the 1<sup>st</sup> April, 2008 prices , shall be sixty per cent of the rate under sub-rule (2) of rule 4.”* Hence, as a corollary, projects that cost less than Rs. 2.5 crore per km at April 1, 2008 prices, are not eligible for tolling. Accordingly, the representative of MoRTH stated that the proposal for development of the project in Bihar on BoT(Toll) basis was not eligible for VGF support.

36. Joint Secretary, DEA requested MoRTH to confirm whether the project is eligible for tolling under the NH Fee Rules. SE, MoRTH indicated that step calculations may have to be estimated in order to arrive at the current prices for cost per km.

37. EI deferred the project pending clarity from MoRTH whether the NH component of the project is eligible for tolling in accordance with the National Highway Fee Rules.

***(Action: MoRTH)***

38. The Empowered Institution also observed that MoRTH has not indicated this provision earlier in their appraisal notes and, while posing projects in the past, i.e. MoRTH has never been specifically reporting whether a project was admissible for tolling in accordance with Rule 4 (3) of the NH Fee Rules. The EI

expressed concern that a number of projects have been granted approval by the EI and the PPPAC as well as the two member committee without specific examination of this aspect by MoRTH/NHAI. The EI decided that the matter may be brought to the notice of the PPPAC.

*(Action: DEA)*

**Agenda Item VII: Proposal from Government of Karnataka for grant of in-principle approval for Two-laning with paved side shoulders (PSS) of Sindhanur to Lingsugur Road of SH 19 section, TPC of Rs. 189.67 crore, Length of 52 km, VGF of Rs. 37.934 crore and Concession period of 24 years.**

39. Director, DEA indicated that the subject project was deferred in the 37<sup>th</sup> EI meeting held on January 6, 2012 due to non-receipt of appraisal note by the Planning Commission.

40. Managing Director, Karnataka Road Development Corporation Limited (KRDCL) presented the proposal and informed that the TPC has been increased from Rs. 172.07 crore to Rs. 189.67 crore for implementation of two-laning with PSS and concession period has been revised to 24 years based on the design capacity of the project. Further, the cost per km is Rs. 3.65 crore and VGF required for the project has been estimated as 37.3 per cent of the TPC. It was requested that the project may be granted in-principle approval.

41. Advisor, Planning Commission queried about the need for the two toll plazas that have been proposed for a project stretch of 52 kms. MD, KSRDCL explained that there is a major junction at km 446, located on Kavithal Road and considerable traffic diversion occurs on this road. Hence, two toll plazas have been proposed to capture possible leakage on tolling and to enhance the viability of the project.

42. The Chair sought the status of land acquisition. MD, KRDCL indicated that land is available for the entire stretches except at the toll plazas locations, which is under the process of acquisition.

43. All the members of the EI were in support of grant of in-principle approval for the project.

**44. The EI granted in-principle approval to the project for VGF support of Rs. 37.934 crore having TPC of Rs. 189.67 crore subject to the following conditions:**

- a. Concession period shall be revised to 24 years.
- b. Certificate for legal vetting of the project documents shall be provided in respect of the project.
- c. KRDCCL would circulate revised projects documents to the members of EI.
- d. The environmental, forest and other approvals and clearances would be obtained before the award of the project.
- e. 90 per cent of the land would be provided to the Concessionaire as per the Model Concession Agreement (MCA) by Appointed Date.

*(Action: Government of GoK and KRDCCL)*

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

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