

**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**

**46<sup>th</sup> Meeting on April 9, 2013**

**Record Note of Discussions**

The forty-sixth meeting of the Empowered Institution (EI), chaired by Additional Secretary, Department of Economic Affairs (DEA) was held on April 9, 2013. The list of participants is annexed.

2. The EI noted that there were six proposals under consideration for viability gap funding (VGF) under the Scheme. Of these proposals, two proposals are for final approval in the transport sector, one proposal from Government of Andhra Pradesh for a metro project and one proposal from Government of Uttar Pradesh for a road project. Four other proposals are for in-principle approval, three proposals from Government of Odisha in the education, water supply and health sectors, one proposal from Government of Karnataka in the road sector.

**Agenda Item I: Proposal from Government of Andhra Pradesh (GoAP) for grant of final approval for development of Hyderabad Metro Rail on DBFOT (Toll) basis.**

**Total length: 71.16 km; Total Number of Stations: 66, Number of Lines: 3**  
**Total Project Cost: Rs. 11,814 crore (as approved by EC for purposes of calculation of VGF); Total Project Cost as per executed concession agreement: Rs. 12,132 crore**  
**Concession Period: 35 years including 5 years of construction period, extendable for 25 years as additional concession period, subject to no material breach.**  
**VGF approved from Government of India: Rs. 2,362.88 crore (i.e. 20 percent of the Rs. 11,814 crore; Actual VGF quoted by L-1 bidder: Rs. 1458 crore (12.35% percent of Rs. 11,814 crore); VGF from Government of Andhra Pradesh: Nil**

**Major development works/ structures: Rail system:** 3 corridors, Line 1 (Miyapur-L.B. Nagar: 28.87 km served by 27 stations; Line 2 (Jubilee BS- Falaknuma): 14.78 km served by 16 stations, Line 3 (Nagole- Shilparamam): 27.51 km served by 23 station;  
**Mechanical and Electrical Equipment:** covering Rolling stock, Signalling system, Communication system, Automatic Fare Collection System, Power supply system, One receiving sub-station at each depot of 132/33 kv, Traction sub station at alternate metro rail station and Auxiliary sub station in every metro station, Stand by DG, 2 132/33 kv standby, Elevator/Escalators/Lifts, Air-conditioning, Lighting in stations and trains, system-wide graphics and signage, Operation control centre equipment, Maintenance equipment, **Real Estate Development:** At Miyapur, Nagole and Falaknuma depots provides cumulative permissible builtup area restricted to maximum of 1.16 million sq.ft excluding basement. At least 70% of ground floor area at Miyapur and Nagole depots and at least 80% of ground floor at Falaknuma depot shall not be utilised for real estate development and shall be used for maintenance and stabling of the trains at the other depot facilities. Total builtup area restricted to 18.5 million sqft at station and depots. **Project facilities:** Public support facilities covering ticketing counters/booth and vending machines, advanced safety equipment for customers, toilets, pedestrian facilities, tree plantation, facilities for disabled, public addressal system, public information system, refreshment facilities.

3. The EI commended the efforts of Government of Andhra Pradesh for successfully achieving financial close and commencement of construction works. Clarifications were sought on a few issues:

- a. **The current status of Land:** Managing Director, Hyderabad Metro Rail Ltd (HMRL), stated that of the total 296 acres of land to be handed over, 91 percent has already been handed over to the Concessionaire. Balance land to be handed over is 24.54 acres, of which Government land is 18.54 acres and private land 6 acres. It was informed that owing to Telegana agitation and other demonstrations Government land from Osmania University could not be procured and private landownership was under various litigations. Thus, transfer of the remaining land for 24.54 acres has hit a roadblock. In

order to mitigate this issue, Government of Andhra Pradesh has identified alternative land of 25 acres and active discussions are underway. These discussions are likely to conclude favorably and land is likely to be handed over to the Concessionaire in the next few weeks. Further, it was informed that approval from Ministry of Defense for obtaining land clearance involving 3 acres of area as a part of the right of way for 2 kms of the metro-line is under process.

- b. Varying dates for Financial Closure (FC) and Appointed Date (AD):** Reasons for variation in the dates for FC and AD by around 16 months were sought. Managing Director, HMRL informed that while FC was achieved on 01 March, 2011, AD had occurred only on 05 July 2012 due to various reasons including a series of agitations, approvals from other Government agencies that took around 1-1.5 years for 8 rail-over-bridges and 29.3 km of NH, litigation on land issues.. The main litigation issue was for obtaining private land for an area of 104 acres at Miyapur Depot, after resolution of the issue the AD was declared.
- c. Differences between Lender and the Sponsoring Authority estimates of the TPC:** EI sought reasons for differences in TPC estimates of the Lender and the Sponsor and whether transit parking was excluded during the initial stages of development. MD, HRML stated that the Sponsoring Authority has estimated the TPC in the year 2008 as Rs. 12,410 crore, which excludes the cost of real estate development. FC was achieved in the year 2011 for Rs. 16,375 crore, wherein the rail system cost was Rs. 14,132 crore and remaining Rs. 2243 crore was the cost for development of real estate. Thus, the increase in the cost of rail system was Rs. 2000 crore, and in three years gap the civil cost had increased only 3 percent (Rs. 281 crore), interest during construction increased by 65 percent (Rs. 763 crore) and other costs, mainly financing charges increased by 170 percent (Rs. 956 crore). Real estate development of maximum 18.5 million sqft was included in the project's structure as an option to make the project financially viable. Pertaining to the transit parking MD, HRML informed the EI that while transit parking was a part of the project during initial stages, it was up-gradation cost of the adopted technology that was added during the financial closure stage.
- d. Mechanism of operation of Cash Trap:** EI sought clarification on the mechanism of operation for Cash Trap. Managing Director, HMRL mentioned that Cash Trap mechanism was availed towards Debt Service Coverage Ratio (DSCR) support and was included in the project cost during financial closure. The Lenders had agreed to this mechanism. Cash sweep is 25 percent of the surplus cash accruals

arising on DSCR exceeding 1.0 for any year. Cash trap is 100 percent cash surplus available after exercising cash sweep and on DSCR exceeding 1.10 during the last 3 years of repayment schedule. These options were stipulated in loan agreements by Lenders to ensure that they can take some prepayments to reduce their exposure. Also, so that there will not be any repayment default by the borrower especially when there is a major bullet repayment at the end of the tenor.

- e. **Payment of Mezzanine debt prior to repayment of the lenders amount.** Managing Director, HMRL indicated that under the Sponsors' support undertaking executed with the senior lenders, it has been committed that mezzanine debt shall not be repaid till final settlement date. In addition, it shall be subordinated to the facilities in servicing of interest dividend. No interest/ dividend shall be paid on the debt unless approved by the rupee lenders in writing.

4. **The Chair queried whether real estate development was estimated by Sponsoring Authority or the Bidders.** Managing Director, HRML informed EI that the real estate area that can be developed, maximum permissible built-up area and locations were informed to all the bidders. The quantum of real estate development and calculations thereof was assessed by the bidders and accordingly included in their bids.

5. The Chair sought clarification for the tariff fixation mechanism for the users and real estate development. Managing Director, HRML stated that for the passengers, the tariff charge and applicable escalation formula to user fare was fixed upfront. For the real estate component, the real estate developer was allowed only renting rights and rentals would be fixed by the Concessionaire. Minimum fare of Rs. 8 for a travel distance of 2 km and maximum fare of Rs. 19 is envisaged at the commencement of the project. In response to a further query by the Chair, it was informed by the Managing Director, HMRL that the metro prices were very competitive and were lower than the bus fare at the present level. This was done keeping in view that the commercial tariff for metro ride for passengers is attractive when compared to other public transportation modes.

6. The Chair sought clarification on whether as L&T was the Concessionaire as well as the civil contractor, it may lead to issue in price discovery. Managing Director, HMRL, responded that a nominee director of HMRL was on the board of the Special Purpose Vehicle. It has been analysed that L&T civil contractor's prices were lower than the market prices.

7. Advisor, Ministry of Urban Development queried about the impact of price escalation on the payment of termination. Managing Director, HRML explained that there would no impact on price escalation as termination payment was linked to the TPC definition, wherein the lowest TPC would be applicable. This lowest TPC would be the Sponsoring Authorities estimates as Lenders TPC and actual estimates of TPC at construction completion are likely to be higher.

8. Advisor, Planning Commission congratulated and complimented GoAP in successfully achieving technical and financial close. It was stated that this project will have the lowest construction period and is the largest PPP Metro project by its value in the World.

9. All members of EI supported of grant of final approval for VGF support to the project.

10. **The Empowered Institution granted final approval to the project for viability gap funding of Rs. 1458 crore (12.35 percent of TPC of Rs. 11,814 crore) under the Scheme.**

*(Action: GoAP)*

**Agenda Item II: Proposal from Government of Uttar Pradesh (GoUP) for in-principle approval: Four-laning (with paved shoulders) of Delhi-Saharanpur Yamunotri Road upto Uttrakhand Border (SH 57) on DBFOT basis.**

**Total length: 206.089 km; Total Project Cost: Rs. 1718.35 crore; Concession Period: 25 years including 2.5 years of construction period. VGF from Government of India: Rs. 343.53 crore (actual by L-1 bidder), VGF from Government of UP: Nil**  
**Major development works/ structures:** Major Bridges: 5; Elevated corridor: 1 of 5.29 km from km 13.10 to km 16.20 at Loni border; Minor bridges: 27; ROB: 5; Service Roads: 22.19 km; Bypass: 2 (9 km at Shyamli and 19 km at Sharanpur) Culverts: 397; Toll plazas: 3 (km 30, km 119 & km 199), Bus-bays: 60, Major road junctions: 11, Minor road junctions: 105, Truck Lay Bys: 3.

11. Joint Secretary, Department of Economic Affairs indicated that after perusing the response received from Government of Uttar Pradesh (GoUP), some issues related to the project remain to be resolved;

- a. **Increase of one toll plaza:** While four toll plazas had been approved at the in-principle stage, an additional toll plaza at km 154 has been added in the executed concession agreement. This would tantamount to a deviation from EI approval. Clarification was also sought

whether this addition of one toll plaza would create any implications of enhanced revenue for the Concessionaire.

- b. Incorrect Schedule R:** EI noted that the tollable length of road and the bypass portion and flyover were incorrectly represented in Schedule R. Schedule R indicates 206.089 kms for road length and additional 24.051 kms of length for the flyover and bypass. While the total length of road for tolling purposes is only 182.038 kms and remaining 5.289 kms for flyover and 18.762 kms for bypass. Therefore, Schedule R may be 182.038 kms of road length and combined length of 24.051 km for flyover and bypass as envisaged during grant of approval by the EI at the in-principle stage. Further, whether correction to an executed concession agreement at this stage does not appear tenable.

**12.** In response to the queries raised above, Project Director, UP State Highway Authority stated that as the project was one of the first projects to have been structured in the State. Thus, there was some confusion in their understanding of the PPP process and the Scheme. While acknowledging the discrepancy, the representative from UP State Highway Authority added that the option of correcting the Schedule R shall be examined legally. The State Government may undertake a supplementary agreement with the Concessionaire in order to mutually execute the corrections in Schedule R.

**13.** Advisor, Planning Commission stated that had the bidders at the RFQ/RFP stage been aware of the additional toll plaza and associated enhancement in revenue, it would have resulted in a lower VGF.

**14.** EI asked UP State Highway Authority to examine the issue with reference to the financial implications on the executed concession agreement and present it to the members of EI.

**15.** The EI deferred the proposal and directed GoUP to submit its justification over Schedule R anomalies.

*(Action: GoUP and DEA)*

**Agenda Item III: Proposal from Government of Karnataka (GoK) for grant of in-principle approval for: Two/four laning with paved shoulders, Yelahanka – AP Border Section from km 13.800 to km 89.417 of SH-09 under DBFOT.**

**Total length: 74.351 (4 lane-24.459 km and 2 lane-49.892 km); Total Project Cost: Rs. 380.85 crore; Concession Period: 23 years including 2 years of construction period. VGF from Government of India: Rs. 76.17 crore,**

**Major development works/ structures:** Major Bridges: 1; Minor bridges: 7; Flyover: Nil; RoBs: 2; Bypass: 1 for 5.2 km; Major Junctions: 18; Minor junctions: Nil; Toll plazas: 2 (Km. 27.700 & km 56.400); Underpasses: Nil; Culverts: 166; Bus Bays/ shelters: 46; Truck Lay Bays: 3, Re-alignment: at 3 locations for 0.48 km

16. Joint Secretary, DEA stated that the project was earlier considered in the 42<sup>nd</sup> Meeting of the EI held on September 25, 2012, with TPC of Rs. 338.68 crore. The project was returned for restructuring at the request of State Government. The sponsoring authority, Karnataka Road Development Corporation Ltd (KRDCL) has responded on the issues in the Appraisal notes of DEA and Planning Commission. Joint Secretary, Planning Commission supported the proposal.

17. The Chair desired to know the status of land acquisition. Managing Director, Karnataka Road Development Corporation Ltd (KRDCL) responded that 80 percent of the total land is already available and balance 20 percent of 75.76 ha land is to be acquired for 6 km bypass, 2 Road over bridges (RoBs) and part of highway where 4 laning is proposed. The balance land shall be acquired before the Appointed Date. The Chair directed that this may be confirmed in writing alongwith the details of total land required, available land and balance land to be acquired. This was agreed to.

18. Superintendent Engineer, MoRTH indicated that the Total Project Cost has been calculated by simply adding 25 percent of civil construction cost instead of calculating the detailed financial cost as being calculated in NH projects. Further, the proposed highway overlaps 1.2 km of the National Highway. KRDCL may confirm in writing that the proposed highway cost does not include this NH stretch of 1.2 km and also that, in future, no improvement shall be taken up by the State Government without the consent of the MoRTH. Managing Director, KRDCL clarified that TPC has been calculated in accordance with the MCA and is in order and it will be confirmed that the NH stretch of 1.2 km is not included in the proposed project. The Chair directed that this may be confirmed in writing. This was agreed to.

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

**20. The EI granted in-principle approval to the project for TPC of Rs. 380.85 crore with maximum GoI contribution towards VGF as Rs. 76.17 crore (20 percent of TPC), subject to fulfilment of the following conditions:**

- a. GoK shall confirm in writing that 80 percent of land is available along with the details of total land required, available land and balance land to be acquired.
- b. GoK shall confirm in writing that the proposed highway does not include NH stretch of 1.2 km and that,, in future, no improvement shall be taken up by the State Government on this 1.2 km stretch without the consent of the MoRTH.
- c. GoK shall undertake corrections in the project DCA in compliance with the observations of DEA, Planning Commission and MoRTH which have been agreed to by GoK in their response to the appraisal note.
- d. GoK shall ensure that the legal vetting of the revised documents is undertaken to ensure that there are no discrepancies in the contract documents and the final DCA shall be shared expeditiously with the short listed bidders.
- e. GoK shall obtain clearances such as environment and forest clearance, before commencing work on the project site.
- f. GoK shall obtain prior approval of the EI on any change in TPC, scope of work or project configuration as noted above.
- g. GoK shall circulate the final documents to the members of the EI for record.

***(Action: GoK)***

**Agenda Item IV: Proposal from Government of Odisha (GoO) for in-principle approval: Development of a Bulk Water Supply network for satellite towns and other institutions (Khorda and Jatni) and other institutions (such as IIT Bhubaneswar, NISER, and INFOCITY-II etc.) in and around Bhubaneswar under PPP framework.**

**Total length of network:** Transmission pipe length proposed is of 22.5km; **Total Project Cost:** Rs. 137.05 crore; **Concession Period:** 25 years including 15 months of construction period.

**VGF from Government of India:** Rs. 22.86 crore (20 percent of Rs. 114.28 crores construction cost) and 20% from State Government i.e 22.86 crore) Eligible Rs.27.41 crore, being 20% of TPC of Rs.137.05 crores.

**Major development works/ structures:**, 1000mm mild steel spiral weld (pumping), 30.8 km(gravity) pumping and additional Pipe-network in new areas of 113 km (cast iron) & 1.8 km (ductile iron)

21. Joint Secretary, DEA observed that it is not clear whether the existing pipelines/facilities are intended to be utilised for the project or are to be abandoned. Special Secretary, Housing and Urban Development, GoO clarified that some of the facilities are to be used while the others will have to be abandoned after implementation of the proposed project. Joint Secretary indicated that these will have to be clearly delineated and brought out in the scope of work of the Concessionaire as it has financial implications. Special Secretary, Housing and Urban Development, GoO stated that the project consultants have already carried out this exercise and these will be incorporated in the bidding documents.

22. Advisor, Planning Commission stated that the proposal involves provision of bulk water to state government (PHEO) and to institutional entities and not to users directly. So far as institutions are concerned, they are being required to pay 50% more than the institutional rates applicable to other institutions in the State. In the present case, the Government (PHEO) as the purchaser of Bulk Water should pay the economic cost as per normal practice prevailing in all schemes of bulk water supply and both the VGF as well as the bulk consumers will be subsidising PHEO. Planning Commission were of the view that the beneficiary is a Government Department and the project is not eligible for funding under the VGF scheme, since the PHEO tariff for purchase of bulk water can be raised by the Government to eliminate VGF grant. Joint Secretary, DEA pointed out that the risk of NRW, O&M and collection of water charges are still with PHEO/ULBs. The Chair wanted to know how the charges fixed by the State Govt. could be increased by 50% by the sponsors. Secretary, Housing and Urban Development, GoO stated that the State Govt will issue a

fresh notification fixing the charges for this PPP project at 50% higher levels.. The Chair pointed out that tariffs fixed should be uniform for all the projects in the State and cannot be fixed differently for individual projects. Secretary, Housing and Urban Development, GoO was asked to discuss the matter with the State govt. and revert.

23. Joint Secretary, DEA also wanted to know the basis for arriving at the requirements of institutions like IIT, NICER, INFOCITY, etc. Special Secretary, Housing and Urban Development, GoO stated that these institutions were in discussions with the Government for their respective requirements. Joint Secretary, DEA advised that they confirm of requirements in writing from these institutions. The Chair wanted to know if all these were Government institutions, which was confirmed by Special Secretary, Housing and Urban Development, GoO. Advisor, Planning Commission also observed that there were a number of infirmities/discrepancies in the DCA and other documents, which would need to be rectified. For instance, Clause 6.1.2(d) provides that the authority shall arrange raw water from Munduli barrage of river Mahanadi for treatment of water with effect from the COD. The supply of Raw Water by the authority is of prime importance in the project and any failure to do so shall have consequential effects on the performance of the concessionaire's obligations under the DCA and the respective bulk supply agreement. The DCA does not prescribe any penalty for the failure of the authority to provide such raw water. The Bulk Water Supply Agreement should also contain a provision of consequential effects, in case the Bulk Users are not ready to accept or receive the water at the higher rate fixed by the authority. Advisor, Planning Commission stated that there were other observations/suggestions also. GoO stated that they have sent their response on some issues and, on the others, would incorporate them suggestions and submit the revised documents accordingly.

24. Additional Economic Advisor, Ministry of Urban Development (MoUD) observed that the DCA should prescribe the service level requirements more elaborately and should also include specific measurable key performance indicators (KPIs) such as quantity, pressure and duration of bulk supply, NRW, etc. They also suggested that the proposal should follow the best international practices as in Algeria, where they were able to increase the percentage of water supply to nearly 100% by replacing just 6% of the assets. EI felt that in India, the underlying assets being old, such a measure of minimal replacement may not work. Joint Secretary, DEA also suggested that MoUD should suggest project-specific KPI parameters and the best international practices that can be adopted for the project.

***(Action: MoUD)***

The EI deferred the proposal and directed GoO to submit the revised project document for early re-consideration.

*(Action: GoO, DEA)*

**Agenda Item V: Proposal from Government of Odisha (GoO) for grant of in-principle approval for: Establishment of a Medical College with intake of 100 MBBS students and an associated Hospital with 500 beds as per MCI guidelines in Bolangir in the state of Odisha on Design, Build, Finance, Operate and Transfer (DBFOT) basis.**

**Area: 25 acre; Total Project Cost: Rs. 326.40 crore; Concession Period: 30 years including 4 years of construction period. VGF from Government of India: Rs. 59.50 crore**

**Major development works/ structures:** Medical College with intake of 100 MBBS students and an associated Hospital with 500 beds as per MCI guidelines. The Developer may also set up a Nursing College offering B.Sc. Nursing and Paramedics/ Technician training College in order to make the project more feasible.

25. Principle Secretary, Health and Family Welfare Department, Government of Odisha presented the proposal. It was informed that GoO proposes to establish a Medical College with intake of 100 MBBS students and an associated Hospital with 500 beds as per MCI guidelines in Bolangir in Odisha on DBFOT basis. The proposed site for the Medical College is located approx. 0.6 km of the Bolangir – Patnagarh road (SH 42) and 6 km from the town centre. The western region of Odisha is relatively underdeveloped as compared to the northern and coastal belt of the state. The western districts of the state lack access to quality basic fundamental rights of any citizen i.e. Education, Health and Communication etc. The existing health facilities in and around the surrounding districts of Bolangir are grossly inadequate to serve the health requirements of the area. The existing District Hospitals and private health facilities are inadequately staffed and do not possess the necessary equipments and infrastructure to cater to super specialty/ high-end procedures. The existing bed-population ratio in Bolangir is approximately 0.2 per 1000 against the national average of 0.8 per 1000 thus indicating a massive need for up-gradation of health facilities and adding of additional beds in the region. This results in people of Western Odisha travelling to Raipur and Vizag to avail better quality health services. Government of Odisha envisaged a hospital-cum-medical college in Bolangir that would endeavour to provide high quality health service to the people of Western Odisha as well as produce high quality doctors, who

are in scarcity in the state. Bolangir being a relatively more developed township than the other districts was chosen as the site of the proposed project so as to create an enabling environment for the project to conceive and succeed. The site is spread across approx. 25 acres under the ownership of the Revenue & Disaster Management Department, Government of Odisha through the Tahasildar, Bolangir.

26. Representative of Planning Commission stated that the student fee to be charged for the medical college and user charges for the hospital are required to be fixed upfront in the DCA. Principle Secretary, Health and Family Welfare Department, GoO responded that all fees including tuition fees and development fee are to be decided by the Fee Structuring Committee as per the Orissa Professional Educational Institutions (Regulations of Admission and Fixation of Fee) Act, 2007. This fee is calculated by the Fee Structuring Committee in a transparent manner which is identical for all medical colleges in the State of Odisha. Further, the BPL category patients will be provided free treatment. The hospital fees for the non-BPL populace will be market-linked and left to the selected private sector developer to decide.

27. Director, Ministry of Health and Family Welfare, stated that the project is supported subject to the confirmations from the State Government that project cost is calculated in accordance with the applicable Schedule of Rates (SOR). In addition, it was pointed out that all the required clearances for the project shall be obtained from the concerned authorities. Principle Secretary, Health and Family Welfare Department, GoO confirmed that civil costs have been calculated based on prevailing SOR and other costs have been taken as per the market rates. Further, all clearances required from the project are to be obtained when needed.

28. The Chair stated that the project required greater clarity with regard to fixing of users charges pertaining to the Medical College. Fixing a maximum ceiling or band may be explored by the State Government to avoid ambiguity at a later date. DEA may confirm that the proposed project, i.e., hospital-cum-medical college continues to be eligible under the VGF Scheme of the Government of India. GoO was further advised to submit the revised documents after incorporation of the suggestions of the appraising agencies. This was agreed to.

29. **The EI deferred the project for consideration in the next meeting.**

*(Action: GoO, DEA)*

**Agenda Item VI: Proposal from Government of Odisha (GoO) for grant of in-principle approval for: Development of a Residential School covering poor, disadvantaged, SC, ST, minorities and backward class students, each school to be located in the 3 districts of Baripada, Keonjhar and Rayagada/Koraput under PPP framework.**

**Total number of projects: 3 projects across 3 districts of Odisha;**

**Total Project Cost for each project: Rs. 15.50 crore,**

**Total Project Cost for all 3 projects: Rs. 46.5 crore**

**Concession Period: 20 years including 2 years of construction period.**

**VGF from Government of India for each project: maximum Rs. 3.10 crore**

**VGF from Government of India for 3 projects: maximum Rs. 9.3 crore**

**Major development works/ structures:** Establishing, managing and operating one residential senior secondary school on design, build, finance, manage, operate and transfer; Construction of School building and complex, School having classes atleast from Class VI-XII, alongwith ancillary facilities and operation and maintenance.; Provision of facilities covers hostel facilities, housekeeping security, sports facilities including playgrounds etc., Staff quarters, Mess, Water management, harvesting, recycling and energy conservation; Nominated students to be provided with additional non-academic and academic facilities such as books, stationery items, uniform, etc.

**Student intake:** Design capacity of 700 students and 50% students of these shall be nominated by GoO. 2 sections in each class from VI to XII, 50 students in each classroom with 14 class rooms

30. Joint Secretary, DEA pointed out that the project documents required many amendments as indicated in the appraisal notes of the members of EI. While GoO have provided responses, clarifications over responses is being presently sought.

31. Advisor, Planning Commission stated that while they were in receipt of the responses on the date of the meeting, these were yet to be examined in detail. Special Secretary, GoO replied that most of the queries pertaining to the draft Concession Agreement have been accepted and for the remaining justifications have been provided.

32. Advisor, Planning Commission indicated that other than the detailed comments rendered in the appraisal note, Planning Commission may like to present its generic issues over the proposal, provided hereunder;

a. **Proposal ineligible under VGF Scheme:** It was stated that under VGF Scheme only projects without Annuity are eligible. The proposed

Scheme includes payment of annual fee by the State Government for 50% of the total intake of students. The payment is proposed in the form of vouchers or reimbursements. The normal philosophy of voucher payment is that the student has the freedom to exercise his choice regarding the school whereas in this case the student would be studying in this school only. As such, this payment is in the nature of annuity payment to the concessionaire. Hence, the proposal is not eligible for VGF Support. Secretary, ST & SC Development Department, GoO responded that a recurring payment being made to the concessionaire is towards the reimbursement of recurring expenses of students being nominated by the Government. Such support does not include any component of the capital expenditure for the project and hence should not be construed as annuity payment. Moreover, there is no provision of vouchers payments in the proposed project concept.

- b. **Proposal is an aided School:** Proposal put forth is as an aided school. It is being built on Government land. Thus, it is a Government School. Secretary, ST & SC Development Department, GoO responded that there is no aid envisaged in these projects. Aided schools were meant as a reference to schools to be taken up on PPP basis. The Chair suggested that GoO may consider formulating a new category other than Government and Private Schools. This category may pertain to projects taken up on PPP basis for regulation of such schools and establishing greater clarity.

33. Joint Secretary, DEA stated that these issues had already been raised by Planning Commission in an earlier case of Government of Rajasthan i.e. 'Gyanodaya Projects' which had a similar project structure and supported the pre-determined voucher payments for the identified eligible students. These proposals had been cleared by the EI. Eligibility of such project formulation and proposals eligibility under the VGF Scheme has already been confirmed.

34. Joint Secretary, DEA discussed other issues that required attention:
  - a. **SOR to be followed for estimating TPC:** SOR may be followed for estimating the TPC of the project and broad unit based estimations may be discouraged. Secretary, ST & SC Development Department, GoO confirmed that SOR has been followed. However, for items other than civil list, which are not part of the SOR, the basis taken is local market rates.
  - b. **KPIs to be linked with appropriate incentives and penalties:** It was stated that project KPIs may re-examined. Suitable mechanism for incentives vide bonus may be included and for non performance of KPI penalties may be linked. Deputy Secretary, DEA stated that these

may be developed comprehensively to prepare a matrix of KPI parameters, the bonus and penalty events and provisions thereof. Secretary, ST & SC Development Department, GoO agreed that the same shall be re-examined and suitably incorporated in the DCA.

*(Action: GoO)*

35. Deputy Secretary, DEA indicated that a few more issues needed resolution;

- a. **Land use status:** It was mentioned that the land use status may be clearly indicated as this may lead to dispute and delay in development of the project. Secretary, ST & SC Development Department, GoO confirmed that the projects were being development on Panchayat land over which institutional use for development of schools can be permissible. It was further reiterated that appropriate clearances for the same shall be obtained.
- b. **Nominal Lease:** It was indicated that the quantum of lease amount may be explicitly indicated in the DCA. Secretary, ST & SC Development Department, GoO confirmed that the same shall be suitably incorporated in the DCA.
- c. **Performance Security:** It was stated that education sector is different from the road sector. For the education sector it is advisable to include performance security during the Operation and Maintenance (O&M) state as proposed in the proposal. While DEA sought clarification in the appraisal note over the method or reasons for adopting varying percentages of performance security during construction and operation and maintenance stage, it recommends that either a uniform figure of 5% for both the stages may be adopted or else justification for varying percentage may be provided instead of adopting the road sector model. Secretary, ST & SC Development Department, GoO confirmed that the same shall be suitably incorporated in the DCA.

*(Action: GoO)*

36. Representative from Ministry of Human Resource and Development stated that the projects being developed may be away from the block headquarters as Models Schools are contemplated to be developed at block headquarters. Secretary, ST & SC Development Department, GoO stated that these schools were being developed at district headquarters and, as these schools were residential in nature, they would serve a much larger catchment area than the block. The Chair stated that since these schools were in the backward region and away from the towns, these may be promoted.

37. The Chair emphasized the importance and need to minimize disparity between the nominated and the regular students while projects in the education sector are being promoted. Secretary, ST & SC Development Department, GoO responded that the items under the Schedule 20 and 21 of the DCA relating to project facilities that are to be provided to the nominated students shall be re-examined.

*(Action: GoO)*

38. The Chair indicated that many issues needed resolution and it is appropriate to wait for the responses of GoO.

**39. The EI deferred the proposal and directed GoO to submit the revised project document for early re-consideration.**

*(Action: GoO)*

40. Joint Secretary, DEA requested the constituent members of EI to desist from holding individual pre-appraisal meetings with the project sponsors (State authorities) as DEA has been receiving complaints that the Sponsoring Authorities are being summoned multiple times and are often confused about the role of the EI in such meetings. The Chair, EI directed that if a pre-EI appraisal meeting is felt essential for whatever reason, the EI members concerned may request the EI Secretariat to organize it.

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

---

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

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

**46<sup>th</sup> Meeting held on April 9, 2013**

**List of Participants**

**I. Department of Economic Affairs**

1. Shri Shaktikanta Das, Additional Secretary (**In Chair**)
2. Kum. Sharmila Chavaly, Joint Secretary
3. Smt. Abhilasha Mahapatra, Deputy Secretary,
4. Shri Abhijit Phukon, Deputy Director

**II. Department of Expenditure, , Ministry of Finance**

5. Smt. Yashashri Shukla, Director, PPD

**III. Planning Commission**

6. Shri Ravi Mittal, Advisor
7. Shri K.R. Reddy, Consultant

**IV. Ministry of Road Transport and Highways**

8. Shri Amarendra Kumar, SE

**V. Ministry of Urban Development**

9. Shri S.K Lohia, OSD (Metro)
10. Smt. Nandita Mishra, Additional EA

**VI. Ministry of Health, Family Planning and Welfare**

11. Smt. Preeti Pant, Director

**VII. Ministry of Human Resources and Development**

12. Smt. Nita Gupta, Deputy Secretary

**VIII. Government of Odisha**

13. Shri P.K.Mohapatra, Principal Secretary, Health & Family Welfare Department
14. Shri S.K. Ratho, Spl. Secretary, H&UD, Govt. of Odisha

15. Shri Santosh Sarangi, Secretary, ST & SC Dev. Department
16. Shri Vipin Saxena, Nodal Officer, PPP, Govt. Of Odisha
17. Shri Baldev Singh, Project Adviser, HEUD/ SC & ST Department, HFW
18. Shri Subhra Ranjan Mishra, PPP expert

**IX. Government of Andhra Pradesh**

19. Shri NVS Reddy, Managing Director, Hyderabad Metro Rail Limited

**X. Government of Uttar Pradesh**

20. Shri Surendra Kumar Rai, Member ,Planning, UP State Highway Authority
21. Shri G.K. Srivastava, Project Director, UP State Highway Authority Lucknow

**XI. Government of Karnataka**

22. Shri R. Sreenivasa, Managing Director, Karnataka Road Development Corporation
-