

Ministry of Finance
Department of Economic Affairs

Subject: Minutes of meeting of the Empowered Institution held on 21.09.2006.

The 5th meeting of the Empowered Institution (EI) was held on 21.09.2006 at 3.00 PM in Room No.131-A to consider proposals for Viability Gap Funding (VGF) scheme. The list of participants is as Annex.

Agenda Item 1: Proposals seeking “in-principle” approval for VGF

2. The following projects were given “in principle” approval by the Empowered Institution in its earlier meetings subject to certain conditions:

Highway projects from Madhya Pradesh

- (1) Strengthening of Mandsaur-Sitamau Road (Upto Rajasthan Border) State Highway
- (2) Strengthening of Matkuli-Tamia-Chindwara State Highways
- (3) Strengthening of Chandpur-Alirajpur-Kukshi-Badwani State Highways

Highway projects from Maharashtra:

- (4) Four laning of Osmanabad-Latur-Nanded Road
- (5) Four laning of Nasik-Vaijapur-Aurangabad Road

Highway projects from Gujarat:

- (6) Four laning of Halol Godhra-Shamlaji Road
- (7) Four laning of Rajkot-Jamnagar-Vadinar Road

3. The Project Authorities subsequently submitted revised documents in compliance with the decision of the Empowered Institution. The position regarding the compliance was reviewed by the Empowered Institution in the meeting. The issues discussed were as follows:

Highway projects from Madhya Pradesh:

- (a) **Scope of work:** It was noted that in the present proposals since the Detailed Project Report (DPR) had already been prepared, the same will be used for inviting bids. MPRDC agreed that in the projects yet to be developed, the suggestion of the Empowered Institution to prepare only the feasibility report of the projects leaving the designing to be done by the concessionaire will be adopted.
- (b) **Change of scope:** MPRDC agreed to limit the change of scope to 20% of the project cost and delete the provision for allowing any additional change in scope through mutual consent.
- (c) **Independent Consultant:** MPRDC agreed to amend the Concession Agreement so as to state that the independent consultant will be appointed through transparent competitive bidding following the guidelines applicable to projects funded by multilateral development banks.

4. In view of the above decision, Empowered Institution gave its approval to MPRDC to proceed with the bidding process for the above projects.

Highway projects from Maharashtra:

5. Government of Maharashtra indicated that they have accepted all the suggestions of the Empowered Institution except on a few issues and have since submitted their revised Concession Agreement. The Empowered Institution took note of the above and decided that the suggestions were recommendatory in nature and as the State Government is not agreeable to the same, it may not be followed up.

6. In view of the above decision, Empowered Institution gave its approval to Government of

Maharashtra to proceed with the bidding process for the above projects.

Highway projects from Gujarat:

- (a) **Traffic Survey:** It was noted that the present survey gave a very high level of traffic in the base year, which was much higher compared to the estimates given in the Traffic Survey of 2001. However, even with this information, a very conservative traffic growth has been assumed for the future. GIDB explained that this was done since the base year traffic is at a very high level. The Empowered Institution noted that though the Traffic Survey may not be fully satisfactory, yet in view of the fact that these were the initial BOT projects being implemented under the VGF Scheme and the VGF would ultimately be determined through a competitive bidding process, the prospective bidders would build in their own assumptions regarding traffic growth. Thus, it was agreed not to examine the modalities and the results of the Traffic Survey conducted by the GIDB.
 - (b) **Project cost:** The Empowered Institution took note of the increase in project cost and the explanation given by GIDB for the same. It was decided that, in view of the competitive process being followed for selection of the bidder, this may not be material for the GOI grant.
 - (c) **Toll notification:** GIDB agreed with the suggestion of the Empowered Institution to issue the toll notification prior to the signing of the Concession Agreement.
7. Thereafter the Empowered Institution gave its approval to GIDB to proceed with the bidding process for the above projects.
8. The meeting ended with thanks to the Chair.