

F.No.3A/4/2014-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
(PPP Cell)

New Delhi the August 04 , 2014.

Subject: Record of Discussion of the 56th Meeting of the Empowered Institution for the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding Scheme).

Please find enclosed the Record of Discussion of the 56th Meeting of the Empowered Institution held on **July 21, 2014 under the Chairmanship of Additional Secretary (EA).**

Encl: as above.


(Abhijit Phukon))
Joint Director (E)

1. **Shri Shreekant Singh**, Principal Secretary, Urban Development Govt. of Maharashtra-400032.
2. **Dr. Saurabh Garg**, Joint Secretary, Department of Expenditure, North Block, N D.
3. **Shri Praveen Mahto**, Adviser, Planning Commission, Yojana Bhawan, New Delhi.
4. **Shri Neeraj Mandloi**, Joint Secretary(UD), Ministry of Urban Development, Nirman Bhawan, New Delhi.
5. **Shri R.K. Singh**, Joint Secretary, Department of Road Transport and Highways, Transport Bhawan, New Delhi.
6. **Shri Sitaram Kunte**, Municipal Commissioner, Mahapalika Marg, Mumbai-400001.
7. **Shri M.M. Adtani**, Addl. Municipal Commissioner(City), Mahapalika Marg, Mumbai-400001.
8. **Shri Anil Dhussa**, Adviser, Ministry of New & Renewable Energy, Block, 14, CGO Complex, Lodhi Road, New Delhi.
9. **Shri A.S. Bhal**, Economic Adviser, Ministry of Urban Development, Nirman Bhawan, New Delhi.
10. **Shri Ganesh Shete**, Chief Officer, Lonavala Municipal Council, Mahapalika Marg, Pune-410401 (Maharashtra).

Copy to:

- a. Sr. PPS to Additional Secretary (EA)
- b. Sr. PPS to JS (Infra).
- c. PS to Director (PPP)


(Abhijit Phukon))
Joint Director (E)

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

56th Meeting on July 21, 2014

Record Note of Discussions

The fifty-sixth meeting of the Empowered Institution (EI), chaired by Additional Secretary, Department of Economic Affairs (DEA) was held on July 21, 2014. The list of participants is attached.

The EI noted that there were three (03) proposals for consideration under the referred Scheme. Two proposals, from the Lonavala Municipal Council (LMC), Maharashtra for a Water Supply project and the Municipal Corporation of Greater Mumbai (MCGM) in the Solid Waste Management (SWM) sector respectively are for **approval of the EI for short-listing of bidders. The third proposal is from the Ministry of Road Transport for final approval of viability gap funding (VGF) under the "Scheme and Guidelines for Financial Support to Public Private Partnerships in Infrastructure"**.

The EI noted that the 'VGF Scheme' prescribes that VGF up to Rs. 100 crore for each project may be sanctioned by the EI, proposals for VGF up to Rs. 200 crore may be sanctioned by the EC, and amounts exceeding Rs. 200 crore may be sanctioned by the EC, with the approval of the Finance Minister.



A. Proposals for consideration of grant for Final Approval

Agenda Item I: Proposal from Ministry of Road Transport and Highways (MoRT&H) for final approval: Four-laning of Sidhi-Singrauli Section of NH-75E from km 83.4 to km 195.8 in the State of Madhya Pradesh on BOT (Toll) basis

Total length: 102.6 km; Total Project Cost: Rs. 871.15 crore; Cost of pre-construction activities to be financed by MoRTH: Rs. 83.32 crore; Concession Period: 30 years with 2 years of construction period.

VGF: 'Grant' quoted by L-1 bidder was Rs. 339.69 crore is 38.99% of TPC; Maximum VGF under VGF Scheme of MoF may be Rs. 174.23 crore (20% of TPC) and balance and maximum Rs. 165.46 crore (18.99% of TPC) from MoRTH as grant during construction, (condition: upon confirmation of required equity infusion by Concessionaire from the Banker/Lending Institution) and no O&M support or any other financial support.

Major development works/ structures: Major Bridge: 4; ROB/ RUB: 3/1; Toll Plaza: 2 at Km 118.700 & km 179.900; Service Roads: 10 km; Major/minor Junctions: 2/17; No. of Bypasses: 5 (16.50 km); Minor Bridge: 33; Vehicular/ Pedestrian Underpasses: 14; Culverts: 247; Truck Lay-bay: 10; Bus Bays: 34 nos; All permanent structures are to be four laned.

1. The EI was informed that the proposal from MoRTH for four-laning of Sidhi-Singrauli border on NH-75 E from km 83.4 to km 195.8 section on DBFOT (Toll) in the State of Madhya Pradesh under VGF Scheme is being implemented through the Government of Madhya Pradesh and was granted in principle approval at the 33rd meeting held on July 20, 2011. Subsequently the project was granted approval by the PPPAC and EC in its 45th meeting held on August 10, 2011 for TPC of Rs. 871.15 crore, and maximum VGF of Rs. 174.23 crore (20 percent of TPC) from GoI. The proposal has now been placed for final approval of the viability gap funding subsequent to bidding out of the project. The bidder has quoted an amount of Rs 339.69 crores which is 38.99 percent of the TPC. The balance VGF of Rs 165.46 crore would be paid by MoRTH.
2. Director, DEA pointed out that the that Equity Support as per Article 25.2.2 of the executed CA is:

"25.2.2 The Equity Support shall not exceed the sum specified in the Bid and as accepted by the Authority, but shall in no case be greater than twice the Equity, and shall be further restricted to a sum not exceeding 40% of the Total Project Cost." restricted to a sum not exceeding 40% of the TPC"

The grant quoted by L-1 bidder is Rs. 339.69 crore as per Article 25 (i.e. 38.99% of TPC as Rs. 871.15 crore), of the executed concession agreement, hence in accordance with Article 25 of the executed concession agreement, minimum

promoter contribution or Equity by the promoter should be Rs. 169.845 crore. However, as per the Loan Agreements provided by the Banker/lending institution, promoter contribution appears to be less than Rs. 169.845 crore, i.e Rs. 102.246 crore. Thus in order to avail the entire VGF of Rs. 339.69 crore, the promoter contribution needs to be minimum Rs. 169.845 crore.

3. GM, MPRDC responded that the shareholders have provided Rs. 68.164 crore as unsecured loan/sub-ordinate debt as per definition of 'Equity' in the executed Concession Agreement, which provides that "*any interest free funds advanced by any shareholder of the Company for meeting such equity component, but, does not include Equity Support; ...*" Joint Secretary, DEA pointed out that the sub-ordinate debt cannot be treated as 'Equity' of the Concessionaire. Whereas the model documents have a specific provision for this, they entail transfer of risk to the equity holder. The terms and conditions for this sub-ordinate debt are therefore, required to be provided to clarify the matter. This was agreed to by MoRTH and GoMP/MPRDC.

(Action: MoRTH and GoMP/MPRDC)

4. The Chair stated that the project would be granted approval subject to clarification of the status of equity, failing which the approval would be considered *non-est*. This was agreed to by the EI members.

5. Director, DEA also sought clarification on the issue of pending fee notifications of and errors in Schedule R of the executed Concession Agreement. Superintendent Engineer, MoRTH responded that the fee notification matter has been resolved and amendments in the Schedule R has been carried out. These shall be submitted to the members of EI for the purposes of record within 30 days from the date of meeting.

(Action: MoRTH and GoMP/MPRDC)

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

7. The EI granted final approval to the project for development of four-laning of Sidhi-Singrauli section NH-75E for a TPC of Rs. 871.15 crore with total maximum VGF support as Rs. 339.69 crore, and out of which upto Rs. 174.23 crore shall be granted from MoF under the VGF Scheme subject to issue of project specific Fee Notification and submission of revised Schedule R by MoRTH and confirmation by the Lending Institution for 'Equity' contribution and infusion by the Concessionaire into the Escrow Account as set forth in the executed Concession Agreement. Once the clarification is received, the project would be placed before the Empowered Committee and

thence to Finance Minister for final approval in view of the amount of VGF exceeding Rs 200 crores.

(Action: MoRT&H and GoMP/MPRDC)

Agenda Item II: Proposal from Municipal Corporation of Greater Mumbai (MCGM) for approval of the EI for short-listing of bidders for Development of Solid Waste Management Project in Mumbai

8. Director (PPP), DEA stated that the RfQ has already been issued for the project which is not in accordance with the scheme. The Project Authority i.e. Municipal Corporation of Greater Mumbai (MCGM) informed the said project is a pilot initiative with an innovative concept of SWM and WTE.
9. Additional Commissioner, MCGM explained that given the importance of the Project and with the ensuing General election, there was a need to launch the RfQ at the earliest to capture the private sector interest for the project. The RfQ for the project was issued in February 2014. The project RfQ had been developed on Ministry of Finance's model RfQ, with certain modification to align it to the sector/project requirement. As the feasibility studies were firmed up, a need for VGF was established and hence the application for approval of short-listing of bidders was sent to EI.
10. Joint Adviser, Planning Commission raised concern on why the proposals were submitted for seeking permission for going ahead with the RfQ process and for short-listing applicant for the bid stage. He pointed out that the Scheme guidelines deal with project approval and does not require that State Government to submit a proposal for seeking permission initiating the RfQ process.
11. The State Government was not seeking "in-principle" approval for VGF under the Scheme, instead had sought permission to proceed with short-listing of bidders while the project documents were being prepared. The shortlisting was proposed to be undertaken on the basis of the Model RfQ of Government of India. The permission to proceed with shortlist process would not constitute grant of in-principle" approval of VGF under the Scheme.
12. The Chair stated that the Central government needs to support states in critical projects in challenging sectors, however there are concerns about the

short-listing criteria once the feasibility is completed and the corresponding impact on the Total Project Cost (TPC) and also on the project structure. Additional Commissioner, MCGM confirmed that the qualification criteria are based on the Ministry of Finance's model RfQ document and adapted for the sector. There is no anticipated change in eligibility criteria of bidders at a later stage.

13. Joint Secretary (Infra), DEA enquired about the status of land for the project. Additional Commissioner, MCGM stated that the land for the project has been identified and the documents pertaining to it will be submitted at the time of EI application for in principle approval.

(Action: MCGM)

14. Representative, Ministry of New and Renewable Energy stated that there is a Supreme Court directive for not using the biomethanation technology. Additional Commissioner, MCGM assured the EI that the Supreme Court directive will be abided. MNRE also stated the emission standards should be followed as per the Municipal Solid Waste (Management and Handling) Rules, 2000. Sponsoring Authority assured the same.

15. EI took note of the fact that the RfQ was issued for the project and stated that at the time of in-principle approval complete documents should be placed before the EI with clear status on the land for the project.

Agenda Item III: Proposal from Lonavala Municipal Council (LMC) for Augmentation and Improvement in Distribution System for 24x7 Supply and Reduction of Non-Revenue Water through 100% Metering and Operation & Maintenance of Water Supply System for Lonavala City (Maharashtra) on PPP.

16. Director (PPP), DEA informed EI that the the RFQ for the project was issued in March 2014 before getting approval of EI. The project authority, i.e. Lonavala Municipal Council (LMC), stated that the Project is a pilot initiative and the project is a unique and unprecedented project in the water sector in India and will likely set a model for replication in similar cities across India. In order to sustain and capture the emerging market interest in the project, and given that PPPs in water in India have been very few in recent times, there was a need to launch the RFQ at the earliest and capture that private sector interest for the project. Also, at the time of RFQ launch the final revisions in the user charge structure, and hence financial model had not been taken into account and thus VGF requirement was not clear. After the finalisation of the Total Project Cost and Bid Documents, LMC will submit the revised EI Memo for consideration and in-principle approval of

the Project along with all specified supporting documentation.
LMC

(Action:

17. The Chair reiterated the concerns regarding bidding criteria raised for the SWM and WTE project and stated while the EI noted that the RfQ has been issued for the project, complete project documents would be placed before EI while seeking in-principle approval of VGF. All were in agreement.
18. EI took note of the fact that the RfQ was issued for the project and stated that at the time of in-principle approval complete documents should be placed before the EI with clear status on the land for the project.



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

56th Meeting on July 21, 2014

List of Participants

I. Department of Economic Affairs

1. Shri Dinesh Sharma, Additional Secretary (In Chair)
2. Kum. Sharmila Chavaly, Joint Secretary
3. Smt. Abhilasha Mahapatra, Deputy Secretary

II. Planning Commission

4. Shri. A Manohar, Joint Adviser

III. Ministry of Road Transport and Highways

5. Shri Sanjeev Kumar, S.E.

IV. Ministry of New and Renewable Energy

6. Shri. B.R. Mishra

V. Government of Madhya Pradesh

7. Shri Narendra Kumar, MPRDC
8. Shri Arun Paliwal, GM (Finance), MPRDC

VI. Government of Maharashtra

9. Shri M. M. Adtani, Additional Municipal Commissioner, Mumbai
10. Shri. P.S. Awate, Deputy Chief Engineer, Municipal Corporation of Greater Mumbai
11. Shri. Ganesh Shete, Chief Officer, Lonavala Municipal Council (LMC)