

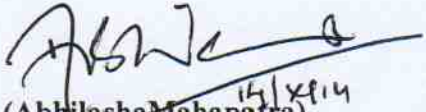
F. No. 3A/7/2014-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
(PPP Cell)

New Delhi the, October 14, 2014

Subject: Record of Discussions of the 59th Meeting of the Empowered Institution (EI) for the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding Scheme).

Please find enclosed the Record of Discussions of the 59th Meeting of the Empowered Institution (EI) for the Scheme for Financial Support to PPPs in Infrastructure (Viability Gap Funding Scheme), held on September 29, 2014, under the Chairmanship of Additional Secretary (EA).

Encl: as stated


(Abhilasha Mahapatra)
Director (PPP)

1. Dr. Arunish Chawla, Joint Secretary, Department of Expenditure, North Block, New Delhi.
2. Shri Praveen Mahto, Adviser (Infrastructure), Planning Commission, Yojana Bhawan, New Delhi.
3. Shri R.P. Sisodia, Joint Secretary, Department of Higher Education, Ministry of Human Resource Development, Shastri Bhavan, New Delhi.
4. Shri R.K. Singh, Joint Secretary, Department of Road Transport and Highways, Transport Bhawan, New Delhi.
5. Shri Alok Kumar, Director General/Joint Secretary, Ministry of Labour & Employment, Director General of Employment & Training, Sharam Shakti Bhavan, New Delhi.
6. Shri Vivek Aggarwal, Managing Director, Madhya Pradesh Road Development Corporation Limited, 16-A, Arera Hills, Bhopal-462011.

Copy to:

1. Sr. PPS to Additional Secretary (EA)
2. PS to JS (Infra), DEA

F. No. 3A/7/2014-PPP
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**

59th Meeting on September 29, 2014

Record Note of Discussions

The fifty-ninth meeting of the Empowered Institution (EI), chaired by Additional Secretary, Department of Economic Affairs (DEA) was held on September 29, 2014. The list of participants is attached.

- 9 The EI noted that there were fourteen (14) proposals for consideration for viability gap funding (VGF) under the Scheme. Of these two were road sector proposals for in-principle approval from Government of Madhya Pradesh and twelve proposals for in-principle approval for Development of 12 Advanced Training Institutes (ATIs) from Ministry of Labour and Employment, Government of India, Directorate General of Employment and Training.

The EI noted that the Scheme for Support to PPPs in Infrastructure 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 grant of In-Principle Approval

Agenda Item I: Proposal from Government of Madhya Pradesh (GoMP) for in-principle approval: Four laning of Dewas-Ujjain-Badnagar-Badnawar Road (SH 18) from Km. 154.00 (Dewas) to Km. 190.00 (Ujjain town) and from Km. 0.00 (Ujjain town) to Km. 61.70 (Badnawar) on DBFOT (Toll) basis.

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Agenda Item II: Proposal from Government of Madhya Pradesh for in-principle approval: Four laning of Ujjain- Jhalawad (SH-27) from Km 58.40 at Ujjain Town to Km 192.20 near MP/Rajasthan Border on DBFOT (Toll) basis

2. The EI was informed that the two proposals have been received from Madhya Pradesh Road Development Corporation (MPRDC), GoMP for in-principle approval of VGF. The proposals, which were found marginally viable, seek support in the form of 'deemed shadow fee' in addition to eligible VGF. The justification for the payment of this deemed shadow fee is based on the concept that while the toll policies provide for exemption for certain vehicles (2 wheelers, 3 wheelers, vehicles engaged in agriculture, tractors, trolleys, vehicles of Ex-MPs, Ex-MLAs, Journalists and other Government vehicles etc), these are actual users of the roads and the concessionaire is required to be compensated for the same to make the projects viable on PPP. The extent of compensation would be based on the estimated projection of such traffic in the concession.
3. Joint Secretary, DEA stated that the concept of Deemed Shadow Fee and the support requested for such marginally viable projects in addition to the VGF is a policy decision that needs to be deliberated upon. Notwithstanding the decision on Deemed Shadow Fee, as per the traffic projections, 4- laning of the projects is not justified at this stage. Further, in both the projects there are existing concessions whose concession period will expire in 2017/18. Therefore, these projects as proposed appear to be premature for consideration of the EI at this stage.
4. Advisor, Planning Commission stated that the instant proposal is not ripe for consideration as the available land is only 52.96%. He also stated that the traffic figures also show that at the end of the concession period the traffic reaches 48,592 PCU which is much less than the designed capacity for four laning with paved shoulder.
5. Director, DEA stated that as per the comments received, MoRTH is also of the opinion that the traffic count is quite low for four laning at this stage and needs to be reviewed.
6. The Chair advised GoMP to submit the proposals when the traffic projections justify four laning.
7. All members of the EI were in agreement to return the two proposals of GoMP (**Four laning of Dewas-Ujjain-Badnagar-Badnawar Road (SH 18) and Four laning of Ujjain- Jhalawad (SH-27) on DBFOT (Toll) basis**) as these were not ripe for consideration of the EI at this stage.

Agenda Item III: Proposals from Ministry of Labour and Employment, Government of India, Directorate General of Employment and Training (DGET) for grant of in-principle approval for Development of 12 Advanced Training Institutes (ATIs) on Design, Build, Finance, Operate and Transfer (DBFOT) basis.

Total Project Cost: 1. Bihar (Dighaghat)– Rs. 17.82 crore, 2. Assam (Nalbari) – Rs. 11.31 crore, 3. Chhattisgarh (Durg) – Rs. 20.15 crore, 4. Goa (ITI, Farmagudi) – Rs. 19.12 crore, 5. Gujrat (Tarasali) – Rs. 18.04 crore, 6. Jharkhand (ITI, Hehal) – Rs. 17.99 crore, 7. Karnataka (Bellary) – Rs. 19.65 crore, 8. Keraka (Ettumanur) – Rs. 18.92 crore, 9. MP (Bhopal) – Rs. 18.02 crore, 10. Odisha (Jatni) – Rs. 18.52 crore, 11. Punjab (Doraha) – Rs. 18.47 crore 12. Rajasthan (Jaipur) – Rs. 18.22 crore. Total for 12 projects: 216.23 crore, Concession Period: 30 years including 2 years construction period.

Major development works: The minimum capacity of the ATI would be 800 trainees, of which 50% would be reserved as per State Government norms. ATI would have to run on NCVT approved instructor training courses for at least four trades (two mandated – welder and carpenter). Concessionaire will also be responsible for providing infrastructure such as buildings, workshops, equipment and a hostel for 100 trainees, management and operations of the ATIs, including the provisions of training.

8. Joint Secretary, DEA stated that Ministry of Labour and Employment (MoLE), Government of India has proposed development of 12 Advanced Training Institutes (ATIs) on DBFOT basis in different states and these projects have been posed for in-principle approval of VGF.
9. Advisor, Planning Commission indicated that the Scheme for funding of the proposed ATIs is yet to be approved by the competent authority. The project authority, therefore, needs to first obtain the approval of the Expenditure Finance Committee (EFC) on the Scheme on the components that will qualify for VGF, selection criteria of states where the ATIs are proposed and comparative performance merits between the existing (Government) ATIs and the proposed ATIs.
10. Joint Secretary, MoLE responded that DGET proposes to set up 27 ATIs for training of trainers on PPP mode in un-served areas. An allocation of Rs. 100 crore has already been made in the 12th Five Year Plan. The EFC memo circulated in September, 2013 would be revised and re-circulated after the in-principle approval of the project by the EI.
11. Joint Secretary, DEA stated that MoLE has proposed to set up 12 ATIs on pilot basis and as per the VGF scheme, sponsoring authority may obtain other statutory approvals simultaneously. Therefore, the projects may be considered by the EI. Joint Secretary, DoE supported the view of DEA and stated that projects proposed by DGET on PPP basis would always have preference over projects on EPC.
12. Director, DEA stated that as regards the observations of the DEA, PPP Cell on the proposals, further clarification is required with respect to possession of identified land and the basis for fixing the Maximum Fee for trainees. Joint Secretary, MoLE responded that land has already been identified and the process

of transfer of land to DGET is in progress. The RfP would be issued only after taking possession of the land. As regards the Maximum Fee (Cap), these have been fixed based on stakeholders' discussion and comparison of rates of private institutes. Joint Secretary, DEA stated that comparison of rates of the private institutes and basis of fixing the fee may be provided.

13. Director, DEA stated that the maximum VGF, which is limited to up to 40% of TPC, must be indicated in clause 26.1.1 of the DCA. Further, she stated that as per the VGF Scheme, disbursement of VGF is made only after 100% equity of the Concessionaire has been spent and in proportion to debt disbursements. Clause 26.2.3 may be aligned with the VGF scheme, MoLE agreed to comply and amend the DCA accordingly. Joint Secretary, DEA stated that since VGF is a bid parameter, the penalty provision made where by the amount of VGF is reduced for delay in construction is not justified. Joint Secretary, MoLE agreed to delete the same.
14. Director, DEA stated that Financial IRR and Return on Equity has not provided by MoLE stating that the projects SPV shall be in form of a not-for-profit entity. Joint Secretary, MoLE responded that project is financially viable on commercial basis based on the proposed structuring. Joint Secretary, DEA stated that copy of such viability study may be provided for record purposes.
15. Director, DEA stated that details of technical schedules A, B, C & D have not been properly filled up in the DCA. These are required as any deficiency in the Schedules would lead to disputes at the time of implementation. Joint Secretary, MoLE responded that details of technical schedules would be filled up and would be submitted along with the updated documents. Clarification was also sought on the NCVT norms from MoLE. Joint Secretary, MoLE responded that the proposal is based on NCVT norms across all the ATIs as separate norms cannot be prescribed and a copy of circular of NCVT norms would be provided. As regards legal vetting of the documents, it was clarified that the legal vetting of the updated documents shall be provided.
16. Joint Secretary, DEA asked whether that the two mandatory trades identified i.e. (Welding and Carpentry) are to apply uniformly for all the ATIs and if this needs to be reviewed. Joint Secretary, MoLE clarified that while two trades are kept mandatory, the specific trades would be different across all ATIs depending upon requirement of the region and would be fixed in consultation with the industry.
17. Joint Secretary, MoLE stated as per DEA's suggestion, short-listing of bidders is being considered based on a combination of Technical and Financial Capacity. However, it may be noted that non-profit organizations would not have the net worth as indicated in the RfQ and the criteria for short-listing of bidders may

need to be reviewed. Joint Secretary, DEA stated that short-listing of bidders should be based on clear Technical and Financial Capacity thresholds. MoLE may review the qualification criteria based on industry norms to ensure better competition. Joint Secretary, MoLE agreed to review the same in consultation with DEA.

18. Chair inquired who would be the signing authority for the Concession Agreement and to whom the project would be returned at the end of the concession period. Joint Secretary, MoLE responded that DGET would be the signing authority for the Concession Agreement and projects would revert to DGET.
19. The Chair noted that Planning Commission has not submitted the appraisal for the proposals and requested the representatives of Planning Commission to submit the appraisals quickly. Advisor, Planning Commission agreed to do so.
20. All members of the EI were in agreement to grant in-principle approval for VGF support to the project.
21. **The Empowered Institution granted in-principle approval for development of 12 Advanced Training Institutes (ATIs) on Design, Build, Finance, Operate and Transfer (DBFOT) basis, as per the provisions under the Scheme, subject to the following:**
 - a. MoLE shall obtain approval of the scheme from the Competent Authority before issue of the RfP.
 - b. MoLE shall confirm that land is available before issue of the RfP.
 - c. MoLE shall undertake corrections in the project DCA in compliance with the observations of DEA, Planning Commission and observations of EI which have been agreed to during the meeting.
 - d. MoLE shall review the RfQ documents as agreed in the meeting.
 - e. MoLE shall submit the relevant documents as agreed in the meeting.
 - f. MoLE shall obtain prior approval of the EI on any change in TPC, scope of work or project configuration as noted above.
 - g. MoLE shall ensure that the legal vetting of the revised documents is undertaken to ensure that there are no discrepancies in the contract documents.
 - h. MoLE shall circulate the final documents to the members of the EI for record purposes.

(Action: MoLE)

22. 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
59th Meeting on September 29, 2014

List of Participants

- I. Department of Economic Affairs**
1. Shri Dinesh Sharma, Additional Secretary (In Chair)
 2. Ms. Sharmila Chavaly, Joint Secretary
 3. Smt. Abhilasha Mahapatra, Director
 4. Shri V. Srikanth, Deputy Director
- II. Planning Commission**
5. Shri Praveen Mehto, Advisor
 6. Dr. A. Manohar, Joint Advisor
- III. Department of Expenditure**
7. Shri Arunish Chawla, Joint Secretary
- IV. Ministry of Road Transport and Highways**
8. Shri Rupesh Kumar Srivastava
 9. Shri Vivek Panchal
- V. Ministry of Labour and Employment, Government of India, Directorate General of Employment and Training**
10. Shri Alok Kumar, Joint Secretary
 11. Shri V.K. Shukla, JD
- VI. Government of Madhya Pradesh**
12. Shri Anil Chaurasia, Chief Engineer, MP Road Development Corporation
 13. Shri Arun Paliwal, GM (Finance), MP Road Development Corporation

