

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

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

**Second Meeting on April 30, 2008**

**Record Note of Discussions**

The second meeting of the Empowered Committee (EC), chaired by Finance Secretary, was held on April 30, 2008 in North Block, New Delhi. The list of participants is annexed.

**Agenda Item 1: Proposal from Government of Andhra Pradesh (GoAP) for in-principle approval for Viability Gap Funding for Hyderabad Mass Rapid Transit System Project.**

2. The Empowered Committee noted that Government of Andhra Pradesh (GoAP) had forwarded a proposal seeking Viability Gap Funding (VGF) assistance under the Scheme for Financial support for PPPs in Infrastructure for the implementation of the Hyderabad MRTS project. This project was considered by Empowered Institution (EI), chaired by Additional Secretary, Economic Affairs, in its 10<sup>th</sup> meeting held on May 1, 2007. The Empowered Institution had granted approval to GoAP to proceed with further short-listing of bidders. EI had further directed that the proposal be submitted for in-principle approval after the Concession Agreement was finalised. Subsequently, GoAP revised the scope of the project and extended line 3 by 4.77 km. The total length of the metro system in the revised proposal has increased from 66.39 km to 71.16 km. The capital cost of the project (excluding cost of land) has increased from Rs.8482 crore to Rs. 9696 crore. GoAP has submitted revised proposal along with Draft Concession Agreement for grant of "in principle" approval under the Scheme. The Empowered Institution considered the proposal on April 10, 2008. The EI recommended the proposal for grant of in-principle approval to Empowered Committee subject Government of Andhra Pradesh making modifications in the draft Concession Agreement, as decided during the meeting.

3. Representative of Planning Commission observed that it may be appropriate if projects such as MRTS are supported under programmes of Ministry of Urban Development such as JNNURM. He drew attention to the provisions of the Scheme which stipulated that "In cases where viability gap funding is budgeted under any on-going Plan scheme of the Central Government, the inter-se allocation between such on-going scheme and this scheme shall be determined by the Empowered Committee." Representative of Ministry of Urban Development (MoUD) informed that a decision had been taken in October, 2006 that MRT projects, which are highly capital intensive should not be supported under JNNURM since their coverage under the Scheme was likely to crowd out financial support for projects from water, sewerage and drainage sectors, which are the priority areas for coverage under JNNURM. Subsequently, in a meeting chaired by Member Secretary, Planning Commission, a view was taken that MRTS projects should be supported under the VGF Scheme and if required, further support upto 10% of the project cost could be supported under JNNURM.

4. Joint Secretary, DEA informed that the matter was also examined in the Ministry of Finance and with the approval of the Finance Minister, a view was taken that MRT projects should be supported under the VGF Scheme since the Scheme brings a certain level of discipline in the execution of the project and the grant element under the Scheme is lower. Additional Secretary, Economic Affairs noted that there was need to view MRT projects differently, as consisting of three distinct components, viz., land, tracks, signalling, etc.; rolling stock; and operating and maintenance costs. Hence, the three components could be viewed separately for innovative financing options. Secretary, Planning Commission observed that the MRT projects deserved support of Government of India. Being highly capital intensive, the present grant upto 20 per cent of project cost was inadequate and there was need for further support for the projects from JNNURM or any other Scheme of MoUD/GOI. Representative of MoUD informed that the Ministry was in the process of amending the provisions of JNNURM to enable support to MRT projects. Summarizing the discussion, the Chairman of the Empowered Committee observed that the inter-se financing matter had already been deliberated and a decision had been taken that the projects could be supported under the VGF Scheme.

5. Government of Andhra Pradesh was requested to clarify whether the State Government was willing to provide additional 20 per cent VGF support for the project. Representative of Government of Andhra Pradesh clarified that while not foregoing a requirement for a higher grant from Government of India GoAP was willing to accept 20 per cent VGF grant and provide the remaining.

6. Government of Andhra Pradesh confirmed that the decisions of the meeting of Empowered Intuition, held on April 10, 2008 had been fully incorporated in the revised documents of the project except for clause 18.3 which had been slightly amended to read as: "...appoint a Safety Commissioner under Applicable Laws (the "Safety Commissioner") to observe any or all the Tests specified in Schedule I to determine and certify that the Rail System is safe for entering into commercial service; ...."

7. Representative of Ministry of Urban Development and other members of the Empowered Committee indicated their acceptance to the revised formulation. GoAP was requested to send certification that the draft Concession Agreement of the project reflected all the decisions of the meeting of the EI held on April 10, 2008 except for the slight modification in clause 18.3.

8. Empowered Committee granted 'in-principle' approval to the project and recommended the proposal to Finance Minister for approval of viability gap funding support of Rs 1939 crore to the project.

*(Action: Department of Economic Affairs, GOI;  
Government of Andhra Pradesh)*

## **Agenda Item 2: Tripartite Agreement under the Scheme**

9. The Empowered Committee noted the Scheme for Financial Support to PPPs in Infrastructure provides that the Empowered Institution, the Lead Financial Institution and the Private Sector Company shall enter into a Tripartite Agreement (TA) for the purposes of the Scheme. The format of such TA shall be prescribed by the Empowered Committee from time to time. A draft tri partite agreement was prepared with the assistance of a legal consultant of the Planning Commission. Comments were then sought on the document from members of the Empowered Institution. The draft document was placed before the Empowered Institution in its meeting held on 22.01.2007 and it was decided that the comments of some of the Project Authorities would also be sought. Thereafter, EI considered the draft Tripartite Agreement and the comments of the members and other project Authorities. The document had also been vetted by the legal consultants of Planning Commission. The EI recommended the draft TA for consideration of the Empowered Committee.

10. Representative of Planning Commission observed that the Viability Gap Funding Scheme is intended to fund only Government projects. Hence the third party in the Draft Tripartite Agreement should include `A Government Company

within the meaning of the Companies Act, 1956'. This was agreed to. The Empowered Committee approved the Tripartite Agreement with the aforementioned amendment for the purposes of the Scheme.

*(Action: Department of Economic Affairs, GOI)*

### **Agenda Item 3: Development of rail based Multi Modal Logistics parks-Eligibility under VGF/IIPDF Schemes**

11. Joint Secretary, DEA informed that Gujarat Infrastructure Development Board (GIDB) had forwarded a proposal for extending financial support under India Infrastructure Project Development Fund (IIPDF) for a study for setting up a rail based multi modal logistics park on a PPP basis. The eligible sectors for support under the IIPDF are sectors that are eligible for Viability Gap Funding(VGF) under the Govt Of India's scheme for Financial Support to PPPs in Infrastructure. The VGF scheme prescribes that "the PPP projects should be from one of the following sectors: (i) Roads and bridges, railways, seaports, airports, inland waterways; (ii) Power, (iii) Urban transport, water supply, sewerage, solid waste management and other physical infrastructure in urban areas, (iv) Infrastructure projects in Special economic Zones and (v) International Convention centres and other tourism infrastructure projects, **provided that the Empowered Committee may, with the approval of the Finance Minister, add or delete sectors/sub-sectors from the aforesaid list.** A multi-modal logistics park encompasses a part of some of the components as indicated above and may therefore require the approval of the Empowered Committee and the Finance Minister for being eligible for being covered under the IIPDF Scheme.

12. It was noted that Multi-modal transport refers to a journey or transportation of goods involving the use of multiple modes of transport. Logistic parks could include container yards, warehousing facilities, parking and other such facilities. These may be termed as cross-over projects with elements of roads, railways, SEZs/integrated industrial parks, etc. The individual component of these projects will fit into the definition of infrastructure projects for being eligible under the VGF Scheme. Therefore, collectively also these should be considered eligible. These projects, whether involving creation of physical infrastructure and/or providing the services like developing the software or undertaking the O&M of a multimodal logistic hub, are amenable to be undertaken in the PPP mode. To be eligible, however, these should have the elements of PPP embedded in them such as;

- a. These should be public projects i.e. ownership should be in public domain,
- b. Invested in and developed by a private sector entity (the SPV should have a minimum 51% private equity),

- c. Land and all physical structures attached to it should revert to the public sector entity at the end of the concession period; and
- d. Any element of “sweetener” like real estate-housing, commercial areas, etc should also be ‘sub-leased” for terms running pari-passu with the concession period.

It was, therefore, proposed that Multi modal logistics parks, being undertaken in the PPP mode, may be considered as being eligible for assistance under the IIPDF Schemes, subject to their fulfilling the conditions as indicated above.

13. The Empowered Committee granted approval for referring the matter to Finance Minister for decision as per the provisions of the Scheme.

*(Action: Department of Economic Affairs, GOI)*

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