GUIDELINES FOR FORMULATION, APPRAISAL AND APPROVAL OF PUBLIC PRIVATE PARTNERSHIP (PPP) PROJECTS COSTING LESS THAN RS. 100 CRORE

PFII Division
Department of Expenditure
Ministry of Finance
Government of India

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1. Introduction

1.1 The Central Government has notified a system for appraisal/ approval of projects to be undertaken through Public Private Partnership (PPP). Department of Economic Affairs has issued Guidelines for formulation, appraisal and approval of PPP projects with capital costs of Rs.100 crore or where the underlying assets are valued at an amount greater than Rs.100 crore or more. Detailed procedure to be followed for appraisal/approval of PPP projects involving less than Rs.100 crore is specified below.

2. Institutional structure

2.1 Projects costing upto Rs. 5 crore will be appraised by the Administrative Ministry. Projects costing above Rs. 5 crore but less than Rs 25 crore will be appraised by the Standing Finance Committee (SFC). The forum for appraisal of projects costing Rs. 25 crore and above but less than Rs. 100 crore will be the Expenditure Finance Committee (EFC) chaired by the Secretary of the Administrative Ministry. The composition of SFC and EFC will be the same as laid down for appraisal of normal investment proposals costing less than Rs.100 crore, except that Department of Legal Affairs would also be represented on these Committees, as the concession agreements would require careful legal scrutiny. The competent authority for each project will be the same as applicable for normal investment proposals costing less than Rs.100 crore.

3. Applicability

3.1 These guidelines will apply to all PPP projects sponsored by Central Government Ministries, statutory authorities or other entities under their administrative control. In respect of CPSEs, these guidelines will apply only in respect of proposals which are beyond the existing delegated powers of CPSEs for normal investment decisions.

4. Project identification

4.1 The sponsoring Ministry/entity will identify the projects to be taken up through PPPs and undertake preparation of feasibility studies, project agreements etc. with the assistance of legal, financial and technical experts as necessary.

5. Inter-ministerial consultations

5.1 The Administrative Ministry will circulate the details of the project and the terms of concession agreement to the appraising agencies and comments received will be incorporated or annexed to the proposal for consideration of SFC/EFC.

5.2 There could be projects, which involve more than one Ministry/Department. While considering such projects, participation of such Ministries/ Departments will be sought.

6. Formulation of project documents

6.1 The documents that would need to be prepared would, *inter-alia,* include the various agreements to be entered into with the concessionaire detailing the terms of the concession and the rights and obligations of the various parties. These project documents would vary depending on the sector and type of project. Typically, a PPP will involve the concession agreement that will specify the terms of the concession granted to the private party and will include the rights and obligations of all parties. There could be associated agreements based on specific requirements.

7. Appraisal/Approval of SFC/EFC

7.1 RFP (Request for Proposals), i.e. invitation to submit financial bids, should normally include a copy of all the agreements that are proposed to be entered into with the successful bidder. After formulating the draft RFP, the Administrative Ministry would seek clearance of the SFC/EFC before inviting the financial bids.

7.2 The proposal for seeking clearance of SFC/EFC shall be circulated to all members of SFC/EFC in the format specified at **Annex-I** along with copies of all draft project agreements and the Project Report.

7.3 Planning Commission will appraise the project proposal and forward its Appraisal Note to the Administrative Ministry. Ministry of Law and any other Ministry/ Department involved will also forward written comments to the Administrative Ministry within the stipulated time period. The SFC/EFC will take a view on the Appraisal Note and on the comments of different Ministries, alongwith the response from the Administrative Ministry.

7.4 SFC/EFC will either recommend the proposal for approval of the competent authority (with or without modifications) or request the Administrative Ministry to make necessary changes for further consideration of SFC/EFC.

7.5 Once cleared by the SFC/EFC, the project would be put up to the competent authority for approval.

8. Invitation of bids

8.1 Financial bids may be invited after approval of the competent authority has been obtained. The competent authority for each project will be the same as applicable for normal investment proposals costing less than Rs.100 crore.

9. Time frame

9.1 The time frame for the appraisal of projects under the above procedure is at **Annex-II**.

10. Exemption from the above procedure

10.1 Ministry of Defence, Department of Atomic Energy and Department of Space will not be covered under the purview of these guidelines.

Annex-I

Memorandum for SFC/EFC

1.	**General**	
1.1	Name of the Project	
1.2	Type of PPP (BOT, BOOT, BOLT, OMT etc.)	
1.3	Location (State/District/Town)	
1.4	Administrative Ministry/ Department	
1.5	Name of Sponsoring Authority	
1.6	Name of the Implementing Agency	
2.	**Project Description**	
2.1	Brief description of the project	
2.2	Justification for the project	
2.3	Possible alternatives, if any	
2.4	Estimated Capital costs with break-up under major heads of expenditure. Also indicate the basis of cost estimation.	
2.5	Phasing of investment	

2.6 Project Implementation Schedule (PIS)	
3. Financing Arrangements	
3.1 Sources of financing (equity, debt, mezzanine capital etc.)	
3.2 Indicate the revenue streams of the Project (annual flows over project life). Also indicate the underlying assumptions.	
3.3 Indicate the NPV of revenue streams with 12% discounting	
3.4 Who will fix the tariff/ user charges? Please specify in detail.	
3.5 Have any FIs been approached? If yes, there response may be indicated	
4. IRR	
4.1 Economic IRR (if computed)	
4.2 Financial IRR, indicating various assumptions (attach separate sheet if necessary)	