

**GUIDELINES FOR FORMULATION, APPRAISAL AND APPROVAL OF PUBLIC
PRIVATE PARTNERSHIP (PPP) PROJECTS**

- (i) OF ALL SECTORS COSTING MORE THAN RS.100 CRORE AND LESS THAN RS.250 CRORE**
- (ii) UNDER NHDP COSTING RS.250 CRORE OR MORE AND LESS THAN RS.500 CRORE**

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**INFRASTRUCTURE DIVISION
DEPARTMENT OF ECONOMIC AFFAIRS
MINISTRY OF FINANCE
GOVERNMENT OF INDIA**

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**GUIDELINES FOR FORMULATION, APPRAISAL AND APPROVAL OF PUBLIC
PRIVATE PARTNERSHIP (PPP) PROJECTS OF COST (i) GREATER THAN RS 100
CRORE BUT LESS THAN RS. 250 CRORE FOR ALL SECTORS (ii) RS. 250 CRORE
OR MORE BUT LESS THAN RS. 500 CRORE UNDER NHDP**

1. Introduction

1.1 The procedure approved for appraisal of Public Private Partnership (PPP) projects by decision of CCEA in its meeting of 27.10.2005. as notified vide DEA notification No.2/10/2004-Inf dated November 29, 2005 has been modified by decision of CCEA in its meeting of 22.3.2007. as notified vide DEA notification No. 10/32/2006-inf dated April 2, 2007.

1.2 Detailed procedure to be followed for appraisal/approval of PPP projects (i) of all sectors of cost greater than Rs.100 crore but less than Rs. 250 crore and (ii) under NHDP of cost Rs.250 crore or more but less than Rs. 500 crore and fulfilling certain conditions as stated in para 3.1 (ii) (a) to (c) is specified below.

2. Institutional structure

2.1 Pursuant to the decision of the CCEA notified vide notification of DEA dated April 2nd, 2007,

(i) For appraisal of PPP projects of all sectors of cost greater than Rs.100 crore but less than Rs.250 crore, a Committee has been set up comprising of the following:

- (a) Secretary, Department of Economic Affairs
- (b) Secretary of the Ministry /Department sponsoring the project

(ii) For appraisal of projects under NHDP of cost Rs.250 crore or more but less than Rs.500 crore and which fulfill conditions as specified in para 3.1

(ii) (a) to (c) below, the Committee shall be as follows:

- (a) Secretary, Department of Economic Affairs
- (b) Secretary, DORTH

2.2 Initially the projects will be appraised by the Standing Finance Committee (SFC). The composition of SFC will be as follows:

Secretary of the Administrative Ministry	Chairman
Financial Adviser	Member
Joint Secretary of the concerned Division	Member
Representative of the Department of Legal Affairs	Member

Representative of Planning Commission and any other Ministry/ Department may also be invited, if required. SFC will either recommend the proposal for approval to the Committee in para 2.1 above or request the Administrative Ministry to make necessary changes for further consideration of SFC.

2.3 The competent authority for each project will be the same as applicable for normal investment proposals costing more than Rs.100 crore but less than Rs.500 crore.

3. Applicability

3.1 The procedure specified below will apply to the following PPP projects sponsored by Central Government Ministries, statutory authorities or other entities under their administrative control:

- (i) Projects of all sectors costing more than Rs. 100 crore and less than Rs. 250 crore
- (ii) NHDP projects of cost Rs. 250 crore or more but less than Rs.500 crore which fulfill the following conditions:
 - a) The bidding is according to the procedure endorsed by PPPAC. This includes the process of two-stage bidding, pre-bid qualification norms etc. This implies that in the first stage, NHAI could short list and pre-qualify bidders on the basis of pre-bid qualification norms for inviting financial bids in the second stage.
 - b) The Model Concession Agreement (MCA) approved by the Competent Authority is being followed.
 - c) The project has been designed in accordance with the manual of standards and specifications as approved by the competent authority in the Administrative Ministry and stipulated in the approved MCA.

3.2 Projects of cost Rs.250 crore or more and less than Rs.500 crore which do not fulfill the conditions as stated in para 3.1 (ii) (a) to (c) above would be submitted by the Administrative Ministry to the PPPAC for approval.

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. Formulation of project documents

5.1 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.

6. Appraisal/Approval of SFC

6.1 RFP (Request for Proposals), i.e. invitation to submit financial bids should 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.

6.2 The proposal for seeking clearance of SFC shall be circulated to all members of SFC in the format specified at **Annex-I** along with copies

of all draft project agreements and the Project Report within one week of receipt.

6.3 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. The SFC will take a view on the Appraisal Note and on the comments of different Ministries, along with the response from the Administrative Ministry.

6.4 SFC will either recommend the proposal for approval of the Committee in para 2.1 (i) or 2.1 (ii) above whichever is applicable (with or without modifications) or request the Administrative Ministry to make necessary changes for further consideration of SFC.

7. Approval by Committee in para 2.1

7.1 Once cleared by the SFC, the project would be put up for approval of the Committee in para 2.1 on file. The Committee may either recommend the proposal for approval of the competent authority or request the Administrative Ministry to make necessary changes for further consideration of the Committee.

7.2 Once cleared by the Committee, 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 more than Rs.100 crore. However, pending approval of the Competent Authority, financial bids could be invited after the approval/clearance by the Committee.

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.

Memorandum for SFC

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 the 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, their response may be indicated	
4. IRR	
4.1 Economic IRR (if computed)	
4.2 Financial IRR, indicating various assumptions (attach separate sheet if	

necessary)	
5. Clearances	
5.1 Status of environmental clearances	
5.2 Clearance required from the State Government and other local bodies	
5.3 Other support required from the State Government	
6. GoI Support	
6.1 Viability Gap Funding, if required	
6.2 GOI guarantees being sought, if required	
7. Concession Agreement	
7.1 Is the Concession Agreement based on MCA? If yes, indicate the variations, if any, in a detailed note (to be attached)	
7.2 Details of Concession Agreement (Attached at Appendix-A)	
8. Criteria for short-listing	
8.1 Is short-listing to be in one stage or two stages?	
8.2 Indicate the criteria for short-listing (attach separate sheet if necessary)	
9. Others	
9.1 Remarks, if any	

Annex-I
Appendix –A

Brief particulars of the Concession Agreement

A. Sponsoring Ministry:

C. Legal Consultant:

**B. Name and location
of the Project:**

D. Financial Consultant:

S.No.	Item	Clause No.	Description
I	General		
1.1	Scope of the Project (please state in about 200 words)		
1.2	Nature of concession to be granted		
1.3	Period of Concession and justification for fixing the period		
1.4	Estimated capital cost		
1.5	Likely construction period		

1.6	Conditions precedent, if any, for the concession to be effective		
1.7	Status of land acquisition		
II	Construction and O&M		
2.1	Monitoring of construction; whether an independent agency/engineer is stipulated		
2.2	Minimum standards of Operation and Maintenance		
2.3	Penalties for violation of prescribed O&M standards		
2.4	Safety related provisions		
2.5	Environment related provisions		
III	Financial		
3.1	Maximum period for achieving financial close		
3.2	Nature and extent of capital grant/subsidy stipulated		
3.3	Bidding parameter (capital subsidy or other parameter)		
3.4	Provisions for change of scope and the financial burden thereof		
3.5	Concession fee, if any, payable by the Concessionaire		
3.6	User charges/fee to be		

	collected by the Concessionaire		
3.7	Indicate how the user fee has been determined; the legal provisions in support of user fee (attach the relevant rules/notification); and the extent and nature of indexation for inflation		
3.8	Provisions, if any, for mitigating the risk of lower revenue collection		
3.9	Provisions relating to escrow account, if any		
3.10	Provisions relating to insurance		
3.11	Provisions relating to audit and certification of claims		
3.12	Provisions relating to assignment/substitution rights relating to lenders		
3.13	Provisions relating to change in law		
3.14	Provisions, if any, for compulsory buy-back of assets upon termination/expiry		
3.15	Contingent liabilities of the government		
	(a) Maximum Termination Payment for		

	Government/Authority Default		
	(b) Maximum Termination Payment for Concessionaire Default		
	© Specify any other penalty, compensation or payment contemplated under the agreement		
IV	Others		
4.1	Provisions relating to competing facilities, if any		
4.2	Specify the Dispute Resolution Mechanism		
4.3	Specify the governing law and jurisdiction		
4.4	Other remarks, if any		

Annex-II

Time required for various steps under the appraisal procedure

S.No.	Action	Time taken
1.	Comments of Planning Commission, or any other Ministry/Department on the documents circulated by the Administrative Ministry	Three weeks from the time of circulation of the SFC memo by the Administrative Ministry
2.	Appraisal of proposal by SFC	Five weeks from the time of circulation of the SFC memo by the Administrative Ministry
3.	Clearance by Committee consisting of Secretary, DEA and Secretary of Administrative Ministry /Secretary DORTH on file	Seven weeks from the time of circulation of the SFC memo by the Administrative Ministry
4.	Approval by Competent authority	Nine weeks from the time of circulation of the SFC Memo by the Administrative Ministry