



Department of Planning  
Government of Uttarakhand

# Public Private Partnership Handbook for Uttarakhand

A WORKING GUIDE



**UPPPC**

Uttarakhand Public Private Partnership Cell

## Introduction

This handbook is an attempt to produce a working guide for PPP practitioners in the various departments of Government of Uttarakhand.

Uttarakhand PPP Cell (UPPPC) has collected information from various documents of DEA, GoI, Planning Commission of India, Department of Finance and & Planning of GoUK, ADB, UNESCAP, World Bank and PPP related websites of UK, South Africa and Australia.

We request everyone to give the feedback regarding the information contained herein and also suggestions regarding any additional information required as well. Feedback can be given to us by email or letters.

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Uttarakhand PPP Cell has made sincere attempts to cover as many PPP related aspects as possible in this handbook. For more exhaustive and comprehensive information one may access the resources referenced for this handbook as listed in the “Resources” chapter.

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### Published by :

Uttarakhand Public Private Partnership Cell (UPPPC)  
Department of Planning, Government of Uttarakhand

November, 2010



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- 1 Department of Finance GO No. 1052/xxvii(1)/2007 Dtd. 4 December 2007 (EFC PPP Cell)
- 2 Chief Secretary's DO No. 93/PPP Cell/ 2008/APS/AS(P) Dtd. 13 June 2008 (Formation of PPP Cell)
- 3 Department of Finance GO No. 208/xxvii(7)/2008 Dtd. 4 July 2008 (Transaction Advisors)
- 4 Department of Finance GO No. 474/xxvii(7)/2008 Dtd. 17 December 2008 (Uttarakhand VGF Scheme 2008)



## Public Private Partnership

There is no single definition of Public-Private Partnership (PPP). PPP broadly refers to long-term, contractual partnerships between public and private sector agencies, specially targeted towards financing, designing, implementing, and operating infrastructure facilities to provide services that were traditionally provided by the public sector.

As per the VGF Scheme of Government of India :

***“The Public-Private Partnership (PPP) Project means a project based on contract or concession agreement between a Government or statutory entity on the one side and a private sector company on the other side, for delivering an infrastructure service on payment of user charges.”***

As per the Guidelines of IIPDF scheme of, Department of Economic Affairs, Ministry of Finance, Government of India has defined Public Private Partnership (PPP) as :

***“Partnership between a public sector entity (Sponsoring authority) and a private sector entity (a legal entity in which 51% or more of equity is with the private partner/s) for the creation and/or management of infrastructure for public purpose for a specified period of time (concession period) on commercial terms and in which the private partner has been procured through a transparent and open procurement system.”***

In a PPP, each partner, usually through legally binding contract(s) or some other mechanism, agrees to share responsibilities related to implementation and/or operation and management of a project. This collaboration or partnership is built on the expertise of each partner that meets clearly defined public needs through appropriate allocation of :

- Resources
- Risks
- Rewards
- Responsibilities

The allocations of these elements and other aspects of PPP projects such as, details of implementation, termination, obligations, dispute resolution and payment arrangements are negotiated between the parties involved and are documented in written contract agreement(s) signed by them.

Based on the above an evolving definition of PPP could be :

***“PPP means an arrangement based on a contract between a government or statutory entity or government owned entity on one side and a private sector entity on the other, for the provision of public infrastructure assets and/ or related infrastructure services for public benefit, through investments being made by and/or management undertaken by the private sector entity for a specified time period, where there is a substantial risk transfer and/or risk sharing with the private sector and the private sector receives performance linked payments that conform (or are benchmarked) to specified, pre-determined and measurable performance standards.”***

### Advantages of PPP :

- Attracting private capital in the form of PPP is a key strategy to meet the resource deficit
- enhanced ability to take a larger shelf of infrastructure investments
- Specialized expertise
- speedy, efficient and cost effective delivery of projects
- value for money for the taxpayer *inter alia*, through optimal risk transfer and risk management
- efficiencies from integrating design and construction of public infrastructure with financing, operation and maintenance/upgrading
- creation of added value through synergies between public authorities and private sector companies, in particular, through the integration and exchange of public and private sector skills, knowledge and expertise
- alleviation of capacity constraints and bottlenecks in the economy through higher productivity of labour and capital resources in the delivery of projects
- competition and greater construction capacity
- accountability for the provision and delivery of quality public services
- innovation and diversity in the provision of public services and
- effective utilisation of state assets to the benefit of all users of public services.

There are times when private sector participation is misconstrued as PPP when it is mere outsourcing of contract.

It is critical to understand also what doesn't constitute a PPP eg.:

- a PPP is not a simple outsourcing of functions where substantial financial, technical and operational risk is retained by the institution
- a PPP is not a donation by a private party for a public good
- a PPP is not the privatisation or divestiture of state assets and/or liabilities
- a PPP is not the 'commercialisation' of a public function by the creation of a state-owned enterprise
- a PPP does not constitute borrowing by the state.

Planning Commission of India states ***“The approach to PPPs must remain firmly grounded in principles which ensure that PPPs are formulated and executed in public interest with a view to achieving additional capacity and delivery of public services at reasonable cost. These partnerships must ensure the supplementing of scarce public resources for investment in infrastructure sectors, while improving efficiencies and reducing costs. As noted in the Approach to the Eleventh Plan, PPPs must aim at bringing private resources into public projects, not public resources into private projects.”***

Planning Commission of India also states that “while Public sector would continue to play dominant role in providing infrastructure, it would also be necessary to attract private capital, notably through Public Private Partnerships. The involvement of PPPs is useful both for building infrastructures as well as for improving the provisions of services. The investment required from private sector has been estimated at 30% of the total investment in infrastructures i.e. ₹ 619591 Crore as compared to ₹ 172,188 crore during Tenth Plan”.

## Public Private Partnership Types

### PPPTypes

Public Private Partnerships can be designed, structured and implemented using a number of different institutional arrangements, depending upon the nature of the project, level of participation required by the partners and risk allocation strategy required for the project. This could include:

- Service & management contracts
- Leasing
- Concessions like Build-Operate-Transfer and its various variations such as Build-Owned-Operater-Tansfer etc.
- Joint Venture

A partial list of different types of PPPs has been put up on UPPPC's website.

What PPP modality is most appropriate is a matter that is both country, sector and project specific, and it hinges on a range of economic, political, institutional and historical considerations.

Based on the objectives of the project, required expertise and financial investment from Private sector following matrix of option selection can be used :

Options \ Objectives	Technical Expertise	Managing Expertise	Operating Efficiency	Invest in Bulk	Invest in Distribution
Service Contract	Yes	No	No	No	No
Management Contract	Yes	Yes	Some	No	No
Lease	Yes	Yes	Some	No	No
Concession	Yes	Some	Some	Yes	No
Privatization	Yes	Yes	Yes	Yes	Yes

Depending on the selection of PPP option, ownership, responsibilities of Public / Private and duration of PPP would be reflected as below :

Options \ Asset	Asset Ownership	O&M	Capital Investment	Commercial Risk	Duration
Service Contract	Public	Private	Public	Public	1-3 Years
Management Contract	Public	Private	Public	Shared	3-5 Years
Lease	Public	Private	Public	Private	8-15 Years
Concession	Public / Private	Private	Private	Private	25-30 Years
Privatization	Private	Private	Private	Private	Perpetuity



Requirements of various components to make these different models successful are illustrated in the following matrix of options :

Requirement Options	Political Commitment	Cost Covering Tariff	Regulatory Framework	Good Information
Service Contract	Low	Low	Low	Low
Management Contract	Medium	Medium	Medium	Low
Lease	Medium	High	High	High
Concession	Medium	High	High	High
Privatization	High	High	High	High

Following thumb rule maybe used for initial decision making :

Your Need	PPP Option
Only Technical expertise	Service Contract
Technical expertise + Management Expertise + Operating Efficiency	Management Contract or Lease
Technical expertise + Management Expertise + Operating Efficiency + Financial Participation	Concession or Joint Venture

The Concessions also can be structured in various ways, some of the contemporary models are listed below :

**Design-Build-Finance-Operate -Transfer (DBFOT)** : private sector designs, finances and constructs a new facility and operates the facility for the term agreed. Facility is transferred to public sector at the end of the term.

**Build-Own-Operate (BOO)**:private sector finances, builds, owns and operates a facility or service in perpetuity. The public constraints are stated in the original agreement and through on-going regulatory authority.

**Build-Own-Operate-Transfer (BOOT)** : private entity receives a franchise to finance, design, build and operate a facility (and to charge user fees) for a specified period, after which ownership is transferred back to the public sector. Variants of this are **Build-Operate-Transfer (BOT)**, **Build-Operate-Lease-Transfer (BOLT)**, **Build-Lease-Operate-Transfer (BLOT)** and **Rehabilitate-Operate-Transfer (ROT)**.

**Buy-Build-Operate (BBO)** :Sale of a public asset to a private or quasi-public entity usually under contract that the assets are to be upgraded and operated for a specified period of time. Public control is exercised through the contract at the time of transfer.

**Operation License** : A private operator receives a license or rights to operate a public service, usually for a specified term. This is often used in IT & Telecom projects.

Considerations and issues related to selection of PPP Type are summarized in table below :

	<b>Service Contracts</b>	<b>Management Contracts</b>	<b>Lease Contracts</b>	<b>Concessions</b>
<b>Scope</b>	Multiple contracts for a variety of support services such as meter reading, billing, etc.	Management of entire operation or a major component	Responsibility for management, operations, and specific renewals	Responsibility for all operations and for financing and execution of specific investments
<b>Asset Ownership</b>	Public	Public	Public	Public/Private
<b>Duration</b>	1–3 years	2–5 years	10–15 years	25–30 years
<b>O&amp;M Responsibility</b>	Public	Private	Private	Private
<b>Capital Investment</b>	Public	Public	Public	Private
<b>Commercial Risk</b>	Public	Public	Shared	Private
<b>Overall Level of Risk Assumed by Private Sector</b>	Minimal	Minimal/moderate	Moderate	High
<b>Compensation Terms</b>	Unit prices	Fixed fee, preferably with performance incentives	Portion of tariff revenues	All or part of tariff revenues
<b>Competition</b>	Intense and ongoing	One time only; contracts not usually renewed	Initial contract only; subsequent contracts usually negotiated	Initial contract only; subsequent contracts usually negotiated
<b>Special Features</b>	Useful as part of strategy for improving efficiency of public company; Promotes local private sector development	Interim solution during preparation for more intense private participation	Improves operational and commercial efficiency; Develops local staff	Improves operational and commercial efficiency; Mobilizes investment finance; Develops local staff
<b>Problems and Challenges</b>	Requires ability to administer multiple contracts and strong enforcement of contract laws	Management may not have adequate Control over key elements, such as budgetary resources, staff policy, etc.	Potential conflicts between public body which is responsible for investments and the private operator	How to compensate investments and ensure good maintenance during last 5–10 years of contract

## Governing Policy/Rules for PPP in Uttarakhand

At present Government of Uttarakhand has not adopted a separate policy for Public Private Partnership (PPP) for the state. Planning Department, with the help of experts from PPP Cell has formulated PPP Policy and submitted to GoUK for consideration. However Uttarakhand Procurement Rules 2008 have laid down procedures PPP project procurement and approvals.

Chapter 6 of Uttarakhand Procurement Rules 2008 is reproduced here for reference as below :

### Chapter-6

#### Public Private Partnership (PPP)

##### Public Private Partnership (PPP)

- 66(1) A Department may in the interest of economy and efficiency, decide to outsource certain services being provided by the Government under a PPP arrangement.
- (2) The procedure for selection of the private partner shall be such as given in Chapter-4 (Procurement of Services) and Chapter-5 (Outsourcing of Services)

##### Public Private Partnership (PPP) in Infrastructure Projects

- 67(1) Public Private Partnership (PPP) in infrastructure projects typically involve transfer of public assets, delegation of Governmental authority for recovery of user charges, private control of monopolistic services and sharing of risks and contingent liabilities by the Government. Protection of user interests and the need to secure value for public money, as such, demand a more rigorous treatment of these projects.

- (2) Predictability and risk mitigation are key to successful Public Private Partnerships. They shall require a framework that can assure the private investor of a market driven return at reasonable levels of risk, and the user of adequate service quality at an affordable cost. The nature of the risks and the involvement of many participants including project sponsors, lenders, Government agencies, and regulatory authorities, the terms of the project agreements as well as the tendering arrangements being complex, should involve detailed legal and contractual agreements that clearly set forth the risks, rewards and obligations of various participants.

##### (3) Applicability:-

- (a) These guidelines will apply to all PPP projects sponsored by Government Departments or State Public Sector Undertaking (PSUs), statutory authorities or other entities under their administrative control.
- (b) The procedure specified herein will apply to all PPP projects with capital costs exceeding ₹ 5,00,00,000/- (₹ Five crore) or where the underlying assets are valued at a sum greater than ₹ 5,00,00,000/- (₹ Five crore)
- (c) PPP projects with capital cost underlying asset value of less than ₹ 5,00,00,000/- (₹ Five crore) shall be processed as per existing procedures. The Administrative Department shall seek the concurrence of the Finance Department and the Competent Authority before invitation of bids.

##### (d) Project identification:-

The Administrative Department 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.

**(4) Inter Departmental Consultations:-**

The Administrative Departments may, if deemed necessary, discuss the details of the project and the terms of concession agreement in an inter-department committee and comments, if any, may be incorporated or annexed to the proposal for consideration of the Government/Competent Authority.

**(5) In principle approval of Project:-**

The Administrative Department shall then seek clearance/concurrence of the Finance Department, Planning Department and from the Competent Authority/appropriate level in the Government as per Rules of Business. While seeking clearance/concurrence of Planning/Finance Department, the Administrative Department, should provide information about the proposed project in Annexure I & II

**(6) Expression of Interest:-**

Following the 'in principle' clearance of Government/Competent authority, the Administrative Departments may invite expressions of interest in the form of Request for Qualification (RFQ) to be followed by short-listing of pre-qualified bidders.

**(7) Two Stage Process:-**

The bidding process for PPP projects is divided into two stages. The First stage is generally referred to as Request for Qualification (RFQ) or Expression of Interest (Eoi). The objective is to short-list eligible bidders for stage two of the process. In the second and final stage, generally referred to as the Request for Proposal (RFP) or invitation of financial bids, the bidders engage in a comprehensive scrutiny of the project before submitting their financial offers.

**(8) Request for Qualification (RFQ):-**

The RFQ process should aim at short-listing and pre-qualifying applicants, who will be asked to submit financial bids in the RFP stage. The objective is to identify credible bidders who have the requisite technical and financial capacity for undertaking the project. In order to encourage greater participation from credible domestic and international investors, the RFQ document should not require respondents to incur significant expense in preparing a response. The information sought for the purposes of pre-qualification should generally be restricted to technical and financial capabilities that are relevant to the project. Such information should be precise and quantified so that the process of short-listing is fair and transparent, and does not expose the Government to disputes or controversy.

**(9) Number of bidders to be pre-qualified:-**

The number of bidders to be pre-qualified and short-listed for the final stage of bidding i.e. the RFP stage needs careful consideration. On the one hand, the number should be adequate for ensuring real competition in bidding. On the other hand, a large number of short-listed bidders could dampen participation by serious bidders, thus diluting competition.

**(10)** About five pre-qualified bidders should be considered as an international best practice for securing high quality bids. In case short-listing is to be done for two or three projects at the same time, the number of short-listed bidders could be increased to 7 and 10 respectively. For this purpose, a fair and transparent system of evaluation at the RFQ stage would be necessary.

**(11) Specifying stringent pre-qualification criteria:-**

While stringent eligibility criteria would ensure pre-qualification of bidders well suited for the RFP stage, it would also effectively reduce the number of qualified bidders. A balance, therefore, needs to be drawn for serving the objective of pre-qualifying a reasonable number of suitable bidders for the RFP stage. The principles for determining the eligibility criteria such as technical and financial capacity should be formulated keeping these considerations in view.

**(12) Evaluation Criteria:-**

The criteria for short-listing of bidders should be divided into technical and financial parameters as stated below:-

**(a) Technical Capacity:-**

The applicant should have acquired sufficient experience and capacity in building infrastructure projects. This can be measured either from the construction work undertaken/commissioned by him, or from revenues of Build Operate Transfer (BOT)/ Build Own Operate Transfer (BOOT) etc. projects, or from both, during the 5 years preceding the application date. Eligibility conditions, as necessary, may also be stipulated in respect of Operation and Maintenance (O&M) experience. The technical capacity of bidders can be assessed on the following parameters:-

- (i) Project/Construction Experience: Experience on eligible projects in the specified sector or other core sectors should be considered for determining the technical capacity of the applicant.
- (ii) Operation and Maintenance (O&M) Experience: The applicant should have experience of five years or more in operation and maintenance (O&M) of projects in the specified sector. In the absence of such experience, the applicant may be required to enter into an operation and maintenance (O&M) agreement with an entity having equivalent experience, failing which the concession agreement would be liable to termination. While suggesting this arrangement, it is proposed to provide sufficient flexibility for modifying these requirements to suit the needs of individual sectors/projects.

**(b) Financial Capacity:-**

Applicants should have a minimum net worth equivalent to 25% of the estimated capital cost of the project for which bids are to be invited. In the case of projects with an estimated cost of ₹ 500,00,00,000 (₹ five hundred crore) or more, the requirement of net worth could be suitably reduced, but should be no less than 15%. This would ensure that pre-qualified applicants have sufficient financial strength to undertake the project.

**(c) Eligibility of Experience:-**

The members of the consortium, who claim experience or net worth in the RFQ must hold at least 26% of the consortium's equity. This condition is necessary for ensuring that only the experience of those members who have a substantial stake is counted for the purposes of pre-qualification, and members with small equity holding are not added with the sole objective of improving the ranking in pre-qualification.

**(d) Technical evaluation at the RFP stage:-**

- (i) Technical proposals of different bidders could vary significantly. Apart from the difficulties in evaluating diverse proposals on a common set of parameters, such evaluation also implies that instead of the government determining the assets and services to be provided by the selected bidder, it is the technical bid that would tend to guide the outcome. Logically, the Government should set the technical parameters and ask for financial bids only, leaving sufficient flexibility for bidders to design and engineer the project in a manner that conforms to pre-determined standards and specifications, including service outputs.
- (ii) In case of exceptionally complex projects where the project authority determines that the bidders must submit their technical proposals/ plans, the requirements thereof should be specified in detail and such proposals/ plans should be invited at the qualification stage, either along with the initial applications or at an intermediate stage preceding the bid stage. Only pre-qualified applicants should be invited to participate in the bid stage, which shall only consist of an invitation to submit financial offers.

**(13) Formulation of Project Documents:-**

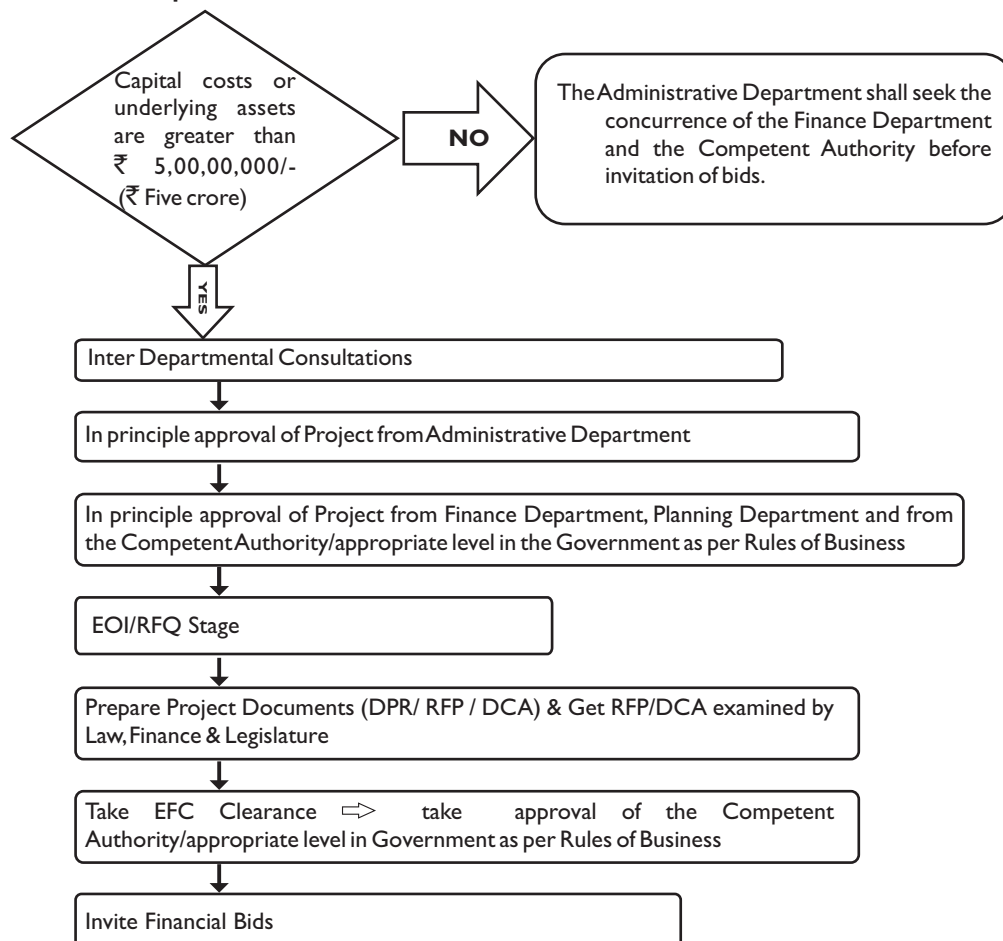
- (a) The documents that would need to be prepared would, inter-alia, include the various agreements to be entered into with the concessionaire detailing the terms of the concession and the rights and obligations of the various parties. These project documents would vary depending on the sector and type 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.
- (b) Request of Proposals (RFP), 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 Department would seek clearance of the Expenditure Finance Committee (E.F.C) and the competent authority before inviting the financial bids.

**(14) Clearance by Expenditure Finance Committee(E.F.C.):**

- (a) The proposal for seeking clearance of the Expenditure Finance Committee (E.F.C.) shall be sent in 3 copies in the format specified at Annexure-III & IV along with copies of all draft project agreements and the Project Report. Before reference to the Expenditure Finance Committee (E.F.C.), the views of the Law Department and other related Departments should have been obtained by the Administrative Department.

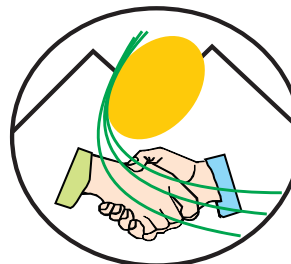
- (b) The Expenditure Finance Committee (E.F.C.) would comprise of the following:-
- Principal Secretary/Secretary Finance- Chairperson
  - Principal Secretary/Secretary Planning
  - Principal Secretary/Secretary Law
  - Principal Secretary/Secretary Administrative Department sponsoring the project.
- (c) Committee may co-opt experts, if necessary. The E.F.C. would be serviced by the Planning Department. A special PPP cell will be set up for this purpose in Planning Department.
- (d) After clearance of the Finance Department, the Administrative Department will seek the prior approval of the Competent Authority/appropriate level in Government as per Rules of Business.
- (e) Financial bids may be invited after final approval of the Competent Authority/appropriate level has been obtained.

**Flow Chart Representation of Uttarakhand Procurement Rules 2008 Procedures for PPP**



## Uttarakhand Public Private Partnership Cell (UPPPC)

Government of Uttarakhand had opted for the GoI Program “Mainstreaming of Public Private Partnership in States” by signing MoU with DEA, GoI on June 18, 2007 and **Department of Planning was made Nodal Department for PPP in the state**. Secretary, Department of Planning, GoUk is ex-officio PPP Nodal Officer for the state under this program.



As stated in Uttarakhand Procurement Rules and as per MoU signed by GoUk with DEA, GoI for the abovementioned program, PPP Cell was formed under Department of Planning by Government Order dated February 13, 2007. In order to provide administrative flexibility for operations it was registered as Uttarakhand Public Private Partnership Cell under Societies act 1860, on June 13, 2008.

Main Objectives of Uttarakhand PPP Cell are :

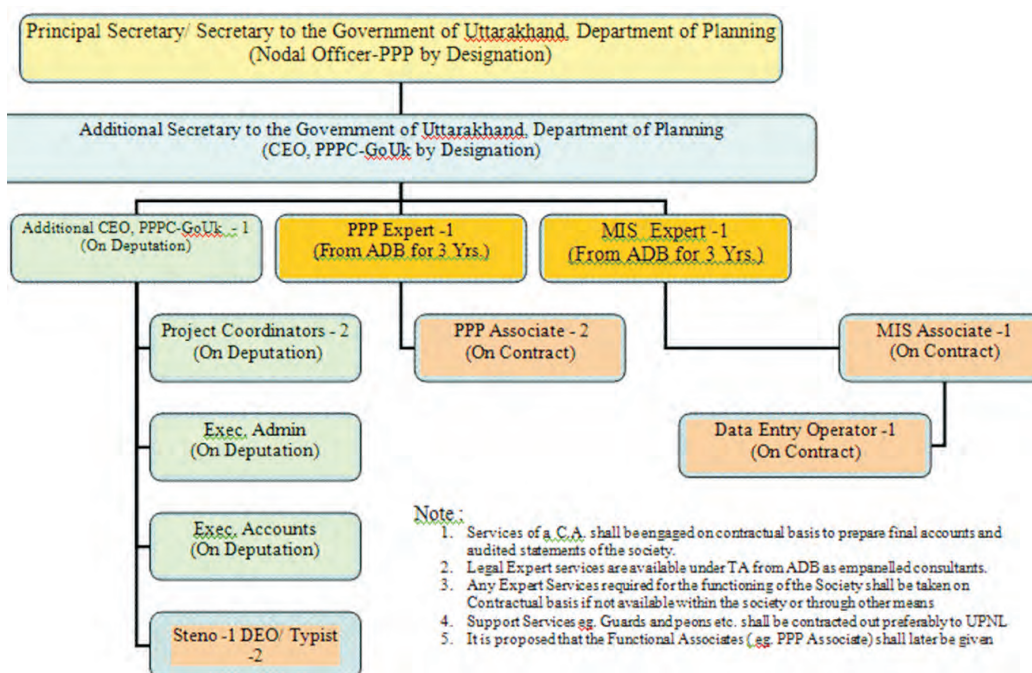
1. Assist GoUk to limit negative impact of non-systematic execution of PPP projects;
2. Assist GoUk in creating a conducive environment for private investment so as to:
  - Find additional capital
  - Utilize efficiencies from innovativeness, flexibility, cost efficiency, alternative management and implementation skills
  - Provide value addition to the consumer and the public at large
  - Provide better identification of needs and optimal use of resources
3. Assist GoUk to set up of a transparent, consistent, efficient administrative mechanism to create a level playing field for all participants and protect interest of all stakeholders.
4. Assist GoUk to prepare a shelf of projects to be offered for PPP and take them forward with assistance of the owner departments through a transparent selection process.
5. Provide necessary risk sharing framework in the project structure so as to assign risks to the entity most suited to manage them.
6. Assist GoUk to put in place a mechanism to ensure the improved value for money assessment of all projects to ensure the incremental benefit to public by selecting right projects for public private partnership.
7. Assist GoUk to put in place an effective and efficient institutional mechanism for speedy clearance of the projects.
8. Assist GoUk to create a robust dispute redressal mechanism / regulatory framework for PPP projects.

Uttarakhand PPP Cell has set up its own website in order to disseminate more effective and accurate information about PPP in the state. This website shall also be a knowledge repository of PPP for the state. Website can be accessed at : <http://www.upppc.org/>



Cell is staffed with one PPP Expert and one MIS expert ( Provided by ADB as a part Technical Assistance to GoI program “Mainstreaming of Public Private Partnership in States” ). Government of Uttarakhand has also recruited one PPP Associate and one PPP Intern, in order to institutionalize the expertise and augment the capacity of cell to support government agencies.

At the moment one PPP Coordinator from Department of Planning supports Experts. As the number of projects are encouragingly on the rise Uttarakhand PPP Cell may recruit a few more technical supporting staff as per the approved organizational structure:



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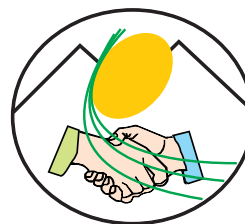
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## How to avail services of PPP Cell

Uttarakhand PPP Cell's mandate is evolving in following roles :

- ✧ PPP Advisory to all the departments, government entities etc.
- ✧ Development of PPP Policy and PPP Process Guidance tools
- ✧ Capacity building of officials
- ✧ Developing and Appraising Projects
- ✧ Management of Project Development and Project Supports funds like VGF & IIPDF



For **Developing Projects**, Departments may engage PPP Cell as per the suggested process below :

- Preliminary Meeting with PPP Cell : This first meeting with PPP cell would be for introduction, exchange of ideas and overview of possibilities of PPP projects in the department.
- Nomination of Person responsible for PPP projects within the department
- Project specific interaction (Advisory Role)
  - Project(s) can be discussed with PPP Cell, if required a formal letter also to be sent to Nodal officer PPP detailing project idea and requisition for services of PPP Cell
  - PPP Cell after studying the project details may request for additional information which would be needed for making the draft concept note
  - PPP cell may discuss draft concept note with relevant people in the department
  - PPP Cell shall forward final Concept note to the department through Nodal Officer PPP.
  - Department shall initiate the process for taking approvals from relevant authority for the Project. As of now Uttarakhand Procurement Rules 2008 state that In principle approvals are required from
    - ❖ At first the Administrative Department in GoUk
    - ❖ Then Planning and Finance Department in GoUk, Annexure 1 & 2 should be duly filled and forwarded to these department for approval
  - Upon receipt of Approval, department may seek help from PPP cell in engaging Transaction Advisors for completion of various parts of the PPP Process eg. Feasibility studies, drafting RFP documents, bidding evaluation etc.
  - PPP Cell may provide its support and advice during the Bidding process.

For **Appraising PPP Projects** at various stages of PPP Process PPP Cell is engaged in following ways :

- At in-principle approval stage by Administrative department, Planning and Finance Department
- At Bidding documents, financial model appraisal stage by Administrative department, Planning and Finance Department.
- At EFC approval stage as Technical Secretariat by EFC

For **Capacity Building** PP cell has bi-directional approach ie.

- PPP Cell organizes workshops, training programs
- Administrative Departments, Project Sponsoring Authorities, Stakeholder organizations, Training Institutes and Transaction Advisors may approach PPP Cell for theme specific training or workshop program

For **Developing Policy and PPP Guidance Tools** PPP Cell has been initiating process on its own. This *handbook* and *draft PPP Policy* are outcomes of this activity. Apart from this PPP cell has been in discussion with various departments to prepare sector specific guidance materials eg. in case of ropeways a *common RFP & DCA* ave been developed with the help of UIPC & UDEC. A process shall soon be initiated to study a possibility of draft note on regulatory requirements in some sectors for PPP projects of similar nature. Departments may approach PPP Cell for any assistance and discussion in this regard.

PPP Cell is actively involved in assisting departments for **management of GoI VGF and IIPDF** schemes for Project Development. PPP Cell should be engaged from project development stage in these projects and assists departments at all levels like forwarding applications, managing transaction advisors to bidding stage for these projects. DEA has mandated that applications for VGF and IIPDF may be submitted with the involvement of PPP Cells in the states.

## Uttarakhand PPP Cell Website (www.upppc.org)

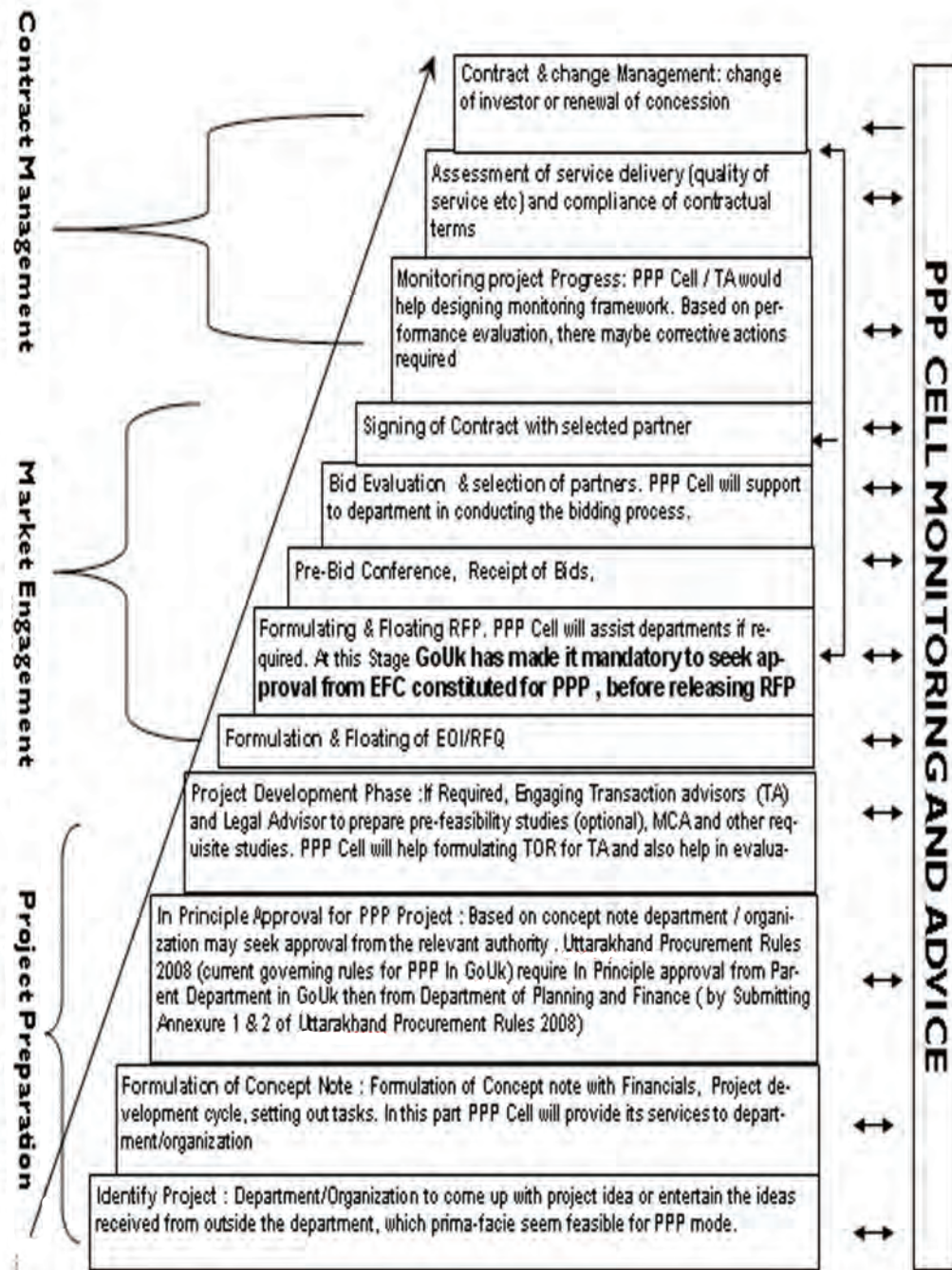
The screenshot shows the homepage of the Uttarakhand Public Private Partnership Cell website. The header includes the logo and navigation tabs: Home, GOUK, Projects, Resources, About Us, Site Map, and Contact Us. A search bar is located on the right. Below the header, there are sections for 'Our Governor' and 'Our Chief Minister'. The main content area is divided into 'PROJECTS NEWS' and 'OTHER NEWS'. A large circular callout labeled 'News Extract from Sections' points to the 'PROJECTS NEWS' section. A rectangular callout labeled 'Government GOs, Details of Various Schemes and Knowledge Repositories on PPF' points to the 'GOUK' tab. Another rectangular callout labeled 'Click here to give us Feedback and share ideas' points to a link in the footer. A third rectangular callout labeled 'Tab to access latest articles/news from various sections' points to the 'Projects' tab. A fourth rectangular callout labeled 'These tabs give information about Uttarakhand ADP, Uttarakhand PPP Handbook & Uttarakhand PPP Profile' points to the 'Uttarakhand ADP', 'Uttarakhand PPP Handbook', and 'Uttarakhand PPP Profile' tabs. A yellow oval callout labeled 'updates are Published on twitter as well' points to the Twitter icon in the footer.

Uttarakhand PPP Cell's website has been designed to cater to PPP practitioners in Government of Uttarakhand, Private Sector Partners and People (who are the ultimate beneficiaries of these projects).

Uttarakhand PPP Cell aims to provide knowledge repositories for all PPP practitioners so that projects are designed and executed in a fail safe mode. With a view to engage private sector and public at large in the project formulation process website provides an up-to-date snap shot of project pipeline and also regular and timely update on projects' progress.



## PPP Process



## PPP Activities List

<b>Project Conceptualization phase</b>	Establish the need for PPP Case ( Qualitative and Quantitative) <ul style="list-style-type: none"> <li>● Current status of Public services being delivered</li> <li>● Target level of public services to be delivered by the project</li> </ul>
	Ascertain if the agency/ department is authorized to sponsor PPP Project.
	Establish that Pre-requisites for PPP are in place : <ul style="list-style-type: none"> <li>● Clear Title for Land or Asset involved in concession. If not arrange for the same.</li> <li>● Ensure that requisite funds are in place for <ul style="list-style-type: none"> <li>□ Project Development Costs</li> <li>□ Project Operation funds ( if any)</li> </ul> </li> </ul>
	Personnel /Team to manage the project development
<b>Project Preparation Phase</b>	Information to PPP Cell about the project
	In principle approval from Administrative department
	In principle approval from Planning and Finance Department
	Transaction Advisors (TA) <ul style="list-style-type: none"> <li>● Selection of TA as prescribed in GO of Gov. of Uttarakhand</li> <li>● Clear Terms Of Reference for TA</li> </ul>
	Feasibility Report / DPR appraised and approved
	Business Case Analysis of PPP <ul style="list-style-type: none"> <li>● Creation of Public Sector Comparator</li> <li>● Risk Analysis</li> <li>● Creation of Risk adjusted Public Sector Comparator</li> <li>● Creation of Risk adjusted PPP Public Sector Comparator</li> <li>● Value for money analysis</li> </ul>
	Project Related Clearances/Approvals <ul style="list-style-type: none"> <li>● Environmental Clearances (If Any)</li> <li>● Forest Clearances (if Any)</li> <li>● Wildlife Clearances (If Any)</li> <li>● Statutory &amp; Regulatory Clearances (if Any)</li> <li>● Land Use Change clearances etc.</li> </ul>
	Interdepartmental consultations
	Stakeholder Analysis and consultations
	Market consultations

<b>Procurement Phase</b>	Approval of EOI/RFQ document from Administrative, Planning and Finance Department ( clarify if “In principle approval” could suffice for the phase)
	EOI/RFQ/RFP evaluation committee in place
	RFP & DCA document vetting from Administrative, PPP Cell, Law, Legislative, Finance & Planning Departments.
	Approval to issue RFP from EFC and Competent Authority in Administrative department
	Shortlist of qualified EOI/RFQs
	Issue of RFP & DCA to short-listed bidders
	Team / Personnel in place to respond to clarifications / queries
	Pre Bid Meetings
	Bid Evaluation Committee in place
	Technical Bid Evaluation
	Financial Bid Evaluation
	Selection of successful Bidder
	Approval of successful Bid by Competent Authority
	Signing of contract & submission of performance guarantee by successful bidder (Ensure that contract is same as approved one and if any changes, the same should be approved)
	Selection of Independent Engineer ( If required)
	Handing over the Site/ Asset to Selected Bidder
	Fulfilling of conditions precedent from both sides
	Put project monitoring & evaluation framework and team in place
<b>Monitoring &amp; Evaluation</b>	<b>Monitoring Project Milestones</b> <ul style="list-style-type: none"> <li>● Financial Closure</li> <li>● Remaining Project Approvals</li> <li>● Commencement of Construction</li> <li>● Commencement of Commercial Operations</li> </ul>
	<b>Monitoring Contractual Obligations</b> <ul style="list-style-type: none"> <li>● Performance Guarantee (validity monitoring etc.)</li> <li>● Service levels</li> <li>● Key Performance indicators</li> <li>● Grievance Redressals</li> </ul>

## PPP Decisions

For a PPP project, Project Sponsoring Authority needs to take a few key decisions in order to ensure that project gets executed without delays. In order to do that one should try to find answers to following questions :

- To do Project in PPP Mode or Not ?
- How to fund the Project Development costs
- To hire a project consultant (Transaction advisor) or not?
- What type of PPP should be suitable for the project ?
- How to route the project approvals within the Government?

### **To Do Project in PPP Mode or Not?**

Answer for this question would flow primarily from the project rationale and value for money analysis for the project. If a project has positive value for money through PPP mode in financial terms and also has enough qualitative benefits (which can not be quantified) then PPP would be a good decision.

PPP decision also would be influenced by pre-equisites from legal point of view. If a project sponsoring authority is not empowered by existing laws, rules and acts to sponsor a PPP project and also if it is not empowered to impose user charges for services being proposed then prior to adopting PPP solution one would have to fulfil conditions precedent by empowering the Project Sponsoring authority with enactment of law, act or rule as applicable.

Another pre-requisite for a PPP project would be availability of the concession in legal possession with the project sponsoring authority which in most cases would be the land, building or machinery. Such concession should be also free of any encumbrances so that same can be passed to PPP partner for execution of PPP project. If any liability that exists on account of the concession, same should be taken into account while doing project cost analysis so that value for money derived would be accurate.

### **How to fund the Project Development costs ?**

Depending on the size of the project, project development costs could be big or small. Sometimes it may be possible to accommodate the project development costs from the normal budgeting process of the Project Sponsoring Authority but in most cases the costs could run into a few Lakhs of rupees which would require a project development funding.

In budgeting process a PPP project development fund can be created which can be used for long term also by recovering project development costs and success fee ( in some cases only) from the successful bidders.



Government of India and Planning Commission of India have provided for the project development cost funding schemes which have been explained in further chapters of this handbook.

Project development costs can later be recovered from the “Selected Bidder”, if so desired. This should be made clear in the RFP document for the project.

#### **To hire a project consultant (Transaction advisor) or not?**

In case of small projects department may not need a full fledged consulting firm to help them to conduct project preparation and market management process. Uttarakhand PPP Cell may assist the department in key areas of project pre-feasibility study and bid document preparations with the help of domain expertise available with the project sponsoring authority. The same is true for the projects which are replications of previously executed similar projects and where a mature market for PPP exists.

In case of bigger projects and Greenfield projects Transaction Advisors should be hired in order to bring in various types of expertise required to do a detailed feasibility study etc.

#### **What type of PPP should be suitable for the project ?**

PPP Model or type of PPP would depend on what government is looking for by the way of partnership with private partner. If government is looking to private sector for capital investment and also technical expertise for operation and management then models like DBFOT, BOOT, BOT etc. would be suitable. If the government has already made capital investment required but lacks necessary technical expertise or a cost effective technical expertise then government would like to opt for a Operation and Management type of PPP model.

Risk sharing / transferring framework also would further help selecting right PPP Model.

#### **How to route the project approvals within the Government?**

In case of PPP Projects in Uttarakhand Procurement rules have clearly laid down the approval stages and process for PPP projects ( please see the chapter on “Governing Rules for PPP in Uttarakhand”) ”

Government of Uttarakhand would issue further guidance in case of change in policy or procedures.

#### **What Bidding System to Follow?**

Uttarakhand Procurement Rules prescribe a 2 stage bidding system for the PPP Projects. First stage is for qualification of Bidders and second as invitation for Financial Bids.

Sometimes a compressed single stage two bid system may also be useful when private sector market for project is well defined. In such cases single stage bidding may result in a more competitive bidding.

## Project Preparation & Market Management

Project Preparation and Market Management are two major stages of PPP process in which sponsoring authorities require specialist resources which are normally not available within the Department and Government. This entails organization of funds and resources by the sponsoring authority.

At the moment GoUK has two joint venture companies with ILFS and IDFC respectively to aid the project development process in the state. As explained below, these two companies also should be hired as per the process of Transaction Advisor Panel hiring ( Government of Uttarakhand **GO No. 208/xxvii(7)/2008 Dtd. 4 July 2008**)

After signing MoU with Gol for “ Mainstreaming of PPP in states” program GoUK has expanded this list to 13 companies, 11 as per empanelled list of DEA, Gol and 2 of the joint venture companies of the state. Although list of 11 Transaction advisors includes parent companies ( ILFS and IDFC ) of both joint venture companies hence as per the rules of engagement effectively reduces the list to 11 companies.

**Before moving into project development phase sponsoring authority must ask themselves a very important question, “does ownership of the assets/land involved in concession or operation and management lie with the project sponsoring authority?” If the answer is “No” then it is important to address this issue before proceeding further.**

Project development & Market Management typically includes following steps :

- Technical Feasibility
- Financial Feasibility
- Bid Management
  - ❑ Preparation of Bid Documents
  - ❑ Preparation of Draft Concession agreement
  - ❑ Market engagement
  - ❑ Selection of Concessionaire & Signing of agreement
  - ❑ Selection of Independent Engineer etc.
  - ❑ Putting in place a Monitoring and reversal to Public Framework for the project

For the above normally two options are available to sponsoring Authority :

- ❑ Deploy own manpower or engage separate agencies for different tasks and coordination by Sponsoring Authority
- ❑ Engage Single Transaction Advisor to manage complete project development.

Process of engaging the Transaction advisors has been explained in separate chapter of this handbook.

Project Development costs need to be budgeted for by the sponsoring authority and organized from state, central or external sources. At the moment Gol has instituted India Infrastructure Project Development Fund (IIPDF) to help meet project development costs. The process to access this has been explained in separate chapter.

Project development costs can be recovered in most cases, specially in commercially viable projects, from the successful bidder.

In following chapters we shall try and explain in brief key areas of project preparation and market management.

## Feasibility Studies

Each project requires some sort of feasibility study. In some cases a full fledged DPR is required and in some cases small site survey, basic data collection can help prepare financial model which can lead to a PPP decision.

In a normal project feasibility study has following components :

- Technical Feasibility
- Financial Feasibility
- Social / Legal / Environmental Assessments

Technical Feasibility would entail following activities on the part of Transaction Advisors :

- A survey of the site
- Conceptual drawings
- Technical feasibility
- Estimated project cost
- Estimated O&M costs
- Estimated construction period
- Existing site details
- Scope of work of the proposed project
- Facilities required in the proposed project
- Standards and Specifications to be followed for the proposed project

Financial Feasibility would entail following activities on the part of Transaction Advisors :

- Market surveys for demand analysis, present market conditions, paying capacities etc.
- Preparation of financial model
- Financial structuring of the project – equity debt, VGF, etc.
- Calculation of revenue streams
- Calculation of Project IRR, Return on equity, DSCR, Cash Flows, etc
- Sensitivity Analysis
- Fixation of concession period based on financial returns
- Various options for project structure

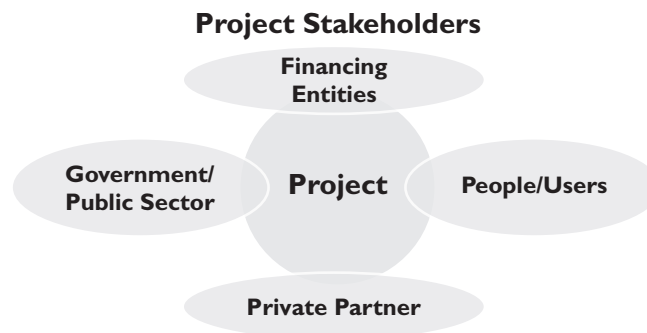
Social / Legal / Environmental Assessments would entail following activities on the part of Transaction Advisors“

- Stakeholder Analysis and consultations
- Assessment of current level of services and study of social compliance requirements for proposed facility/services.
- Land acquisition Assessments
- Rehabilitation plan for the affected public
- Employee relocation assessment etc.
- Study of the Legal requirements for the project ( eg. passing of new acts or amendment of by-laws for Urban Local Bodies etc.)
- Environmental assessment plan detailing impact of the project on the environment
- Environmental clearance from the concerned authority

These are only indicative and basic lists of activities, Project Sponsoring Authority needs to prepare a detailed ToR for these activities in order to make an effective Feasibility study for the project.

## Stakeholders

PPP project by its nature of partnership between government and private sector, expands the number of stakeholders in the project. Here is a simplified illustration of stakeholders :



<b>Government / Public Sector Objectives</b> <ul style="list-style-type: none"> <li>● Output based delivery of infrastructure and service</li> <li>● Value for Money</li> <li>● Procurement according to regulation</li> <li>● Risk transfer to Private partner</li> <li>● Peaceful return of Project to government</li> </ul>	<b>Financing Entities Objectives</b> <ul style="list-style-type: none"> <li>● Safe return of loan</li> <li>● Profit margin reflecting the risk</li> <li>● Risks not with borrower (transferred to public sector or to subcontractors)</li> </ul>
<b>Private Sector Objectives</b> <ul style="list-style-type: none"> <li>● Profit</li> <li>● Exclusivity</li> <li>● Lowest possible procurement risks</li> <li>● Long term use of own capacity</li> <li>● Risks transferred to subcontractors</li> </ul>	<b>People / User Objectives</b> <ul style="list-style-type: none"> <li>● Low or no user fees</li> <li>● Transparency of tariffs and procurement</li> <li>● Quality &amp; Availability of infrastructure and services</li> <li>● Grievance Redressal</li> <li>● Resettlement &amp; Rehabilitation of <b>Project Affected People</b></li> </ul>

**Each of these stakeholders have Different Objectives vis-a-vis the project**

It is important that project is amenable to objectives of all the project stakeholders and that makes stakeholder consultation a very important activity during project preparation phase .Stakeholder consultation would throw up the relevant issues and risks to project preparation team which then would get assimilated into project structure and hence affecting the project cost, value for money & affordability.

From the Government's perspective, issue of peaceful return of the project after the concession period is very important, specially in case projects which involve real estate components like Malls etc. Risks related to this are explained in the chapter for "Risk".

## Risk

### What is Risk ?

- "a chance or possibility of danger, loss, injury etc."
- "a chance of something happening that will have an impact on objectives"

In Risk Management, Risk is identified with following characteristics :

- Event that has impact on the project objectives
- The probability of the event
- Impacts of the event ( Quantifiable and Qualitative)

Risk Management can be done in following method :

- Identify Risk
- Ascertain probability of risk
- Assess the Risk Impact
- Respond to the risk
  - Avoid the risk
  - Prevent the risk
  - Retain the risk
  - Reduce the impact of risk
  - Transfer the risk to the party best suited to respond to the risk

PPP contracts should address risk transfer and risk sharing between government entity and private partner.

It is very important to identify risks related to project at the beginning itself and then design project structure with risk mitigation in mind. Project sponsors should make it a point to ask Transaction Advisors identify risks clearly and also provide risk mitigation and allocation plans.

Risk	Type	Mitigation
<b>Pre-completion</b>	<ul style="list-style-type: none"> <li>● Land acquisition risk</li> <li>● Cost overruns</li> <li>● Approvals risk</li> </ul>	a) Fixed price turnkey contracts b) Warranties/penalties / incentives c) Fixed project specification d) Strong contractors
<b>Post-Completion</b>	<ul style="list-style-type: none"> <li>● Demand Risk</li> <li>● Revenue forecasts</li> <li>● Revenue build-up</li> <li>● Operating costs</li> <li>● Management failure</li> </ul>	a) Committed supply contracts b) Committed off-take contracts c) Strong operators d) Performance guarantees
<b>Technical</b>	<ul style="list-style-type: none"> <li>● Performance</li> <li>● Environmental</li> <li>● Safety</li> </ul>	a) Warranties b) Proven technologies c) Public consultation and approval
<b>Financial</b>	<ul style="list-style-type: none"> <li>● Structure: debt/equity ratio, eg 75/25</li> <li>● Structure: return on capital</li> <li>● Structure: risk / reward ratio</li> <li>● Foreign exchange</li> <li>● Interest rates</li> <li>● Debt service cover</li> <li>● Taxation</li> </ul>	a) Equitable ROE, (eg. 15-20 %) b) Acceptable cover ratios (e.g. 1.5-2.0) c) Escrow and reserve accounts d) Dividend constraints e) Loan syndication f) Insurance / financial derivatives g) Standby funding arrangement
<b>Legal</b>	<ul style="list-style-type: none"> <li>● Regulatory framework ?</li> <li>● Concession law ?</li> </ul>	a) Experienced lawyers b) Clear, simple documents
<b>Political</b>	<ul style="list-style-type: none"> <li>● Regime stability</li> <li>● Force majeure events</li> <li>● Political intervention</li> </ul>	a) Clear regulatory regime b) Investment insurance

**Illustration of risk identification and mitigation**

### Risk Allocation :

Thumb rule for risk allocation is the risk should be allocated to the partner best equipped to handle/mitigate the risk. The Table below is simplified risk allocation illustration.

S.No.	RiskType	RiskAllocatedTo
1.	Design & Construction	Private
2.	Service Provision	Private
3.	Pre-existing Conditions	Government
4.	Maintenance & Renewal	Private
5.	Regulation/Policy	Government
6.	Market/Volume	Government

Table below is an example of risk allocation from a proposed PPP Project for Medical College :

S.No.	Risk	Government	Private
1	Acquisition/providing land		
2	Soil and hydrology testing		
3	Design and Engineering		
4	Access to utilities		
5	MCI approval		
6	Facility up time and maintenance		
7	Staffing (including relocation of govt staff)		
8	Patient inflow		
9	Achieving desired service levels		
10	Financing		
11	Interest rate fluctuation		
12	Exchange rate fluctuation		
13	Time and Cost over run		
14	Environmental		

In real estate projects fears are :

- PPP partner may collect advances to secure itself which would not show up in revenue stream and if contract has revenue sharing arrangement, project sponsoring authority would risk to lose the revenue share
- PPP partner may enter into rent /lease agreements beyond concession period
- Tenants of the mall become indirect stakeholder and may create problems at the time of project handback.

## Project Model Documents

Uttarakhand PPP Cell (UPPPC) has been working with various department by preparing project specific RFQ and RFP documents. UPPPC is also assisting Government of Uttarakhand by appraising/vetting RFQ & RFP documents prepared by Transaction Advisors for various Government Departments.

Most of these documents are based on the Model RFQ and Model RFP documents released by Planning Commission of India and have been sufficiently improved upon as per the requirements specific to the Project.

### **Request for Qualification ( RFQ )**

Request for Qualification Document should address following issues

#### ❖ **Detailed Description of Project**

It would contain a Project Information Memorandum consisting of following:

- Scope of the project
- Construction Specifications & Standards of the project
- Machine & Technology standards
- O&M Specifications and standards of the project
- Project Output standards
- Service level standards of the project
- Safety, Security & disaster management standards

#### ❖ **Qualification Criteria**

- Technical Capacity Requirements
- Financial Capacity Requirements

It is important to design the qualification criteria stringently to ensure suitable bidders only qualify and also ensure that reasonable number of bidders qualify to ensure fair competition at Financial Proposal stage.

#### ❖ **Evaluation Criteria**

Clear Marking System should be indicated to bidders to make the bidding process transparent

- ❖ Formats for Submitting Proposals
- ❖ List of Necessary documents
- ❖ Schedule of Events ( Submission Dates, Bid Opening Date etc.)

### **Request for Proposal ( RFP )**

Request for Proposal Document should address following issues :

- ❖ Instruction to bidders
  - Detailed Description of Project

It would contain a Project Information Memorandum consisting of following:

- Scope of the project

- Construction Specifications & Standards of the project
- Machine & Technology standards
- O&M Specifications and standards of the project
- Project Output standards
- Service level standards of the project
- Safety, Security & disaster management standards
- ❖ Bid Criteria & Instructions for financial proposal submission and evaluation
- ❖ Formats for Submitting Financial Proposals
- ❖ Formats for submitting Bid Securities, Performance Guarantees
- ❖ List of Necessary documents
- ❖ Schedule of Events
  - Pre Bid Conference Dates
  - Bid Submission Date
  - Bid Opening Date
- ❖ Draft Concession Agreement

#### **Draft Concession Agreement (DCA)**

Draft Concession Agreement (DCA) should contain :

- Scope of Work
- Details of concession being granted
- Period of Concession and construction period
- Parameters on which Concession is to be granted (VGF, Premium, etc)
- Tariffs and regulatory details
- Obligations of the Concessionaire and the Sponsoring Authority
- Handing over of site to Concessionaire
- Project handback details
- Monitoring and supervision details
- Safety, Security & Disaster management requirements
- Support and incentives to be given by the Sponsoring Authority
- Operations and maintenance requirement
- Force majeure and Termination payment
- Dispute escalation and resolutions
- Arbitration Clauses
- Termination Clauses addressing termination by either Government and/or PPP Partner
- Other Terms and Conditions

Project handback is a worry for many in the government and public sector as some take pessimistic view and some take optimistic view. It is important to delve deeper into this issue and ensure that contract will not run into legal disputes at the time of termination or project handback stage.



## Public Sector Comparator

### Public Sector Comparator (PSC)

Public Sector Comparator (PSC) is a useful tool for PPP decision making. PSC model builds hypothetical financial model of the project as if Government were doing the project. All the cost implications and efficiencies are based on government's service delivery methods. It is essentially estimation of Net Present Cost to government for doing project on its own.

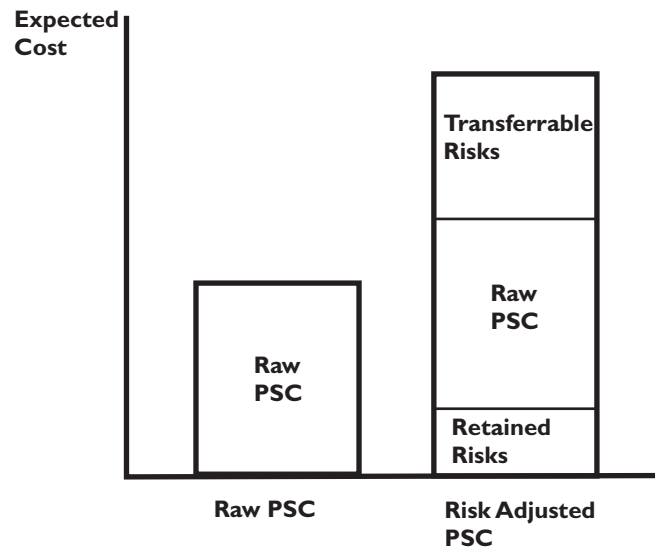
If one adds the identified risks and their estimated costs to this PSC model, it is called Risk adjusted PSC.

PSC helps in Value for Money analysis when we compare the PPP reference (by way of shadow bid) to the PSC. It also helps as a benchmark to compare the financial bids at the final stage of bidding process.

PSC has important components which need to be taken into account :

- **Raw PSC.** Provides a base cost of delivering the services specified in the Project Brief under the public procurement method where the underlying asset or services are owned by the public sector;
- **Competitive neutrality.** Removes any net advantages or disadvantages that accrue to a government business by virtue of its public ownership;
- **Transferable Risk.** The value of those risks (from government's perspective) that are likely to be transferred to the private parties
- **Retained Risk.** The value of those risks that are likely to be retained by government.

The risks to be retained by government must be clearly identified and the full costs associated with these risks estimated and added to the cash flows in the relevant years. This is a particularly specialized aspect of the process of developing the PSC and may require input from specialist resources.



**The key principles in developing the Public Sector Comparator include:**

- The PSC must reflect the full cost of government delivery of the services to the performance standards specified in the Project Brief. That is, it must reflect the full risk-adjusted cash flows over the full term of the proposed contract required by the department/agency to deliver the services;
- The cash flows reflected in the PSC should be developed on the basis of government's most efficient means of delivery under a publicly owned facility. For example, in a hospital accommodation project, the building cost element should be developed on the basis of directly relevant experience of the department or agency in building a similar facility or on the basis of an opinion of development costs obtained from an external consultant with expertise in the development of assets of this nature. This may involve providing the facility under a turnkey, or design and construct contract;
- Project risks are included in the cash flows in the relevant year(s), rather than as a premium added to the discount rate;
- The cash flows reflected in the PSC must be discounted, using the appropriate current nominal discount rate, to arrive at a net present cost. This forms the basis for the financial aspects of bid evaluation.
- The risks to be retained by government must be clearly identified and the full costs associated with these risks estimated and added to the cash flows in the relevant years.

## Public Sector Comparator - Examples

### Example of PSC in a Medical college project

Project structure envisaged as below :

S.No.	Topic	Description
1	PPP Model	Build-Operate-Transfer
2	Concession Period	30 years and renewable for another 30 years
3	Concession	a) Land 30 acres on lease for college and hospital b) Existing 200 bed hospital
4	Government Support	a) Interest bearing staggered soft loan Rs 84.00 Crores repayable b) Annual support equivalent to present value of Rs 92.00 Crores over 30 years
5	Benefit to Government	a) 50% Seats for Government quota at lower fees for poor students b) Net Saving of capital & recurring expense of Rs 186.00 Crores over 30 concession period. c) Upgrading health care facilities to tertiary level. d) Creation of over 600 jobs for local population

PSC has been constructed in two steps :

#### Step I : Construct Base PSC model

- The financial model built for the project by government
- All costs were considered excluding land and existing hospital
- 100% seats were considered as government quota with lower stipulated fees
- Premium hospital beds not considered
- Cost of funds not considered since it is government money.
- Present value of losses for 30 years computed.

#### Step II : Construct PPP reference model

- The financial model built for the project in PPP mode
- All costs were considered including valuation of land and existing hospital
- 50% seats for government quota and balance management quota
- Premium hospital beds considered
- Present value of losses for 30 years computed.

Description	PPP Mode					Government Project		
	Medical College		Hospital	Total		College	Hospital	Total
Number of Government Seats	25%	35%	50%			100%		
Project Cost (Rs Cr)	90	90	90	78	168	90	78	168
Value of Land for College	18	18	18		18			
Value of Land for hospital				16	16			
Value of existing hospital				15	15			
Land & existing Hospital	18	18	18	30	48			
<b>Net Recurring expenses</b>								
PV of cash deficit for 30 yrs	(25)	12	17	46	62	70	89	159
PV of ROI payment for 20 yrs	30	30	30		30			
Cash outflow of Government			47	46	93	160	167	327
Value of non-cash Concession			18	30	48			
Total outflow of government			65	76	141	160	167	327
Government Savings								186

### Results of PSC for Medical College Example

This example shows that if government would be able to save approximately INR 186 Crores.

### Example of a Nephrology centre

The public sector comparator analysis has been conducted to arrive at present value of government grant in case of

- 1) project under PPP mode
- 2) project implemented by government.

Description	Government Project			PPP Project		
	Numbers	PV of grant	Rs/Case	Numbers	PV of grant	Rs/Case
<b>Rs Lakhs</b>						
Normal Cases	39,600	420	1,060	43,200	249	575
HIV + Infected Cases	3,300	75	2,284	5,400	70	1,297
Hep B + Infected Cases	3,300	48	1,449	5,400	25	467
Hep C + Infected Cases	3,300	48	1,449	5,400	25	467
Total	49,500	591	1,193	59,400	369	621

The expected saving was ₹ 572 per procedure with 50% more patients being treated. The actual winning bid was ₹ 675 per procedure (NPV) which resulted into actual value for Money as ₹ 518 per case.

## Value For Money

### Value for Money

Value for money is “the optimum combination of whole-life cost and quality (or fitness for purpose) to meet the user’s requirement”. Value for Money ensures that tendency to go for lowest cost bidder would not influence the decision making for PPP project.

Value for Money analysis would compare a PSC ( or Risk Adjusted PSC) with PPP structured option of financial model. Both models would be based on whole life costing of the project.

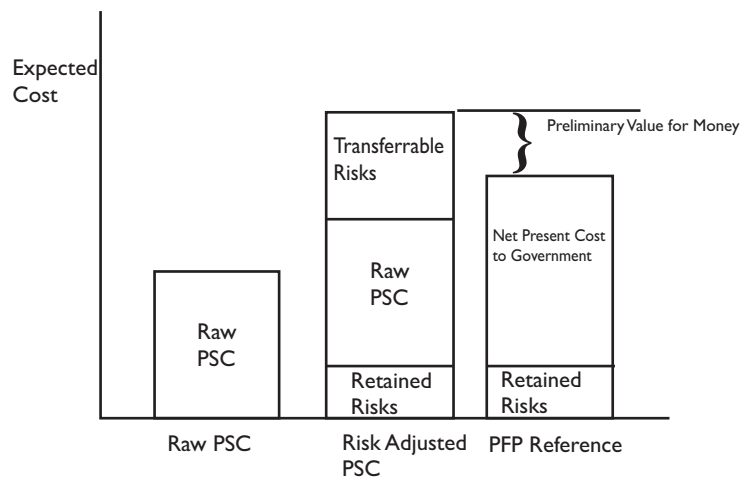


illustration of ascertaining Value for Money to decide whether to take PPP route

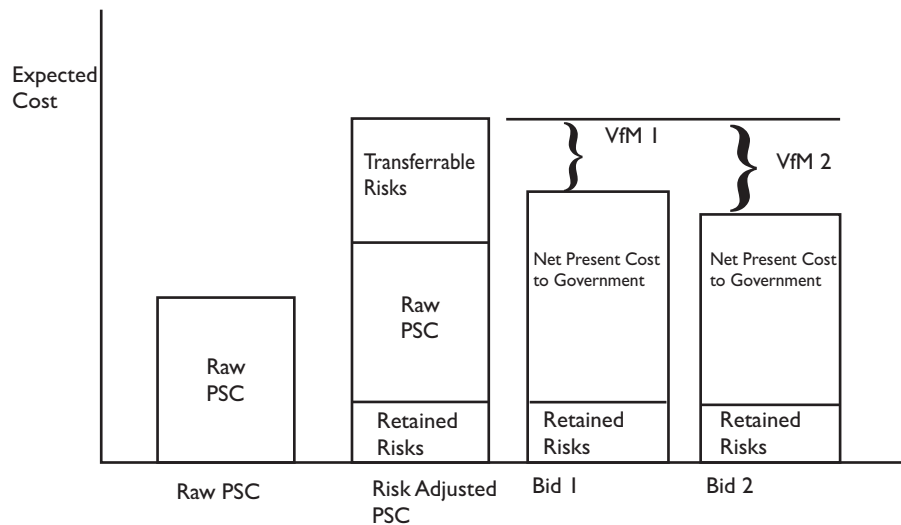


Illustration for comparing using PSC and VFM to compare Bids

## Bid Evaluation and Bid Criteria

Bid evaluation is one of the most important aspects of the PPP process to ensure fair, transparent and competitive private partner selection process. Bid Criteria is developed based on project objectives and business case development of the project.

Bid evaluation is normally divided into two parts.

1. Technical Bid Evaluation
2. Financial Bid Evaluation

Technical Bid Evaluation normally follows from the qualification criterion and technical parameters of the project.

### Qualification Criteria

Qualification criteria for a project essentially are in terms of technical and financially capability of the bidders with respect to project in question.

Uttarakhand Procurement Rules 2008 contains guidelines on required past experience regarding technical capabilities and requirements of Net worth etc. from financial capability point of view.

It is very important to balance the technical qualification requirements in order to ensure that only right bidders would qualify for the project and also it should not result in smaller number of bidders which would lead to lack of competition.

Qualification and Bid Evaluation norms should be as quantitative as possible so as to ensure transparency in qualification process.

### Technical Parameters

Technical parameters normally follow from the scope and objective of the project. For example, Solid Waste Management project would require X MT/day door to door collection and scientific disposal.

Technical Parameters would now be designed as per this and bidders would be asked to submit their credentials for having handled projects with similar technical parameters. The technical evaluation criteria should reflect the volume/size of individual projects and also the numbers of such projects done by the bidders.

### Bid Criteria

Bid criteria normally is for financial bid. From the Value for Money analysis one can derive requisite bid criteria for the project. There can be different type of bid criteria depending on financial viability of the project.

eg.

- Lowest bid in terms of PV of user fees
- Highest revenue share to Government
- Highest up front fee
- Shortest Concession period
- Lowest present value of subsidy/ grant, State Support
- Lowest Capital Cost and O&M Costs

Bid Criteria should normally be singular in nature. If multiple bid criterion are used then a proper formula should be given in RFP document so that bidders have full knowledge of bid potential.

### Bid Evaluation

Uttarakhand PPP Cell has developed a few norms for qualification and technical evaluations.

- Financial Qualification Norms are applied as prequalification in most cases and sometimes relevant financial indicators also can be given marks for Average Business Turnover in last 3 financial years and Net worth.
- Technical Qualifications norms are quantified in terms of
- Experience years
- Number of relevant Projects
- Quantifiable norms of Project capacities ( eg. Landfill Capacity, MWs Power Production.
- Other Quantifiable norms specific to project

Here is an example of Bid Evaluation developed for Nephrology centre project

#### Example :

Here is an example of Nephrology Bidding

#### Previous Experience of the bidder

S.No.	Description	Max.Marks
1	<b>Previous experience of the bidder in managing similar centres</b> Operating and managing nephrology centre, urology units or dialysis units for more than seven (7) years = 40 Operating and managing nephrology centre, urology units or dialysis units for less than seven (7) years and more than five (5) years = 30 Operating specialized hospital/ nursing homes with at least 50 beds for more than seven (7) years = 25 Operating specialized hospital/ nursing homes with at least 50 beds for less than seven (7) years and more than five (5) years = 20	40

#### Experience of medical & Technical Staff

S.No.	Description	Max.Marks
2	Qualification and experience of the technical personnel Nephrologist = 40 & Other Staff = 10	50
2a	<b>Qualifications in the relevant field for Nephrologist</b> DM (Nephrology) = 20 & DNB (Nephrology) = 15 <b>Qualifications in the relevant field for Other Staff (Technicians and Nurses)</b> Post Graduates = 5, Bachelors degree = 3, & Additional Technical qualifications = 2 <b>Person wise matrix would be prepared to arrive at average overall ratings</b>	20 05
2b	<b>Experience in the relevant field for Nephrologist</b> More than 3 = 20 & Less than 3 yrs = 15 <b>Experience in the relevant field for other staff (Technicians and Nurses)</b> More than 6 = 5 , 3 to 5 = 3 , 2 to 3 = 2 & Less than 2 = 0 <b>Person wise matrix would be prepared to arrive at average overall ratings</b>	20 05

### Features of software offered

S.No.	Description	Max.Marks
3	Type and features of hospital management software offered <b>A qualitative assessment would be done based on main features offered in the software</b>	10

The minimum qualifying marks of the Technical Evaluation is 75.

### Evaluation of Financial Proposals

The offers of the Bidder on the government financial support required annually or lump sum as per the format prescribed in bidding documents, shall be used for financial evaluation.

The present value of financial support (positive or negative) discounted at 12% would be used for final evaluation.

The present value (PV) would be computed as

$$PV = C_0 + C_1/(1.12)^1 + C_2/(1.12)^2 + C_3/(1.12)^3 + C_4/(1.12)^4 + C_5/(1.12)^5$$

$C_0$ ,  $C_1$ ,  $C_2$ ,  $C_3$ ,  $C_4$  and  $C_5$  are the government support required (positive or negative during year 0, year 1, year 2, and up to year 5.

The bidder offering the lowest PV of government support would be declared Successful.



## Project Monitoring

In a PPP Project Government transfers management of the delivery of service to PPP Partner but however that does not take away the accountability and responsibility for the delivery of service from the government. In order to ensure that contractual terms for creation of facilities, quality of service, availability of service and adherence to service levels it is important that government puts in place monitoring mechanism for PPP Project(s).

PPP Concession agreements contain a clause for “Independent Project Engineer” who is appointed with mutual consent of both partners. Independent Project Engineers would oversee the project during the construction phase, as per the terms set by both partners.

Project monitoring for the operation phase is where government would have to take more responsibility and an Institutional Mechanism would be required for this purpose.

Planning commission of India has issued guidelines for Institutional Mechanism for such PPP Project Monitoring. The detailed document is available at the website of “Secretariat for Infrastructure (<http://infrastructure.gov.in>)

This document has been circulated to all the departments by Department of Planning, Government of Uttarakhand. Directorate of Medical Health & Family Welfare has already taken initiative to set up PPP PMU.

Here is a short excerpt from this Document :

*PPP projects are typically based on long-term concession agreements which specify clear and distinct outputs, such as quality of service and quantifiable performance standards that have a direct bearing on users of such projects. These agreements normally empower the concessionaire to use public assets for building infrastructure projects. The concessionaire is also empowered to levy and collect user charges for the use of public assets. However, the Government always remains responsible and accountable for delivery of services to the users. These projects, therefore, require close monitoring by the Government with a view to ensuring that the provisions of the respective concession agreements and the applicable laws are enforced.*

*In managing a PPP Project, the Government should aim at ensuring that the services being delivered to the users meet the agreed time, cost, quantity and quality standards. It is, therefore, necessary to adopt a well-defined institutional structure that oversees contract performance effectively. For this purpose, the requirements of monitoring and enforcement of the contract terms need to be fully understood and addressed in respect of each concession agreement.*

### **Institutional Framework**

*The monitoring mechanism for overseeing implementation of the agreed terms and delivery of specified services should be capable of ensuring that the concessionaire carries out its obligations in accordance with the concession agreement, especially with regard to the provisions that affect user interests and the public exchequer. It should also be ensured that the medium and long-term objectives are clearly identified and pursued.*

*To enable a concessionaire to perform its obligations, a concession agreement also provides for certain obligations to be performed by the Project Authority. The monitoring mechanism should also oversee the performance of the obligations of the Project Authority with a view to ensuring that it is not in breach of the contract.*

The Project Authorities may create a two-tier mechanism for monitoring the performance of PPP Projects. This should consist of:

- PPP Projects Monitoring Unit (**PPP PMU**) at the Project Authority level and
- PPP Performance Review Unit (**PPP PRU**) at the Ministry or State Government level, as the case may be.

he PPP PMU and PPP PRU should be involved in the respective PPP projects as early as possible, preferably at the award stage itself.

### **Monitoring Reports**

Monitoring by the PMU should, *inter alia*, cover the following aspects to be summarised in a monthly '**PPP Project Monitoring Report**' which should be submitted to the PPP Performance Review Unit within 15 days of the close of the relevant month:

- Compliance of the condition precedent and achievement of financial close within the period specified in the concession agreement
- adherence to the time lines and other obligations specified in the concession agreement
- streamlining of, and adherence to, the reporting procedures between the concessionaire and the Project Authority, which may also include an MIS
- assessment of performance against laid down standards
- remedial measures and action plan for curing defaults, especially when performance standards are not fulfilled
- imposition of penalties in the event of default
- levy and collection of user charges based on approved principles
- progress of on-going disputes and arbitration proceedings, if any and
- compliance with the instructions of the Project Authority or Independent Engineer, as the case may be.

he PPP PRU should review the PPP Project Monitoring Report submitted by the different PMUs and oversee or initiate action for rectifying any defaults or lapses. The PRU should also prepare quarterly reports on the status of such PPP Project. These report should, in particular, focus on any non-compliance relating to the provisions of the relevant contract, especially in terms of the standards of performance or loss to the public exchequer and the users. It should clearly indicate the steps taken or required to be taken by the Project Authority in accordance with the provisions of the relevant contract. The PRU will submit its quarterly report to the competent authority. The quarterly report should include:

- compliance report regarding implementation of the various PPP projects as per the provisions of the respective contracts
- an 'Exception Report' highlighting issues where remedial action is to be taken for enforcing the provisions of the respective contracts;

## Government Support

PPP Projects may need financial support from Government due to large capital expenditure, long payback periods and in some cases due to user charges stipulation etc. for social sector projects.

Government Support at the moment can be categorized as :

- Policy Support
- Legal Framework Support
- Fiscal Support
- Financial Support
- Administrative Support

### Policy Support

- Policies, acts and guidelines are created to allow private participation in Infrastructure
- Creating Institutional arrangements for Project Formulation, appraisal and approval etc.
- Capacity building of government /public sector
- Main streaming of PPP in States
- Panel of Transaction Advisors
- Panel of Legal Advisors
- National PPP Capacity Development Program
- Preparation of Guidance material and Model Documents

### Legal Framework Support

- This may include legal reforms to allow for imposition of user charge/toll etc.
- This also includes the legal empowering of project sponsoring authorities to enter into PPP contracts
- Land acquisition etc.
- Regulatory acts etc.

### Fiscal Support

This is normally in the form of tax breaks etc. for Infrastructure projects

### Financial Support

At various stages of PPP process financial support is required from the government.

It maybe to the project sponsoring authority or to the project itself.



### Administrative Support

- In the form of creating single window approval process
- Assisting Private developer in obtaining approvals from other Government Entities
- Ensuring conditions precedents for Project Implementation etc.

## Viability Gap Fund (Gol)

### What It is :

Gol has established a Viability Gap Fund to aid the PPP infrastructure projects which face the viability gap due to inherent nature of the project. The Viability Gap Funding Scheme provides financial support in the form of grants, one time or deferred, to infrastructure projects undertaken through public private partnerships with a view to make them commercially viable. The Scheme is administered by the Ministry of Finance.

Provision has been made to **provide upto 20% of total project cost** as capital grant to meet the funding gap. Also in such **project sponsoring agency/department/state can give additional 20%** of the project cost VGF support.

### The project should meet the following criteria:

- The PPP project should be implemented, i.e. developed, financed, constructed, maintained and operated for the Project term by a Private Sector Company to be selected by the Government or a statutory entity through a transparent and open competitive bidding process. The criterion for bidding shall be the amount of viability gap funding required by the Private Sector company for implementing the project where all other parameters are comparable.
- The PPP project should be from one of the following sectors:
  - Roads and bridges, railways, seaports, airports, inland waterways
  - Power
  - Urban transport, water supply, sewerage, solid waste management and other
  - Physical infrastructure in urban areas
  - Infrastructure projects in Special Economic Zones
  - International convention centres and other tourism infrastructure projects

Empowered Committee may, with approval of the Finance Minister, add or delete sectors / sub-sectors from the aforesaid list.

- The project should provide a service against payment of a predetermined tariff or user charge.
- The concerned Government/statutory entity should certify with reasons the following:
  - The tariff / user charge cannot be increased to eliminate or reduce the viability gap of the PPP
  - The Project Term cannot be increased for reducing the viability gap
  - The capital costs are reasonable and based on standards and specifications normally applicable to such projects and the capital cost cannot be further restricted for reducing the viability gap
  - This scheme will apply only if the contract/ concession is awarded in favour of a private sector company in which 51% or more of the subscribed and paid up equity is owned and controlled by a private entity.

**The Sponsoring Authority of a PPP project may, in case a doubt exists regarding admissibility of the project under the Scheme, submit the project concept to the Department of Economic Affairs in the prescribed proforma. The Department of Economic Affairs would indicate to the Project Authority within seven working days of the receipt of the proforma whether it could be posed for consideration of the Empowered Institution**

### **How to get it :**

#### **Approval Process :**

The proposal should be sent (in six copies, both in hard and soft form) to the PPP Cell of the Department of Economic Affairs in the prescribed format. The proposal should include copies of all project agreements and the project report.

The proposal will be circulated by the PPP Cell to all members of the Empowered Institution for their comments. All comments received within four weeks shall be forwarded by the PPP Cell to the concerned Administrative Ministry, State Government or statutory authority, as the case may be, for submitting a written response to each of the comments. In case the project is based on a model concession agreement, the comments will be furnished within two weeks.

The proposal, along with the project report, concession agreement and supporting agreements/documents, together with the comments of the respective Ministries and the response thereto, will be submitted by the PPP Cell to the Empowered Institution for consideration and 'in principle' approval. While submitting the proposal to the Empowered Institution, the PPP Cell will indicate whether the proposal conforms to the mandatory requirements of the scheme. Deficiencies, if any, will be indicated in the note of PPP Cell.

#### **Appraisal and Monitoring by Lead Financial Institution**

The PPP project shall be awarded within four months from the date on which eligibility of the project is conveyed by the Empowered Institution to the concerned Government/statutory entity. The Empowered Institution may extend this period if an application is made by the concerned entity.

Appraisal of the project will be carried out by the Lead Financial Institution (LFI) within three months from the date of bid award and presented for consideration and approval of the Empowered Institution.

The Lead Financial Institution will be responsible for regular monitoring and periodic evaluation of project compliance with agreed milestones and performance levels particularly for the purpose of disbursement of Viability Gap Funding.

#### **Disbursement of Grant**

The Empowered Institution, the Lead Financial Institution and the Private Sector Company shall enter into a tripartite agreement for the purposes of this Scheme.

The Empowered Institution will release the grant to the Lead Financial Institution as and when due.

The Grant will be disbursed only after the Private Sector company has subscribed and expended its equity contribution required for the project and will be released in proportion to debt disbursements remaining to be disbursed thereafter.

## Uttarakhand Viability Gap Funding Scheme 2008 (GoUk)

### What It is :

Department of Finance, Government of Uttarakhand, has initiated Viability Gap Funding Scheme 2008 vide Office Memorandum No. 474/XXVII(7)/2008 dated 17th December 2008. This scheme is designed for promoting Public Private Partnership in physical and social infrastructure in the state.

UVGFS 2008 is designed to give additional viability gap funding for projects where GoUVGF funding is already approved, in case of physical infrastructure projects. Social sector has not been made area of focus for GoUVGF scheme at the moment and UVGFS 2008 is aimed to fill this gap as Uttarakhand needs a lot more private sector participation in social sector.

### Eligibility :

This Scheme is applicable for Projects which meet following Criteria :

1. The Project shall be implemented ie. developed, financed, constructed, maintained and operated for the Project Term by a Private Sector Entity to be selected by the Government of statutory entity through a process of open competitive bidding.
2. The PPP project for Physical Infrastructure will include all the sectors eligible as per provisions of VGF scheme of GOI such as :
  - Roads and Bridges, airports
  - Power
  - Urban transport, water supply, sanitation sewerage, solid waste management and other physical infrastructure in urban areas
  - Infrastructure projects in Special Economic Zones/Designated Industrial Areas
  - International Convention Centres and other Tourism Infrastructure Projects
3. PPP Projects for Social Sector Infrastructure could include sectors such as :
  - General Education, including elementary, secondary higher and non formal education
  - Technical Education
  - Sports and Youth Services
  - Art & Culture
  - Medical, Public Health, Family Welfare & Medical Education
  - Labour and Employment
  - Agriculture Services, Agriculture Extension & Agriculture Education
  - Soil and Water conservation
  - Animal Husbandry, Veterinary and Animal Science Education
  - Forestry & Wild life, Environment Protection

- Minor Irrigation
- Non-conventional sources of Energy
- Urban and Rural Development
- Women and Child Development

Aforesaid list is not exhaustive and the Empowered Committee shall be authorized to add or delete sectors/subsectors from this list

The project should provide service against payment of predetermined tariff or user charges.

4. The concerned administrative department should certify, with reasons
  - That the tariff/user charge can not be increased to eliminate or reduce the viability gap of the PPP
  - That the project term can not be increased for reducing the viability gap and
  - That the capital costs are reasonable and based on the standards and specifications normally applicable to such projects and that the capital costs can not be further restricted for reducing the viability gap

#### **Extent of VGF :**

- For physical infrastructure projects, GoUK support shall be limited to only providing supplementary support to VGF scheme of GoI. It will be provided only for the projects which already have approval of VGF scheme of GoI and will be upto 20% of Project cost.
- In case of Social sector projects Uttarakhand Viability Gap Funding Scheme shall provide upto 33% (subject to maximum of ₹ 10 Crores) of the Project Cost. However in case of projects located in hilly areas and project beneficiaries are members of SC/ST, EC may on case to case basis recommend VGF upto 50% (subject to maximum of ₹ 15 Crores) of the project cost.

#### **How to get it :**

##### **Approval :**

An Empowered Committee (EC) has been constituted, as below, to consider the proposals for VGF scheme :

- \* Principal Secretary / Secretary Finance
- \* Principal Secretary / Secretary of the concerned Administrative Department
- \* Secretary, Planning Member Secretary

PPP Cell under Department of Planning shall work as the secretariat for this scheme.

EC, after due process, shall recommend projects for VGF. Approval for the projects, which require VGF upto ₹ 5 Crore, would be by Finance Minister. Approval for the projects, which require VGF above ₹ 5 Crore, would be by Chief Minister.

## India Infrastructure Project Development Fund (IIPDF)

### What It is :

Gol has established India Infrastructure Project Development Fund with 100 crore revolving corpus. It has been established with a view that most PPP projects require specialist support to ascertain project viability, feasibility and other preparatory works which need to be funded by the sponsoring department.

Provision has been made to provide **upto 75% of total project development cost** from Gol as long as there is a commitment from the sponsoring authority to bring in the balance 25%. Also in such project sponsoring agency/department/state can give additional 20% of the project cost VGF support.

Project development funding, ordinarily, will be an interest free financial assistance to meet the project development expenses. **This is expected to be recovered from the successful private sector partner on award of the project.** The Sponsoring Authority will reimburse the IIPDF, the project development expenses along with a fee up to 40% of the funding as provided below. The Sponsoring Authority must provide a plan for the same.

- (i) Revenue Generating Commercial Projects (Concession/BOOT or its variants/Lease contracts): In case of revenue generating projects proposed to be implemented through private sector investments, the MFC must include a plan for recovery of the IIPDF amount with **a success fee of 40%.**
- (ii) Efficiency Enhancement / Cost Savings Projects (Management or Service contracts or Engineering, Procurement and Construction (EPC) contracts with limited period performance based O&M contracts): Where there is no or low private sector investment, the plan for recovery of project development expenses will be with a **success fee of 25% .**
- (iii) Non-revenue generating projects with high economic returns (e.g. Sewerage System): In case of project undertaken in PPP formats based on Economic Returns considerations, project development funding may be considered merely as an interest free financial assistance to the project, **to be repaid without any success fee, by the government.**

### How to get it :

Funding by the IIPDF will be considered only if the following requirements are met:

1. The funding is used on a single project, which is approved by the Empowered Institution.
2. **Funding is required for the payment of transaction advisors appointed by the Sponsoring Authority,** usually in a two-phase appointment: the first phase is the preparation of the pre-feasibility study and its subsequent approval by the EI, and the second phase is the procurement of the PPP in compliance with these Guidelines.



3. The funding by IIPDF will be used for phase two funding of transaction advisors, that is, after EI's approval for the MFC, based on the pre-feasibility study, and where the transaction advisors are paid according to fixed milestone deliverables.
4. In order to achieve the aforesaid objectives, PPP Cell will, inter alia, screen identified proposals for conducting detailed feasibility studies. **For this purpose, the Sponsoring Authority shall prepare a MFC with respect to each such proposal.** The MFC would provide justification for undertaking detailed feasibility studies to be taken up for financing out of the corpus of the Fund in the prescribed pro-forma.
5. The MFC shall contain the financial details of the project. Ordinarily, three types of projects can be posed for funding under the IIPDF:
  - (i) Revenue Generating Commercial Projects (Concession/BOOT or its variants/Lease contracts): A project FIRR of 20% or more on the private sector investment should be demonstrated. If the FIRR is below 20% even with VGF of up to 40% (maximum of 20% from VGF Scheme of GOI and 20% from the Sponsoring Authority) then the Project shall not ordinarily be presented before the EI.
  - (ii) Efficiency Enhancement / Cost Savings Projects (Management or Service contracts or Engineering, Performance based O&M contracts):  
  
Where there is no or low private sector investment, the financial savings/enhanced revenues should ordinarily be able to recover payouts by government within eight to ten years of completion of the project. Annuity based project would also be covered under this category.
  - (iii) Non-revenue generating projects with high economic returns (e.g. Sewerage System): In case of project undertaken in PPP formats based on Economic Returns considerations, the project eligibility will be based on sector preferences to be established by the EI and would be based on annuity payments by the sponsoring authority.
6. The MFC shall further state the cost likely to be incurred, the duration over which the same is to be incurred and how the same is perceived to be recovered by the sponsoring authority.
7. Proposals that do not envisage VGF can also be submitted for funding.
8. Proposals for funding under these Guidelines would cover the entire gamut of PPP projects, i.e. BOT (Toll), BOT (Annuity), long term management contracts etc. The decision of the Empowered Institution about the eligibility of a project shall be final.

## Transaction Advisors

PPP Projects transactions require specialists which are not available within the government / public sector in most cases. In order to make this project preparation part more professional, competitive and streamlined GoI had empanelled some of these companies on a pre-qualification basis.

The Panel of Transaction Advisers was notified by Ministry of Finance, Department of Economic Affairs vide OM No. 2/4/2007 Inf dated August 22, 2007.

GoUk also has recognized the need of the services of Transaction Advisors and has adopted the same list of Transaction Advisors with the addition of two state Joint Venture Companies namely UiDeC & UIPC. This has been notified by Department of Finance, GoUk vide letter no. 208/xxvii(7)/2008 on 4th July 2008.

This Panel is available to all central, state and municipal governments who are undertaking or intending to undertake PPP transactions. However, it is advisable to procure financial, legal and technical expertise separately in the case of large projects such as port development or airport development projects where the project cost is very high.

This List is valid for two years and would be changed as and when need arises.

### Steps in using Panel of Consultants

1. Confirm proposed project is eligible
2. Develop specific terms of reference (ToR) for the assignment
3. Determine which Panel members to approach
4. Seek financial quote from Panel members
5. Evaluate proposals from Panel members
6. Sign contract for provision of transaction services with selected Panel member
7. Service commences
8. Evaluate and report performance to DEA on performance of selected Panel member

One of the main tasks of PPP cell is to help project sponsoring authorities in hiring of the Transaction Advisors, evaluating and appraising the works of Transaction Advisor.

Terms of Reference for the transaction advisor need to be well detailed so as to get maximum output from them and also to ensure that financial proposal given by them is complete and no additional cost would be incurred at later stages of project development.

Here is an example of Terms of Reference created for Transaction for project development of Bus Terminus. (This is an indicative example only) :

ToR is divided in 4 sections

- Technical
- Financial
- Bid Management
- Legal

## Technical

### ❖ **Market Assessment**

The Transaction Advisor would conduct necessary market assessment for the Project through specific surveys with potential investors and other stakeholders. This could provide inputs for estimating the potential revenue streams for the Project.

### ❖ **Traffic and Infrastructure Assessment**

The Transaction Advisor would conduct necessary assessment of traffic based on proposed and present status of bus and passenger movements. Due care would also be required to be taken to understand the supporting/ allied infrastructure inside the bus terminal as well outside the bus terminal.

### ❖ **Development Guidelines**

Project requirements established in consultation with Development Authority of the area would be required to be set out in greater detail. The Transaction Advisor would prepare the development guidelines for the Project including:

- Specific facilities to be developed including parking, open/green space, public amenities
- Construction standards
  - Finishing :marble, flooring etc
  - 100% power back and use of renewable energy sources
  - Heating, Air-conditioning and Ventilation
  - Exteriors :plastered/stone/glass
  - Safety and access for special class like disabled etc

### ❖ **Technical Concept Plan**

The Transaction Advisor would assess the proposed site for suitability in terms of existing infrastructure like interconnecting roads to city and other locations, proximity to highway for incoming/outgoing buses, power, telecommunication, water & sewerage,

The Transaction Advisor would prepare a conceptual plan for the bus terminus and workshop areas for the Project and the Technical Concept Plan would comprise the following:

- Site contour/topographic survey
- Concept and design for the bus terminal area comprising bus bay area, passengers amenities and passengers facilities.
- Broad cost estimates for the Project.
- Output based specifications related to:
  - Development of the bus terminal, workshop and commercial area
  - Operation & maintenance requirement of the bus terminal.
- Study the current traffic flow in the approach road from NH 58 and assess the requirement of any additional bridge over the canal & NH58.

❖ **Commercial Area and User Charges**

The Transaction Advisor would suggest the type, number and maximum area to be planned for commercial purpose including shops, restaurants, parking lots, advertisement space etc keeping in view the basic purpose of the project and maintaining the aesthetic value of the facility.

The Transaction Advisor would suggest the user charges for buses, parking and rental value of commercial space which is reasonable for the users and also viable for the project.

❖ **Independent Engineer**

The Transaction Advisor would prepare the detailed scope of work for Independent Engineer (IE). The Transaction Advisor would provide broad guidelines for IE to conduct tests, periodicity and certifying work.

The Transaction Advisor would prepare the RFP for selection of IE along with evaluation methodology and other terms & conditions.

The Transaction Advisor would be fully involved during the process of selection of IE and would closely coordinate with the concessionaire.

❖ **Concession**

The Transaction Advisor would evaluate the nature and extent of concessions / facilities to be provided by the government for encouraging investment in the project along with proper economic and social justification.

❖ **PPP Structuring**

The Transaction Advisor would suggest one or more options (models) for selection of private sector partner and recommend the most preferred option(s). The Transaction Advisor would develop a detailed action plan, including the financial impact, the time line and preferred bidding options for the recommended option (s). The Transaction Advisor would suggest arrangement of exit/asset transfer, project term etc

❖ **Stakeholder Analysis**

The Transaction Advisor would conduct stakeholder assessment through personal interview etc and prepare report, which should highlight any possible opposition/conflict, any expectation from any stakeholder. The Transaction Advisor would prepare a communication strategy for the project duration and prepare plans for awareness programs to be carried out for various stakeholders.

❖ **Assessment of Risk and Mitigation Plan**

The Transaction Advisor would identify and explain the various categories of risk that are envisaged in the project. The Transaction Advisor would suggest the method to evaluate the overall chances of potential loss and the consequences. The Transaction Advisor would propose a plan to control & monitor the risks and plan for contingencies to risks, which occur.

## Financial

Assessment of the financial viability of the projects based on detailed cash flow projections, including scope for cross subsidization, scope for economies of scale, detailed cost analysis

- To develop a detailed business plan and revenue model for the preferred PPP model.
- Detailed cash flow projections for the project term with breakeven point analysis.
- Financial structuring
- Financial analysis –return on investment, DSCR etc
- PPP project structuring –type of model, tenure, exit/transfer etc
- Cost-Benefit analysis for Government and PPP partner
- Identify Risks and mitigation plan

## Bid Management

To develop bid documents for competitive selection of private partner. This will include laying down eligibility criteria for preliminary screening of bidders, criteria for evaluation of technical bids and bid variables.

Determine pre-qualification criteria, prepare Request for Qualification (RFQ) / Expression of Interest (EOI) document and assist in pre-qualification of bidders for the PPP project.

Prepare request for proposal (RFP) document and other supporting documents (including instructions and detailed project information to the bidders), as required, for inviting bids, including draft concession agreement, transaction structure, risk allocation matrix, criteria for evaluation of bids and milestone bonding based on project feasibility report and business models developed for the projects.

Assist in pre bid and bid evaluation process and in responding to queries/comments by various parties and modify the RFP document, as required.

Project monitoring framework including structure of suitable database application, IT networking, MIS reporting framework etc. The Transaction Advisor would suggest the Institutional mechanism for project monitoring during construction and operational period.

The Project would require well-directed and intensive marketing efforts as well as extensive travel for holding discussions with potential bidders. To achieve this, the Transaction Advisor would provide active marketing support for the Project by directly approaching potential investors

The Transactional Advisor would also be involved in project monitoring based on the framework suggested till the monitoring process is stabilized with desired results.

## Legal and Contracting

To develop a 'Draft Concession Agreement' (DCA) for setting up/running of Bus Terminus including system for monitoring of the implementation of agreement.

Suggesting robust exit barrier and suggesting Safeguard measures to be taken by sponsoring department against unilateral exit by the PPP partner during the project life cycle.

Facilitate the agreement signing between Sponsoring Authority and the Concessionaire.

## Transaction Advisors List

S. No.	Name of the Transaction Advisor	Address	Contact Nos/E-mail	Contact Person
1.	Abacus Legal Group, India <b>Consortium Partner :</b> Clayton Utz., Australia	B-226, 1st Floor, Greater Kailash I, New Delhi - 110048	(011) 2923 4030 / 2923 6522 abacus@del2.vsnl.net.in	Shri Akshoy Rekhi 9811043477
2.	CRISIL Infrastructure Advisory India; <b>Consortium Partners :</b> Verulam Consultants Private Limited, India; Amarchand & Mangaldas & Suresh A. Shroff & Co., India and Devesh K Shah & Co., India	CRISIL Risk & Infrastructure Solutions Limited, The Mira, G-1, 1st Floor, Plot No. 1 & 2, Ishwar Nagar, New Delhi - 110065	(011) 42505161 ravip@crsil.com sramanujam@crsil.com	Mr. Ravi Poddar, Head Business Development +91-9810234251
3.	Deloitte Touche Tohmatsu India Private Limited, India <b>Consortium Partners :</b> Deloitte & Touche LLP, UK & Hemant Sahai Associates, India	Hansalya, Barakhamba Road, New Delhi 110 001	0112331 5256 / 2331 3543 / 2331 5437 kamleshmittal@deloitte.com	Mr. Kamlesh Mittal 09811156820
4.	Ernst & Young Private Limited India. <b>Consortium Partners:</b> Amarchand & Mangaldas & Suresh A. Shroff & Co.	Ernst & Young Private Limited 205, Ashoka Bhoopal Chambers, Sardar Patel Road, Hyderabad, Andhra	Office : 91-40-66274111 91-40-66274000 Cell: 91-9849040801 Fax: 91-40-27898851 Utkarsh.palnitkar@in.ey.com	Mr. Utkarsh Palnitkar, Partner & Leader Advisory Services, Infrastructure, Real Estate & Government
5.	Feedback Ventures Private Limited India; <b>Consortium Partners :</b> Delhi Metro Rail Corporation (DMRC), India & Bankworld Inc., USA and Hemant Sahai Associates, India	Feedback House, 7, Local Shopping Centre Panchsheel Park, New Delhi - 110017	(011) 42007508 akhileshwar@feedbackventures.com	Mr. Akhileshwar Sahay, President Government & Multilateral Advisory Services (GMAS)
6.	Grant Thornton UK LLP, London, <b>Consortium Partners:</b> U.K. Grant Thornton India Private Limited, India and Amarchand Mangaldas & Suresh A. Shroff & Co., India.	Grant Thornton House, Melton Street, Euston Square, London, NW1 2EP, United Kingdom	0044(0)870 324 2282 (Telefax) Glenn.stone@gtuk.com	Mr. Glenn Stone 0870 324 2282
7.	Infrastructure Development Finance Company (IDFC) Limited, India; <b>Consortium partners:</b> Infrastructure Development Corporation (Karnataka) Limited (iDeCK), India and Singhania & Partners, India	ITC Centre, 3rd Floor, 760, Anna Salai, Chennai-600 002	044 2855 9440/ 044 2854 7597(F) info@idfc.com cherian@idfc.com	Mr. Cherian Thomas, Senior Director – Advisory Services (011) 46006111

S. No.	Name of the Transaction Advisor	Address	Contact Nos/E-mail	Contact Person
8.	Infrastructure Leasing and Financial Services (IL&FS), India; <b>Consortium partners:</b> IL&FS Infrastructure Development Corporation, India; IL&FS Education and Technology Services, India; Amarchand and Mangaldas & Suresh A. Shroff & Co. and Junnarkar & Associates, India	Infrastructure Leasing and Financial Services Limited, Regd Office: IL&FS Financial Centre, C-22, G Block, Bandra Kurla Complex, Bandra East, Mumbai-400051	011 4130 6726/27 prasanna.srinivasan@ilfsindia.com	Mr. Prasanna Srinivasan, Sr. Vice President, 98110 66728
9.	International Finance Corporation	50M, Niti Marg (Gate No.3) Chankyapuri, New Delhi-110 021	(011) 4111 1018/ 1000 (011) 4111 1001/ 02 (Fax) vbhagat@ifc.org	Mr. Vipul Bhagat Manager, Infrastructure Advisory, South Asia
10.	Price water house Coopers Private Limited, India; <b>Consortium partners:</b> A.Y.Chitale & Associates, India and Singhania & Partners, India	Price water house Coopers Private Limited, Building 8, 7th & 8th Floor, Tower B, DLF Cybercity, Gurgaon-122 002. Regd Office: Plot No. Y-14, Block EP, Sector V, Salt Lake Electronics Complex, Bidhannagar, Kolkata-700 091	0124 4620557 /01244620000 (Board) 0124 4620620 (Fax) vishwas.udgirkar@in.pwc.com	Mr. Vishwas Udgirkar, Associate Director
11.	BITES Limited, India <b>Consortium Partner:</b> Suri & Company Law Firm, India	Regd Office: New Delhi House, 27, Barakhama Road, New Delhi Corporate Office: Plot No.1, Sector 29, Gurgaon 122001	0124 2571666/ 0124 2818170 0124 2571630 / 0124 2571660 (F) skseth@bites.co.in info@bites.co.in	Mr. S. K. Seth, (Privatisation and Concession)

#### NOTE :

- There may be potential conflict of interest in case of panel members such as IL&FS and IDFC Limited are selected as the Transaction Adviser for a project for which they could be potential bidders. It is, therefore, recommended that the state governments/ local governments appointing the transaction advisors should take an undertaking from the selected consortia that they/ their affiliates will not bid for the same projects.
- There may be potential conflict of interest in case the agencies with CRISIL consortia are selected as the Transaction Adviser for a project, where CRISIL is also required to rate the proposed PPP project.

## IIFCL

IIFCL was incorporated on January 5, 2006, under the Companies Act 1956, as a wholly Government owned Company with an authorized capital of ₹ 2000 crore and paid-up capital of ₹ 1000 Crore.

IIFCL renders long term financial assistance to infrastructure projects including roads, railways, seaports, airports, inland waterways, power, urban infrastructure, gas pipelines, SEZs and Tourism.

Here is relevant information regarding Scheme for Infrastructure lending from IIFCL :

### Eligibility

- 5.1 *IIFCL shall finance only commercially viable projects. Viable projects may also include those projects that will become viable after receiving viability gap funding under a government scheme.*
- 5.2 *order to be eligible for funding under this Scheme, a project shall meet the following criteria;*
  - [a]. *The project shall be implemented (i.e. developed, financed and operated for the ProjectTerm) by:*
    - [i]. *A Public Sector Company;*
    - [ii]. *A Private Sector Company selected under a PPP initiative; or*
    - [iii]. *A Private Sector Company*

*Provided that the SPV shall assign overriding priority to Private Public Partnership projects that are implemented by Private Sector Companies selected through a competitive bidding process.*

*Provided further that a Private Sector Company, other than that defined in the first proviso above, would not be eligible for direct lending by the SPV and may be funded only through the refinance mode. The total lending for such private projects shall not exceed 20% of the lending programme of the SPV in any accounting year. The eligibility for direct lending and / or raising the limit of 20% will be reviewed at the end of one year having regard to the progress made in funding public sector and PPP infrastructure projects.*

*Para 5.2 (a) of SIFTI stands clarified so as to enable IIFCL to lend directly to projects set up by private companies subject to the following conditions:*

- [i] *The service to be provided by the Infrastructure project is regulated, or the project is being set up under an MOU arrangement with the Central Government, any State Government or a PSU.*
- [ii] *The tenor of IIFCL lending should be larger than that of the longest tenor commercial debt by at least two years.*
- [iii] *Direct lending plus the refinance business, if any, on account of this category of borrowers (private sector companies not selected through a competitive bidding process) should not exceed 20% of the total lending by IIFCL in any accounting year. (This limit is the same as the limit currently imposed for the refinance window.)*
- [b]. *Provided that in case of Railway projects that are not amendable to operation by a Private Sector Company, the Empowered Committee may relax the eligibility criterion relating to operation by such company.*
- [c]. *The project should be from one of the following sectors:*
  - [i]. *Road and bridges, railways, seaports, airports, inland waterways and other transportation projects;*
  - [ii]. *Power;*



[iii]. Urban transport, water supply, sewage, solid waste management and other physical infrastructure in urban areas;

[iv]. Gas pipelines;

[v]. Infrastructure projects in special Economic Zones; and

[vi]. International convention centres and other tourism infrastructure projects.

Provided that the Empowered Committee may, with approval of the Finance Minister, add or delete any sector / sub-sectors from this list.

5.3 such projects which are implemented through a Project Company set up on a non-recourse basis shall be eligible for financing by IIFCL.

Para 5.3 of SIFTI is clarified so that only such projects, which are implemented by the borrower company directly, or through a special purpose vehicle, on a non-recourse basis, shall be eligible for financing by IIFCL.

The amendments to Para 5.3 of SIFTI would be subject to maintaining an escrow account which may be entrusted to any bank involved in financing of the project and the discretion with regard to the bank would be that of the Board of Directors of IIFCL.

5.4 In the event that the IIFCL needs any clarification regarding eligibility of a project, it may refer the case to the Empowered Committee for appropriate directions.

### **Lending Terms**

7.1 The IIFCL may fund viable infrastructure projects through the following modes:

[a]. Long Term Debt;

[b]. Refinance to Banks and Financial Institutions for loans, with tenor exceeding 10 years, granted by them.

[c]. Any other mode approved by Government from time to time.

7.2 The Project Company will have the right to choose any of the modes of lending given above. The terms at which the Project Company can access Long term Debt shall not be inferior to the terms at which refinanced debt is available to the Project Company.

7.3 The total lending by the IIFCL to any Project Company shall not exceed 20% of the Total Project cost. Loans will be disbursed in proportion to debt disbursements from financial institutions.

7.4 The rate of interest charged by IIFCL shall be such as to cover all funding costs including administrative costs and guarantee fee, if any.

7.5 IIFCL to disburse the loans on a pro-rata basis in terms of the project in terse agreement / common loan agreement into the Escrow Account simultaneously along with the other banks in the consortium through the RTGS after receiving the Conformation Notice regarding the draw-down date from the Lead Bank / Lenders' Agent appointed during the inter-institutional meeting.

7.6/7.8 IIFCL must position on its staff, personnel with expertise in risk assessment and the regulatory norms that should govern IIFCL should be defined and brought into operation at the earliest.

7.7 The charge on project assets shall be *pari passu* with project debt (other than subordinate debt) and will continue beyond the tenure of project debt (other than subordinate debt) till such time the amounts lent by IIFCL, together with interest and other charges thereon remain outstanding.

Complete document and information regarding IIFCL can be accessed from :

<http://www.iifcl.org/schemes.html>

## GOI-ADB PPP Initiative

DEA, Government of India and ADB have jointly created a PPP initiative to realize ambitious targets of bringing approximately 150 billion USD private sector investment in infrastructure sectors. As a part of the initiative ADB –DEA have jointly identified the challenges that India is facing in making PPP a long term viable and reliable option for building infrastructure.

- Capacity Building
- Skills Institutionalization
- Sector responses
- Project Pipeline development
- Financing Catalyzation funds

As a concerted response to these challenges ADB –DEA have :

- Created a series of TA grants which resulted in tackling capacity building and skill institutionalization in the states and line ministries
- ADB PPP focal point and DEA PPP focal point coordinating actions in concert from India
- Created PPP Pilot project initiative for Project Development ( USD 8 Million)
- Direct ADB/DEA structuring for challenging sectors
- Quick response modality
- Complete hand holding of project
- Sponsors from concept to structuring to bid closure
- ADB + IIPDF (25%/75%)
- Expert transaction advisory teams in place with considerable experience
- Initiated work on finding possibilities to lending directly to PPP Projects

States and State departments may contact ADB-DEA team for assistance in matters of capacity building, project development assistance as per the contacts below :

### ADB

#### **Mr. Anouj Mehta**

*Nodal Officer for Public-Private Partnerships (India)  
Senior Infrastructure Finance Specialist  
South Asia Department  
Asian Development Bank*

Phone : +91 11 2410 7200 or  
+ 91 11 2419 4281 (DL)  
Email : [anoujmehta@adb.org](mailto:anoujmehta@adb.org)

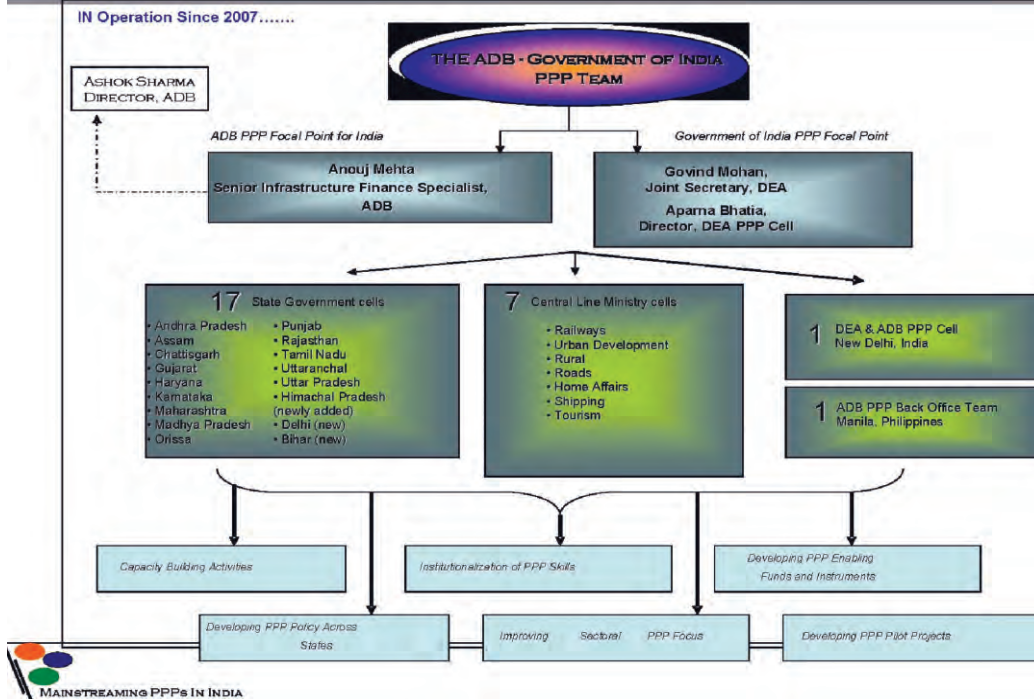
### DEA

#### **Mr. Aparna Bhatia**

*Director, PPP Cell  
Department of Economic Affairs  
Ministry of Finance  
61, North Block,  
New Delhi 110 001*

Phone : +91-11-23094443  
+91-11-23092477  
Email : [aparna.bhatia@nic.in](mailto:aparna.bhatia@nic.in)

## The ADB-DEA PPP Team



## Government of Uttarakhand GOs relating to PPP

Government of Uttarakhand has issued various orders relating to PPP in last 2 years.  
Here is a list :

1. **Department of Finance GO No. 1052/xxvii(1)/2007 Dtd. 4 December 2007**  
Regarding EFC
2. **Chief Secretary's DO No. 93/PPP Cell/ 2008/APS/AS(P) Dtd. 13 June 2008**  
Regarding Formation of PPP Cell
3. **Department of Finance GO No. 208/xxvii(7)/2008 Dtd. 4 July 2008**  
Regarding Transaction Advisors
4. **Department of Finance GO No. 474/xxvii(7)/2008 Dtd. 17 December 2008**  
Regarding Uttarakhand VGF Scheme 2008

## PPP Glossary of Terms

**Annuity** Equal Annual payment, normally used in context of Government support in case of PPP projects.

**COD** - Commencement of Operation Date

**DCA** - Draft Concession Agreement. It is normally part of RFP document in PPP Process. DCA outlines the likely contract terms & conditions for the project so that bidders know of their and government obligations to make a precise bid.

**DEA** Department of Economic Affairs, GoI

**DESIGN BUILD FINANCE (DBF)** - A form of **PPP** in which a company will design and pay for a project, such as a hospital or prison - but not run it.

**DESIGN BUILD FINANCE OPERATE (DBFO)** - The most common form of PPP, in which a private company is involved in the day-to-day running of the completed project.

**DESIGN BUILD GUARANTEE OPERATE (DBGO)** - A PPP model in which a financial institution will guarantee the completion of a project on time and to budget.

**Debt Service** The amount of debt interest and the principal repayments.

**Design and Build Contract** A contract where a supplier is responsible for designing and constructing an asset.

**Discount Rate** The interest rate used in calculating the net present value (NPV) of expected future cash flows.

**DSCR** Debt Service Cover Ratio. The ratio of cash available for debt service to the actual debt service.

**Equity (share)** The ownership interest in the form of shareholder funds invested by the private sector company(ies), typically 5-10% of the total funding required. Interest is not earned on share equity (as opposed to subordinated debt).

**Facilities Management** Management of services relating to the operation of a building. Typically includes such activities as maintenance, security, catering, and external and internal cleaning.

**Financial Close/Closure (FC)** The point at which all agreements for financial arrangements like debt, government support and equity are signed.

**GAAP** Generally Accepted Accounting Principles.

**GoI** Government of India

**GoUk** Government of Uttarakhand

**IAS** International Accounting Standards, for reporting of accounts to enable common standards between countries.

**ICT** Information and Communication Technology.

**IFRS** International Finance Reporting Standards.

**JOINT VENTURE COMPANY (JVC)** - A company in which public and private bodies both have a stake.

**Lead Financial Institution** means the financial institution (FI) that is funding the PPP project, and in case there is a consortium of FIs, the FI designated as such by the consortium;

**M&E** Monitoring & Evaluation

**Net Present Value (NPV)** The discounted value of a series of future costs, benefits or payments, ie. the value of future cash flows in today's money.

**PIM (Project Information Memorandum)** Document providing details of project specifications.

**Preferred Bidder (PB)** A bidder selected from the shortlist to carry out exclusive negotiations with the public sector authority.

**PRIVATISATION** - The full transfer of publicly-owned assets into the private sector through a sale or flotation on the stock market.

**Private Sector Company** means a company in which 51% or more of the subscribed and paid up equity is owned and controlled by a private entity; Sometimes also referred as Private Sector Partner (**PSP**).

**Project Term** means the duration of the contract or concession agreement for the PPP project;

**PUBLIC PRIVATE PARTNERSHIP (PPP)** - Partnership between a public sector entity (Sponsoring authority) and a private sector entity (a legal entity in which 51% or more of equity is with the private partner/s) for the creation and/or management of infrastructure for public purpose for a specified period of time (concession period) on commercial terms and in which the private partner has been procured through a transparent and open procurement system.

**Public sector Comparator (PSC)** - A preliminary net present cost financial analysis of the capital, maintenance, ancillary services and residual value. This basically determines the costs of running the same project in public sector and sometimes includes the risk adjusted values as well. This will fully cost the project to determine likely funding requirements and forms the basis of the PSC used later to provide a benchmark for assessing bids

**RFQ** - RFQ stands for Request for Quotation. When the government is merely checking into the possibility of acquiring a product or service, it may issue a Request for Quotation (RFQ). A response

to an RFQ by a prospective contractor is not considered an offer, and consequently, cannot be accepted by the government to form a binding contract. The order is an offer by the government to the supplier to buy certain supplies or services upon specified terms and conditions. A contract is established when a supplier accepts the offer.

**RFP** - RFP stands for Request for Proposal. In a typical RFP, the government will request a product or service it needs, and solicit proposals from prospective bidders on how they intend to carry out that request (Technical Bid), and at what price (Financial Bid).

**Risk Transfer** - The passing of risk under contract from one party to another is the essence of PPP. Transferring financial risk from the public to the private sector. Private companies supply a public service at a fixed cost and absorb the cost over-runs - but are entitled to any profits it can generate.

**Refinancing** The process by which the terms of the finance put in place at the outset of a PPP contract are later changed through negotiation with the Lead FI, to create refinancing benefits for the shareholders and public sector authority, eg. improved interest rates and repayment terms.

**Special Purpose Vehicle (SPV)** A company especially established to carry out the contract, owned by its shareholders, the providers of equity finance for the scheme.

**Technical Close** The stage of execution of concession agreement, between the private sector developer and the Sponsoring Authority or its agencies, subsequent to selection of the private sector developer through a bidding process

**Transaction Advisors** Consultants hired through a transparent system of procurement by the sponsoring authorities to assist them in designing the project and/or providing technical, financial and legal input for the project design, and providing advice for the management of the process of procuring the private sector partner for the PPP project. These include Transaction Advisers selected from the panel of Transaction Advisers announced by DEA (Also adopted by GoUk with addition of 2 joint venture companies of GoUk) from time to time and

**Viability Gap Funding (VGF)** Government of India and Government of Uttarakhand have created Schemes for Financial Support to PPPs in Infrastructure which are called Viability Gap Fund. The purpose of these is to ensure that infrastructure projects which fall short of viability, desired return on investment for Private Sector Partners, would be provided government funds to some extent which would then improve return on investment for Private Sector Partner to or close to desired level.

GOI VGF scheme defines it as “a grant one-time or deferred, provided under this Scheme with the objective of making a project commercially viable.”

**Value For Money** An economic assessment by the public sector as to whether a project represents value for money; the optimum combination of cost and quality to provide the required service.

## Resources

PPP Manuals / Handbooks/Guidance Materials	
URL / Link	Description
<a href="http://www.adb.org/Documents/Handbooks/Public-Private-Partnership/default.asp">http://www.adb.org/Documents/Handbooks/Public-Private-Partnership/default.asp</a>	ADB PPP Handbook
<a href="http://www.partnershipsbcc.ca/files/guidance.html">http://www.partnershipsbcc.ca/files/guidance.html</a>	British Columbia's official guidance documents for PPP
<a href="http://www.ppp.gov.za/PPPMannual.htm">http://www.ppp.gov.za/PPPMannual.htm</a>	South Africa's Official PPP Manual
<a href="http://www.ppp.gov.ie/key-documents/guidance/central-guidance">http://www.ppp.gov.ie/key-documents/guidance/central-guidance</a>	Ireland's Official Guidance on PPP
<a href="http://app.mof.gov.sg/data/cmsresource/PPP/Public%20Private%20Partnership%20Handbook%20.pdf">http://app.mof.gov.sg/data/cmsresource/PPP/Public%20Private%20Partnership%20Handbook%20.pdf</a>	Government of Singapore's Official PPP Handbook
<a href="http://www.hm-treasury.gov.uk/ppp_guidance_index.htm">http://www.hm-treasury.gov.uk/ppp_guidance_index.htm</a>	UK's Treasury Guidance documents on PPP
<a href="http://www.fhwa.dot.gov/PPP/pdf/ppp_user_guidebook_final_7-7-07.pdf">http://www.fhwa.dot.gov/PPP/pdf/ppp_user_guidebook_final_7-7-07.pdf</a>	US Department of Transportation Federal Highway Authority's <b>User Guidebook on Implementing Public-Private Partnerships for Transportation Infrastructure Projects in the United States</b>
<a href="http://ec.europa.eu/regional_policy/sources/docgener/guides/ppp_en.pdf">http://ec.europa.eu/regional_policy/sources/docgener/guides/ppp_en.pdf</a>	EU Guidelines for PPP
<a href="http://www.fhwa.dot.gov/PPP/pdf/manual_0905.pdf">http://www.fhwa.dot.gov/PPP/pdf/manual_0905.pdf</a>	US Department of Transportation Federal Highway Authority's <b>PPP Manual for Highway Projects</b>

Other Websites on PPP	
URL / Link	Description
<a href="http://en.wikipedia.org/wiki/Public-private_partnership">http://en.wikipedia.org/wiki/Public-private_partnership</a>	Wikipedia Page on PPP
<a href="http://www.pppbulletin.com/">http://www.pppbulletin.com/</a>	Worldwide PPP data and projects



Indian Websites for PPP	
URL / Link	Description
<a href="http://www.pppinindia.com/">http://www.pppinindia.com/</a>	PPP Cell, DEA, MoF, Gol
<a href="http://www.pppindiadatabase.com/">http://www.pppindiadatabase.com/</a>	Gol Database on PPP
<a href="http://www.adb.org/India/PPP/">http://www.adb.org/India/PPP/</a>	ADB's website on India PPP Initiatives
<a href="http://www.infrastructure.gov.in/">http://www.infrastructure.gov.in/</a>	Committee on Infrastructure, Planning Commission, Gol
<a href="http://www.planningcommission.nic.in/">http://www.planningcommission.nic.in/</a>	Planning Commission, Gol
<a href="http://www.iifcl.org/">http://www.iifcl.org/</a>	India Infrastructure Finance Company Ltd
<a href="http://assamppp.gov.in/index.asp">http://assamppp.gov.in/index.asp</a>	Website of Assam Government's PPP Cell
<a href="http://www.ppp.ap.gov.in/">http://www.ppp.ap.gov.in/</a>	Website of Andhra Pradesh Government's PPP Cell
<a href="http://www.gidb.org/">http://www.gidb.org/</a>	Gujarat PPP Cell website
<a href="http://www.mp.gov.in/difmp/ppp_main.htm">http://www.mp.gov.in/difmp/ppp_main.htm</a>	Pradesh PPP Cell
<a href="http://www.muidcl.com/">http://www.muidcl.com/</a>	This is PPP Cell website
<a href="http://www.ppporissa.gov.in/">http://www.ppporissa.gov.in/</a>	Website of Orissa Government's PPP Cell
Uttarakhand Websites	
URL / Link	Description
<a href="http://gov.ua.nic.in">http://gov.ua.nic.in</a>	Government of Uttarakhand's NIC Website
<a href="http://gov.ua.nic.in/planning/">http://gov.ua.nic.in/planning/</a>	Department of Planning, GoUK
<a href="http://gov.ua.nic.in/finance/">http://gov.ua.nic.in/finance/</a>	Department of Finance, GoUK
<a href="http://www.uttarakhandjalvidyut.com/">http://www.uttarakhandjalvidyut.com/</a>	Uttarakhand JalVidyut Nigam
<a href="http://www.uttara.gov.in/initiatives/wfw/intro.htm">http://www.uttara.gov.in/initiatives/wfw/intro.htm</a>	Water for Welfare Portal
<a href="http://www.mddaonline.com/">http://www.mddaonline.com/</a>	Mussorie Dehradun Development Authority
<a href="http://www.doiuk.org/">http://www.doiuk.org/</a>	Directorate of Industries, GoUk
<a href="http://www.uldb.org/default.aspx">http://www.uldb.org/default.aspx</a>	Uttarakhand Livestock Development Board
<a href="http://www.uerc.in/">http://www.uerc.in/</a>	Uttarakhand Electricity Regulation Commission
<a href="http://www.organicuttarakhand.org/">http://www.organicuttarakhand.org/</a>	Uttarakhand Organic Commodity Development Board
<a href="http://www.gmvnl.com/newgmvn/">http://www.gmvnl.com/newgmvn/</a>	Garhwal Mandal Vikas Nigam ( GMVN )
<a href="http://www.kmvn.gov.in/Default.aspx">http://www.kmvn.gov.in/Default.aspx</a>	Kumaon Mandal Vikas Nigam Ltd.
<a href="http://gov.ua.nic.in/schooleducation/">http://gov.ua.nic.in/schooleducation/</a>	Department of School Education, GoUk
<a href="http://gov.ua.nic.in/samajkalyanvibhag/">http://gov.ua.nic.in/samajkalyanvibhag/</a>	Department of Social Welfare, GoUk
<a href="http://gov.ua.nic.in/health/">http://gov.ua.nic.in/health/</a>	Department of Medical Health & Family Welfare, GoUk
<a href="http://gov.ua.nic.in/pwd1/">http://gov.ua.nic.in/pwd1/</a>	Public Works Department, GoUk
<a href="http://gov.ua.nic.in/transport/">http://gov.ua.nic.in/transport/</a>	Department of Transport, GoUk

International Websites for PPP	
URL / Link	Description
<a href="http://worldbank.org/">http://worldbank.org/</a>	World Bank
<a href="http://www.adb.org/">http://www.adb.org/</a>	Asian Development Bank
<a href="http://www.ifc.org/">http://www.ifc.org/</a>	International Finance Corporation (World Bank group)
<a href="http://www.ppiaf.org/">http://www.ppiaf.org/</a>	Public Private Infrastructure Advisory Facility (Multidonor Technical Assistance facility for PPP)
<a href="http://www.wsp.org/">http://www.wsp.org/</a>	Water and Sanitation Programme (World Bank)
<a href="http://www.undp.org/">http://www.undp.org/</a>	United Nations Development Programme
<a href="http://www.unesco.org/">http://www.unesco.org/</a>	United Nations Educational, Scientific and Cultural Organization
<a href="http://www.unicef.org/">http://www.unicef.org/</a>	United Nations Children's Fund
<a href="http://www.uncitral.org/">http://www.uncitral.org/</a>	United Nations Commission on International Trade Law
<a href="http://www.eib.org/">http://www.eib.org/</a>	European Investment Bank
<a href="http://www.usaid.gov/">http://www.usaid.gov/</a>	USA Agency for International Development
<a href="http://www.dfid.gov.uk/">http://www.dfid.gov.uk/</a>	Department For International Development (UK Govt.)
<a href="http://gpoba.org/">http://gpoba.org/</a>	Global Partnership on Output-based Aid (World Bank and DFID funded scheme)
<a href="http://www.partnershipsuk.org.uk/">http://www.partnershipsuk.org.uk/</a>	UK Government agency for PPP
<a href="http://www.infrastructureaustralia.gov.au/">http://www.infrastructureaustralia.gov.au/</a>	Australian Government PPP Site
<a href="http://www.ncppp.org/">http://www.ncppp.org/</a>	American body promoting PPPs
<a href="http://www.ppp.gov.ie/">http://www.ppp.gov.ie/</a>	Irish Government PPP Site
<a href="http://www.pppcouncil.ca/">http://www.pppcouncil.ca/</a>	Canadian site on PPP
<a href="http://www.4ps.gov.uk/">http://www.4ps.gov.uk/</a>	Government of UK' s local government's partnership and project delivery specialist
<a href="http://www.dh.gov.uk/en/Procurementandproposals/Publicprivatepartnership/Privatefinanceinitiative/index.htm">http://www.dh.gov.uk/en/Procurementandproposals/ Publicprivatepartnership/ Privatefinanceinitiative/index.htm</a>	Department of Health, UK's website for PFI guidance
<a href="http://ec.europa.eu/internal_market/publicprocurement/ppp_en.htm">http://ec.europa.eu/internal_market/ publicprocurement/ppp_en.htm</a>	European Union's Webpages on PPP
<a href="http://info.worldbank.org/etools/PPPI-Portal/index.htm">http://info.worldbank.org/etools/PPPI-Portal/index.htm</a>	Global Public-Private Partnership (PPP) in Infrastructure! ( World Bank Institute )
<a href="http://www.ipdf.gov.pk/tmpnew/index.php">http://www.ipdf.gov.pk/tmpnew/index.php</a>	Ministry of Finance, Government of Pakistan, established the Infrastructure Project Development Facility (IPDF).
<a href="http://www.partnerships.vic.gov.au/domino/web_notes/PartVic/PVWeb.nsf">http://www.partnerships.vic.gov.au/domino/web_notes/ /PartVic/PVWeb.nsf</a>	Website of Victoria PPP in Australia
<a href="http://www.pppcentrum.cz/">http://www.pppcentrum.cz/</a>	Czech Republic's PPPWebsite
<a href="http://geoinfo.uneca.org/AfricaPPP/">http://geoinfo.uneca.org/AfricaPPP/</a>	UN Economic Commission for Africa has created a project database for African PPP
<a href="http://www.unece.org/ceci/ppp.html">http://www.unece.org/ceci/ppp.html</a>	UN Economic Commission For Europe has its documents on PPP at this page
<a href="http://www.unescap.org/ttdw/ppp/index.html">http://www.unescap.org/ttdw/ppp/index.html</a>	UNESCAP's website for PPP
<a href="http://ppi.worldbank.org">http://ppi.worldbank.org</a>	Private Participation in Infrastructure database of World Bank
<a href="http://www.cream-europe.eu/en/index.php">http://www.cream-europe.eu/en/index.php</a>	C.R.E.A.M. Europe PPP Alliance is a PPP knowledge network
<a href="http://app.mof.gov.sg/ppp.aspx">http://app.mof.gov.sg/ppp.aspx</a>	Government of Singapore's PPPWeb pages



# **Annexures**



## Annexure - 1

Department of Finance GO No. 1052/xxvii(I)/2007 Dtd. 4 December 2007 Regarding EFC



### उत्तराखण्ड शासन वित्त अनुभाग-1

संख्या : 1052 / xxvii(I) / 2007

देहरादून : दिनांक : 04 दिसम्बर, 2007

#### कार्यालय ज्ञाप

वित्त व्यय समिति के गठन/प्रक्रिया विषयक शासनादेश संख्या : 498 / xxvii(I) / 2007 देहरादून दिनांक : 05 जून, 2007 में यद्यपि यह भी निदेश दिये गये हैं कि पी0पी0पी0 पर आधारित परियोजनाओं का अनुमोदन व्यय वित्त समिति से प्राप्त किया जायेगा, लेकिन उक्त के सम्बन्ध में प्रस्ताव के प्रेषण आदि की विस्तृत प्रक्रिया का उल्लेख नहीं हैं, जिसके कारण ऐसे प्रस्तावों की स्वीकृति में कठिनाई हो रही है। अतः पी0पी0पी0 परियोजनाओं के वित्त व्यय समिति से अनुमोदन हेतु प्रक्रिया के सम्बन्ध में निम्नानुसार स्पष्टीकरण दिया जा रहा है :—

(1) पी0पी0पी0 विषयक परियोजनाओं के लिए व्यय वित्त समिति के निम्नलिखित सदस्य होंगे :

- |                                      |                |
|--------------------------------------|----------------|
| 1. प्रमुख सचिव, वित्त / वित्त सचिव   | अध्यक्ष        |
| 2. सचिव, नियोजन                      | सदस्य          |
| 3. सचिव, न्याय                       | सदस्य          |
| 4. सचिव, सम्बन्धित प्रशासनिक विभाग   | सदस्य          |
| 5. मुख्य अभियन्ता, लोक निर्माण विभाग | सदस्य          |
| 6. निदेशक, नियोजन / राज्य योजना आयोग | संयोजक / सदस्य |
- (प्रयोजना रचना एवं मूल्यांकन प्रभाग) उत्तराखण्ड।

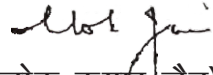
(2) समिति के सचिवालयीय कार्यों का निर्वहन एवं परीक्षण हेतु अपेक्षित कार्यवाही नियोजन विभाग के प्रायोजना रचना एवं मूल्यांकन प्रभाग के अधीन गठित पी0पी0पी0 कोषक के द्वारा की जायेगी।

(3) यह व्यवस्था केवल उन्हीं पी0पी0पी0 परियोजनाओं (उत्तराखण्ड राज्य द्वारा सीधे अथवा परोक्षरूप से पोषित / प्रायोजित) पर लागू होगी जहाँ कैपिटल लागत ₹ 5 करोड़ या अधिक

**Department of Finance GO No. 1052/xxvii(I)/2007 Dtd. 4 December 2007  
Regarding EFC**

होगी अथवा जहाँ अन्तर्निहित (underlying) परिसम्पत्तियों का मूल्य ₹ 5 करोड़ अथवा अधिक होगा।

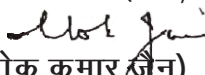
- (4) प्रथम चरण में प्रायोजक प्रशासनिक विभाग पी0पी0पी0 परियोजनाओं का चिन्हांकन करने के उपरान्त उसकी feasibility study तथा उस योजना से सम्बन्धित सूचनाओं (संलग्न प्रारूप I तथा II पर) के साथ प्रस्ताव नियोजन/वित्त विभाग को सैद्धान्तिक अनुमोदन हेतु प्रेषित करेंगे। तदोपरान्त प्रशासकीय विभाग रूल्स आफ बिजनेस के आधार पर सक्षम स्तर से अनुमोदन प्राप्त करेंगे।
- (5) सैद्धान्तिक स्वीकृति प्राप्त हो जाने के बाद प्रशासनिक विभाग प्रोजेक्ट के सम्बन्ध में Request For Qualification अथवा expression of interest माँग सकेंगे।
- (6) द्वितीय चरण में प्रशासनिक विभाग को व्यय वित्त समिति से प्रोजेक्ट पर अनुमोदन प्राप्त करना आवश्यक होगा। व्यय वित्त समिति के क्लेरियेन्स से पूर्व प्रशासनिक विभाग परियोजना से सम्बन्धित सभी अनुबन्धों को तैयार करा लेंगे। (यथा concession agreement/Project agreement आदि) तथा उसे संलग्न प्रारूपों III तथा IV में सूचनाओं के साथ नियोजन विभाग के माध्यम से व्यय वित्त समिति के समक्ष उपलब्ध करायेंगे।
- (7) समिति के अनुमोदन के उपरान्त रूल्स आफ बिजनेस के आधार पर सक्षम स्तर से अनुमोदन प्राप्त करेंगे।

  
(आलोक कुमार जैन)  
प्रमुख सचिव, वित्त

**पत्रांक एवं दिनांक यथोक्त**

प्रतिलिपि—निम्न को सूचनार्थ एवं आवश्यक कार्यवाही हेतु प्रेषित।

1. स्टाफ आफिसर, मुख्य सचिव को मुख्य सचिव के अवलोकनार्थ।
2. निजी सचिव, अपर मुख्य सचिव को अपर मुख्य सचिव के अवलोकनार्थ।
3. समस्त प्रमुख सचिव/सचिव/अपर सचिव, उत्तराखण्ड शासन।
4. आयुक्त, गढ़वाल/कुमाऊ मण्डल।
5. निदेशक नियोजन/राज्य योजना आयोग प्रायोजना रचना एवं मूल्यांकन प्रभाग।
6. सचिवालय के समस्त अनुभाग।
7. समस्त, विभागाध्यक्ष, उत्तराखण्ड।
8. समस्त जिलाधिकारी, उत्तराखण्ड।

आज्ञा से,  
  
(आलोक कुमार जैन)  
प्रमुख सचिव, वित्त

## Annexure - 2

**Chief Secretary's DO No. 93/PPP Cell/ 2008/APS/AS(P) Dtd. 13 June 2008  
Regarding Formation of PPP Cell**



उत्तराखण्ड सचिवालय  
Uttarakhand Secretariat  
4, सुभाष मार्ग, देहरादून  
4, Subhash Marg, Dehradun  
Phone (Off) 0135-2712100  
0135-2712200  
(Fax) 0135-2712500

D.O. No. : 93/PPP Cell/2008/APS/AS(D)  
Dated : 13, June, 2008

My Dear Principal Secretary/Secretary,

As you are aware, Government of India has been promoting Public Private Partnership (PPP) to attract investment from private sector for meeting the fund deficit in infrastructure development and to capture the efficiencies of the Private sector.

The Government of Uttarakhand has signed an MoU with Department of Economic Affairs (DEA), Government of India for promotion of PPP in the State with following specific mandate among others.

- Set up a PPP cell which will act as advisor to all the departments in project structuring, appraisal, capacity building, project monitoring etc.
- To develop a robust shelf of projects amenable to PPPs.
- To adhere to the following set of targets.
  - ❑ Bid out at least five (5) projects with total cost of ₹ 1,250 Crores in 2008-09.
  - ❑ Bid out at least five (5) projects with total cost of ₹ 1,500 Crores in 2009-10.
  - ❑ To prepare a "plan of PPP projects" in line with annual plan.
  - ❑ To establish a "single window" approval framework.
- To put in place a sound legal policy and regulatory & institutional mechanism with transparent processes for licensing, financing and risk sharing.

In Uttarakhand various departments have taken a few initiatives for PPP. With the approval of Hon'ble Chief Minister, a PPP cell has been setup in the Department of Planning to plan, roll out and monitor PPP initiatives in the State.



**Chief Secretary's DO No.93/PPP Cell/ 2008/APS/AS(P) Dtd. 13 June 2008  
Regarding Formation of PPP Cell**

The draft State PPP policy is also being prepared and will be sent to you soon for your valuable comments before seeking approval from competent authority.

The Government of Uttarakhand is also participating in the Technical Assistance (TA) programme from Asian Development Bank (ADB) through Department of Economic Affairs (DEA), Government of India. Under the TA, one PPP expert and one MIS expert from ADB have already joined the PPP Cell for a period of three (3) years. These experts from ADB are integral part of the State PPP Cell and would be engaged full time in PPP projects including Project Appraisal and Structuring, Systems Development, Awareness and Capacity Building, Monitoring and Evaluation etc.

Currently the PPP cell is housed in the Directorate of Economics and Statistics, 100/6 Nashville Road, Dehradun (Phone 2655572). The PPP cell would very soon be shifted to the Secretariat.

The PPP and MIS Experts are high valued consultants having immense expertise in their respective fields. The state government has to ensure that the services of these experts are creatively and optimally utilized. These experts will be separately interacting with you and your Head of the Department.

These experts from ADB would also be facilitating training and capacity building in your department. You are requested to identify and nominate officers/staff to carry out PPP assignments and ensure their stability in the department.

I would request you to ensure that all proposals related to PPP are routed through the PPP Cell and direct the concerned officers of your department for continuous interaction with the PPP Cell for development of potential PPP projects in your field.

I would like to apprise you that there exists funding schemes with Government of India for financing PPP projects viz Project Development Fund (PDF) and Viability Gap Fund (VGF). Additionally Government of Uttarakhand is finalizing a Viability Gap funding scheme to ensure viability of PPP projects.

As has been stated earlier, some sporadic efforts have been made in the State for taking up project in PPP mode by various departments and a number of models have been adopted- some qualifying as PPP and others not so. This is not to say that the State has not made any effort for PPP. What is now required is mainstreaming PPP in a big way. A list of some of the projects some already taken up and some under planning is enclosed (this is not an exhaustive list).

**Chief Secretary's DO No.93/PPP Cell/ 2008/APS/AS(P) Dtd. 13 June 2008  
Regarding Formation of PPP Cell**

On June 3, 2008 a team from DEA headed by the Joint Secretary Mr. Arvind Mayaram visited us to review the progress of PPP initiatives in the State. On June 5, 2008 a review meeting in New Delhi was jointly conducted by ADB and DEA with PPP Cells of fifteen (15) States which are participating in the ADB TA. It was observed in both these meetings that our State, in comparison to other states, is lagging behind in promoting PPP.

Meanwhile I would request you to kindly spare time to interact with PPP experts as & when contacted, direct HODs to do the same and provide data and information on PPP initiative if any, taken by your department, potential of PPP projects, earlier experience/ views on PPP, challenges and comments including success stories urgently.

As a part of creating and maintaining a data depository as well, I would request you to provide all the information on ongoing and completed projects in PPP mode.

An early action will be highly appreciated.

Yours sincerely,



(S.K. Das)

Shri/Smt  
Principal Secretary/Secretary  
Department of  
Government of Uttarakhand

Copy to :

1. Additional Chief Secretary, Government of Uttarakhand.
2. Principal Secretary (Finance), Government of Uttarakhand.



(S.K. Das)

## Annexure - 3

**Department of Finance GO No.208/xxvii(7)/2008 Dtd.4 July 2008  
Regarding Transaction Advisors**

संख्या:— 208 /xxvii(7)/2008

प्रेषक,

सचिव

उत्तराखण्ड शासन

देहरादून।

सेवा में,

समस्त प्रमुख सचिव/सचिव

उत्तराखण्ड शासन

देहरादून।

वित्त अनुभाग-7

देहरादून, दिनांक: 04 जुलाई, 2008

**विषय:— विभिन्न कन्सलटैन्सी कार्य (consultancy assignments) तथा प्रोजेक्ट डवलपमेन्ट कार्य (Project Development Work), को एकल स्रोत (Sole Source), अथवा नामांकन आधार (Nomination Basis) पर नहीं कराया जाना।**

महोदय,


उपरोक्त विषय पर मुझे यह कहने का निदेश हुआ है कि उत्तराखण्ड शासन के अधिसूचना सं-195/xxvii(7)/2008 दिनांक:— 13/मई/2008 के द्वारा उत्तराखण्ड अधिप्राप्ति/प्रोक्योरमेन्ट रूल्स 2008 प्रख्यापित कर दी गई है। इस नियमावली में कन्सलटेन्ट्स (Consultants) का चयन प्रतिस्पर्धा निविदा प्रणाली (Competitive Bidding System) के आधार पर किये जाने की व्यवस्था दी गई है। अतः सब sole source/nomination basis पर विभिन्न कन्सलटैन्सी कार्य (consultancy assignments) तथा प्रोजेक्ट डवलपमेन्ट कार्य (Project Development Work) के कार्य देना राज्य के उत्तराखण्ड अधिप्राप्ति नियमावली 2008 (Uttarakhand Procurement Rules 2008) का उल्लंघन होगा। भविष्य में Consultants का चयन, Uttarakhand Procurement Rules 2008 के प्राविधानों के अनुसार Competitive Bidding System के आधार पर किया जाय।

**Department of Finance GO No.208/xxvii(7)/2008 Dtd.4 July 2008**  
**Regarding Transaction Advisors**

उपरोक्त व्यवस्था राज्य सरकार की ज्वाइंट वेंचर (Joint Venture) पद्धति पर स्थापित संस्थाओं पर भी लागू होगी। तदनुसार भविष्य में ज्वाइंट वेंचर (Joint Venture) पर गठित संस्थाओं को sole source/nomination basis पर कार्य नहीं दिया जाय।

इस क्रम में मुझे यह भी अवगत कराने का निदेश हुआ है कि पी0पी0पी0 प्रोजेक्ट्स के लिए ट्रान्जैक्शन एडवाइजर्स का पैनल तथा दिशा निर्देशों से सम्बन्धित आर्थिक कार्य विभाग, वित्त मंत्रालय, भारत सरकार के आदेश सं-2/4/2007 — आइ एन एफ दिनांक: 25/अक्टूबर/2007 (प्रतिलिपि संलग्न) को राज्य सरकार द्वारा अंगीकृत कर लिया गया है। साथ ही इस पैनल में यू0आइ0पी0सी0 तथा यू0डैक के नाम सम्मिलित किये जाने का निर्णय लिया गया है।


यह भी अनुरोध है कि कृपया उपरोक्त से अपने अधीनस्थ कर्मचारियों/अधिकारियों को अवगत कराते हुए उसका अनुपालन सुनिश्चित कराने का कष्ट करें।

भवदीया  
  
 (राधा रतूड़ी)  
 सचिव

संख्या:— / /xxvii(7)/2008, तद् दिनांक

प्रतिलिपि निम्नलिखित को सूचनार्थ एवं आवश्यक कार्यवाही हेतु प्रेषित:—

1. स्टाफ आफीसर, मुख्य सचिव को मुख्य सचिव के अवलोकनार्थ।
2. निजी सचिव, अपर मुख्य सचिव को अपर मुख्य सचिव के अवलोकनार्थ।
3. समस्त विभागाध्यक्ष, उत्तराखण्ड।
4. आयुक्त, गढ़वाल/कुमांऊ मण्डल।
5. समस्त जिलाधिकारी, उत्तराखण्ड।

आज्ञा से  
  
 (राधा रतूड़ी)  
 सचिव

## Annexure - 4

**Department of Finance GO No.474/xxvii(7)/2008 Dtd. 17 December 2008  
Regarding Uttarakhand VGF Scheme 2008**

I pursuance of the provisions of clause (3) of Article 348 of the Constitution of India, the Governor is pleased to make English translation of Notification No. 474/XXVII(7)/2008 Dehradun, Dated: 17 December, 2008 for general information.

### **GOVERNMENT OF UTTARAKHAND**

**Department of Finance**

**No. 474/XXVII(7)/2008**

**Dehradun: Dated: 17 December, 2008**

### **OFFICE MEMORANDUM**

For promoting Public Private Partnership in physical and social sector infrastructure, the Governor is pleased to make The Uttarakhand Infrastructure Viability Gap Funding Scheme 2008.

### **THE UTTARAKHAND INFRASTRUCTURE VIABILITY GAP FUNDING SCHEME 2008**

#### **1. Preamble:**

- (i) It is recognized that the development of physical and social infrastructure projects requires very large investment that may not be possible out of the budgetary resources of the State Government alone. In order to remove these shortcomings and to bring in private sector, corporate and institutional resources as well as techno-managerial efficiencies it is proposed to promote revenue generating projects for the development of physical and social sector infrastructure in public private partnership.
- (ii) And, whereas, the Government of Uttarakhand recognizes that infrastructure projects may not always be financially viable because of difficult terrain, limited clientele, long gestation periods and limited financial returns. Financial viability of such projects can be improved through Government support.
- (iii) Accordingly, the Government of Uttarakhand has decided to put into effect the following scheme for providing financial support to bridge the viability gap of infrastructure projects undertaken through Public Private Partnership.

#### **2. Short Title and Extent:**

This scheme will be called the Uttarakhand Infrastructure Viability Gap Funding Scheme for promoting Public Private Partnership (PPPs) in physical & social sector Infrastructure. It will be a Plan Scheme and suitable budgetary support will be provided in the Annual Plans on an year-to-year basis.

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**3. Definitions**

- (i) **'Competent Authority'** means either the Finance Minister or Chief Minister as the case may be.
- (ii) **'Empowered Committee'** means a committee under the Chairmanship of Chief Secretary, Principal Secretary/Secretary Finance. Secretary Planning and Principal Secretary/Secretary of the concerned Administrative department will be the other members.
- (iii) **'Hilly Areas'** means following areas of the State as follows :- Entire area of District Pithoragarh. Uttarkashi, Chamoli, Rudraprayag and Champawat. Pauri Garhwal. Tehri Garhwal, Almora and Bageshwar. All hilly development blocks in District Nainital (except development blocks of Haldwani & Ramnagar) and District Dehradun (except development blocks of Vikasnagar, Doiwala, Raipur and Sahaspur).
- (iv) **'Lead Financial Institution'** means the financial institution (FI) that is funding the PPP project and in case there is a consortium of FIs. the FI designated as such by the consortium.
- (v) **'Private Sector Company'** means a company in which 51% or more of the subscribed and paid up equity is owned and controlled by a private entity.
- (vi) **'Private Sector Entity'** includes (i) a company registered under the Indian Companies Act. In which 51% or more equity is owned and controlled by a private entity (ii) a society registered under the Societies Registration Act 1860 and not controlled by the Government (iii) a Trust registered under the Indian Trusts Act 1882 and not controlled by Government.
- (vii) **'Project Term'** means the duration of the contract or concession agreement for the PPP project.
- (viii) **'Public Private Partnership (PPP) Project'** means a project based on a contract or concession agreement between a Government or statutory entity on the one side and a private sector entity on the other side, for delivering an infrastructure service or social sector service on payment of user charges.
- (ix) **'Total Project Cost'** means the lower of the total capital cost of the PPP project:
  - (a) as estimated by the government/statutory entity that owns the project. (b) as sanctioned by the Lead Financial Institution. and (c) as actually expended: but does not in any case include the cost of land incurred by the government/statutory entity.

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- (x) **'Viability Gap Funding or Grant'** means a grant one-time or deferred or paid in installments provided under this Scheme with the objective of making a project commercially viable.
- (xi) **'VGF Scheme of Government of India'** means the Government of India Scheme for support to PPP in Infrastructure (2005) and as amended from time to time.

**4. Eligibility:**

In order to be eligible for funding under this Scheme, a PPP project shall meet the following criteria:

- (i) The project shall be implemented i.e. developed, financed, constructed, maintained and operated for the Project Term by a Private Sector Entity to be selected by the Government or a statutory entity through a process of open competitive bidding.
- (ii) The PPP Project for physical infrastructure will include all the sectors eligible as per provisions of VGF Scheme of G.O.I. such as :-
  - (a) Roads and bridges, airports.
  - (b) Power
  - (c) Urban transport, water supply, sanitation, sewerage, solid waste management and other physical infrastructure in urban areas.
  - (d) Infrastructure projects in Special Economic Zones/Designated Industrial Areas.
  - (e) International convention centers and other tourism Infrastructure projects.
- (iii) PPP Project for Social Sector Infrastructure could include sectors such as:
  - (a) General Education, including elementary, secondary higher and non formal education;
  - (b) Technical Education;
  - (c) Sports and Youth Services;
  - (d) Art and Culture;
  - (e) Medical, Public Health, Family Welfare & Medical Education;
  - (f) Labour and Employment;
  - (g) Agriculture Services, Agriculture Extension & Agriculture Education;

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- (h) Soil and Water Conservation;
- (i) Animal Husbandry, Veterinary and Animal Sciences Education;
- (j) Forestry and Wild Life; Environment Protection;
- (k) Minor Irrigation;
- (l) Non-conventional sources of Energy;
- (m) Urban and Rural Development;
- (n) Women and Child Development;

The aforesaid list is not exhaustive and the Empowered Committee shall be authorized to add or delete sectors/sub sectors from this list.

- (iv) The project should provide a service against payment of a predetermined tariff or user charge.
- (v) The concerned administrative department should certify, with reasons.
  - (a) That the tariff/user charge cannot be increased to eliminate or reduce the viability gap of the PPP.
  - (b) That the project term cannot be increased for reducing the viability gap and;
  - (c) That the capital costs are reasonable and based on the standards and specifications normally applicable to such projects and that the capital costs cannot be further restricted for reducing the viability gap.

**5. Preparation of Projects for Viability Gap Funding:**

- (i) The proposal for Viability Gap Funding shall be prepared and presented to the Secretariat of the Empowered Committee by the concerned Administrative Department. Proposals of govt controlled autonomous organizations or urban/rural local bodies would also be vetted and presented by the concerned Administrative Department. The proposal for seeking clearance of the Empowered Committee should be sent in 4 copies (both in hard & soft form) in the format prescribed by the Empowered Committee. The proposal should include copies of all project agreements (such as concession agreement, state support agreement, substitution agreement, escrow agreement, O&M agreement and shareholder's agreement, as applicable) and the Detailed Project Report/Feasibility Report (see Rules 3.1 and 5.1) Project Report. In addition, the proposal should have the following :-
  - (a) Project appraisal carried out by Lead Financial Institution.



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- (b) Details of private promoter for the proposal/project and selection procedure.
- (c) Details of rationale, efficiency improvement, and other benefits of undertaking the project in PPP mode.

**6. Appraisal/Feasibility Report:**

All project proposals under this scheme must be accompanied by a project appraisal carried out by the financial institution that is funding the PPP project and in case there is a consortium of FIs, the lead FI designated as such by the consortium.

**7. Procurement process for PPP Projects:**

The Private Sector Entity shall be selected through a transparent and open competitive bidding process as per procedure prescribed in the Uttarakhand Procurement Rules 2008. The criterion for bidding shall be the amount of Viability Gap Funding required by a Private Sector Entity for implementing the project where all other parameters are comparable.

**8. Sanction/approval of scheme/project:**

- (i) There shall be an Empowered Committee to consider the proposals submitted for Viability Gap Funding.
- (ii) The Committee will be headed by Chief Secretary and will comprise members are under:
  - (a) Principal Secretary/Secretary Finance.
  - (b) 'Principal Secretary/Secretary of the concerned Administrative Department.
  - (c) Secretary, Planning; Member Secretary.
- (iii) PPP Cell of the Planning Deptt. will work as Secretariat for the scheme.
- (iv) The concerned administrative department will prepare the primary proposal for Viability Gap Funding and submit it to the PPP cell of the Planning department for the consideration of the Empowered Committee as stated in para 5.
- (v) The Secretariat of the Empowered Committee will examine the proposal and seek additional information, if required for presenting a complete proposal for consideration of the Empowered Committee. In case the proposal does not have the required information or required information is not furnished despite being so asked for by the Secretariat, the Secretariat, with the approval of Chairman of the Empowered Committee, will summarily reject the same.

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- (vi) The Secretariat of the Empowered Committee will obtain the comments of the Finance & Planning Department (PPP Cell) before presenting the proposal for the consideration of the Empowered committee.
- (vii) The Empowered Committee will thereafter consider the proposal along with the views of the Planning Department (PPP Cell) and Finance Department and make its recommendations on the proposal for viability gap funding. After receiving the recommendations of the Empowered Committee the approval of Finance Minister will be obtained in cases when Viability Gap Funding is upto ₹ 5 crores. In cases where Viability Gap Funding is more than ₹ 5 crores approval of Chief Minister shall also be taken.

In case the PPP proposal is from a social sector not specified in the aforesaid Para 4(iii) the Empowered Committee may consider the matter on the merits of the proposal subject to the final approval of the Finance Minister.

- (viii) All approvals will be subject to availability of budgetary provisions.

**9. Extent of Viability Gap Funding**

- (i) As regards Viability Gap Funding in physical infrastructure projects, the State Govt. Support shall be limited to providing only supplementary support to those projects which have been approved by Govt. of India under their SCHEME FOR SUPPORT TO PUBLIC PRIVATE PARTNERSHIPS IN INFRASTRUCTURE July 2005 (annexure) Accordingly. In Cases where Govt. of India support does not cover the entire Viability Gap of the project, State Govt. may provide additional Viability Gap Funding upto a max of 20% of the total Project Cost. All proposals pertaining to Viability Gap Funding in physical infrastructure should be accompanied with the approvals accorded by the Government of India under the aforesaid Scheme.
- (2) (i) In cases of PPP projects in social sectors as indicated in Para 4(iii), the State Govt. may provide Viability Gap Funding upto a maximum of 33% [Subject to max. of ₹ 10 Crores.] of the Project Cost. However, in projects which are located in hilly areas or where majority of the beneficiaries are members of SC/ST, the Empowered Committee may on a case by case basis recommend Viability Gap Funding upto a max. of 50%, of the Project Cost subject to max of ₹ 15 crores.
- (ii) The Empowered Committee may on merits of a particular proposal recommend a higher amount of VGF within the percentage limits of subsidy as specified in (2)(i) and it may be sanctioned with approval of Finance Minister & Chief Minister.

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**10. Viability Gap Support and disbursement of grant:**

- (i) Prior to disbursement the Administrative Department on behalf of the State Govt. the Lead Financial Institution and the Private Sector Entity shall enter into a Tripartite Agreement for the purposes of this Scheme The format of such Tripartite Agreement shall be prescribed by the Empowered Committee from time to time.
- (ii) Viability Gap Support under this scheme shall be determined by Empowered Committee on a case to case basis. After the approval of the Projects by the EC/Competent Authority necessary funds may be placed at the disposal of Administrative Department on the basis of its request.
- (iii) Viability Gap Funding under this Scheme will normally be in the form of a credit linked and back ended capital grant and would be released in three installment by the Administrative Department through the Lead Financial Institution.
- (iv) The First Installment, limited to 25% of the assistance to be provided by the State Government will be released only after at least 25% of the total cost of the project has been contributed by the Private Sector Entity and upon achieving targeted physical milestones. The second installment, limited to additional 50% of the assistance to be provided by the State Govt. would be disbursed only after the Private Sector Entity has contributed 50% of the total project cost. The last installment of balance 25% of the assistance, to be provided by the State Government will be released after the project is fully functional.

In case of Projects of special nature the Empowered Committee shall be authorized to revise the disbursement schedule including the amount of grant to be released keeping in view the expenditure protections of the project.

- (v) The Lead Financial Institution and administrative department shall be jointly responsible for regular monitoring and periodic evaluation of project compliance with agreed milestones and performance levels, particularly for the purposes of disbursement of installments of Viability Gap Funding. The installments of Viability Gap Funding will be released after the administrative department and the lead financial institution jointly verify the required physical and financial progress. The Lead Financial Institution should in particular satisfy itself that prior to disbursement of VGF the Private Sector Entity has expended its share of the project cost.
- (vi) Proposals for any other form of assistance other than capital grant may be considered by the Empowered Committee and sanctioned with the approval of the Finance Minister and Chief Minister on a case by case basis.

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- (vii) Eligible Projects will be funded on a first come first serve basis subject to availability of budget. The Finance Department will reserve the right to make sectoral earmarking of the budget available under Viability Gap Funding to ensure intersectoral balance.
- (viii) In case of default in project implementation or misuse of funds, the released fund may be recovered with interest as arrears of land revenue under the Uttar Pradesh Public Moneys (Recovery of Dues) Act 1972 as applicable in the State of Uttarakhand.

  
(Alok Kumar Jain)

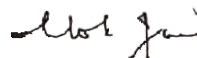
Principal Secretary, Finance.

**No. 474/XXVII(7)/2008, of dated**

Copy to following for Information and necessary action :-

1. Secretary to Hon'ble Governor, Uttarakhand, Dehradun.
2. Secretary to Hon'ble Chief Minister, Government of Uttarakhand, Dehradun.
3. All Principal Secretary/Secretary, Government of Uttarakhand, Dehradun.
4. Secretary, Legislative Assembly, Uttarakhand, Dehradun.
5. Accountant General, Oberoi Building, Sharanpur Road, Dehradun, Uttarakhand.
6. Commissioner Garhwal/Kumaoun, Uttarakhand.
7. Staff Officer, Chief Secretary, Government of Uttarakhand, Dehradun.
8. Staff Officer, Additional Chief Secretary, Government of Uttarakhand, Dehradun.
9. All Department head & main office head, Uttarakhand.
10. All District Magistrate, Uttarakhand.
11. All section of Secretariat.
12. Guard File.

By Order,

  
(Alok Kumar Jain)

Principal Secretary, Finance.





## Uttarakhand Public Private Partnership Cell

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