

Scheme for Financial support to Public
Private Partnership in Infrastructure i.e.
Viability Gap Fund.

Government of Gujarat
Industries and Mines Department
G.R. No. IDB/112006/2536/I
Sachivalaya, Gandhinagar.
Date : 25/07/2007

Read :

- 1) A Scheme for support to public Private partnerships in Infrastructure. Issued by Ministry of Finance, Department of Economic Affairs of July, 2005.

Preamble :

Ministry of Finance Department, Department of Economic affairs has introduced a scheme for support to public private partnership (PPP) in infrastructure. G.O.I. has made provision to financially support the viability gap to the tune of 20% of the cost of the project in the form of capital grant from its viability gap fund. The scheme is confined to Public Private Partnership projects taken by the Government or its agencies, where the private sector is selected through open competitive public bidding.

Under the scheme of Government of India, a provision has been made that Government of India's support will be limited to tune of 20% of the cost of the Project. It is also mentioned that State Government or its agencies that owns the project may also provide additional grants out of its budget not exceeding further 20% of the total cost of the Project.

Infrastructure Development is a crucial sector as recognized in the current five year plan. Even State Government's vision 2020, envisages huge requirement of 169918 crores considering five years' shelf of projects in various sectors. So the development of infrastructure facilities is of paramount importance for the State in order to ensure flourishing of economic development across all sectors.

The development of Infrastructure Projects requires large investments and cannot be undertaken out of public financing. Similarly such projects are not financially viable on stand alone basis as they have long gestation period and having limited financial return. Hence they are not attractive to the private sector. State

Government was therefore considering introducing a new scheme for extending financial support to such PPP Projects in the sectors of infrastructure.

Government Resolution

Accordingly, on due consideration, Government is pleased to introduce a new scheme as under :

1. The Scheme :

The Scheme will be for financial assistance to the projects having Public Private Partnership in the sectors of Infrastructure. It will known as “Viability Gap Funding Scheme” and will be implemented by GIDB.

It will come in force from the date of issue of this G.R. and will remain in operation for the period of 5 years.

2. Definitions :

In this Policy, unless the context otherwise requires :

- (i) “Empowered Committee” means Executive Committee of GIDB constituted under section 25 of the Gujarat Infrastructure Development Act, 1999
- (ii) “Steering Institution” means the Gujarat Infrastructure Development Board (GIDB)
- (iii) “Lead Financial Institution” means the financial institution (FI) which is funding the PPP project and in case there is a consortium of FIs, the FI designated as such by the consortium.
- (iv) “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.
- (v) “Project Term” means the duration of the concession agreement for the PPP Projects, entered in to upon recommendation of the GIDB under section 5 of the GID Act, 1999.
- (vi) “Public Private Partnership (PPP) Project” means a project based on a concession agreement between State Government, Government agency or specified Government agency on one side and private sector (company) on the other side, for delivering infrastructure services on payment of user charges, as per the provision laid down under section 9 of the GID Act, 1999.
- (vii) “Total Project Cost” means the lower of the total capital cost of the PPP Project; (a) as estimated by the State Government, Government agency or specified Government agency which owns the project. (b) Sanctioned by

the Lead Financial Institution, but does not in any case include the cost of land incurred by the State Government, Government agency or specified Government agency;

- (viii) “Viability Gap Funding or Grant” means a grant, one – time or deferred, provided under this Scheme with the objective of making a project commercially viable.

2. Eligibility :

- (a) The project shall 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 Government agency or specified Government agency through a process of competitive Public Bidding prescribed under section 9 of GID Act, 1999 as amended from time to time. In case of Railway projects that are not amenable to operation by a Private Sector Company, the empowered Committee may relax this eligibility criterion.

Provided that the projects where any nature of concession agreement as provided in schedule II of the GID Act, 1999 has been entered into shall be eligible projects under this policy.

Provided further that no assistance under this policy can be sanctioned to existing ongoing BOT / BOOT projects.

(a) The PPP Project should be from one of the following sectors :

1. Roads (including but not limited to new alignment, over bridges by passes and / or widening and strengthening and up gradation of existing roads).
2. Ports and it Harbours (including but not limited to construction of ne Ports. Extension and / or capacity augmentation of the existing Ports).
3. Power (including but not limited to generation, transmission and distribution network and modernization or up gradation of existing plant).
4. Urban transport (limited to new or Greenfield systems).
5. Water Supply & Sewerage (including but not limited to water supply through canal, pipeline or any other network and / or widening and strengthening or up gradation of such existing network).
6. Solid waste management (including but not limited to new system and or modernization or improvement of existing system).
7. Tourism and Convention Centres. (Including but not limited to new system and or modernisation or improvement of existing projects).
8. Infrastructure projects in the vicinity of Special Economic Zones.

Provided that the Empowered Committee may, with approval of GID Board, add or delete sectors / sub-sectors from the aforesaid list.

- (c) The project shall provide a Service against Payment of a pre-determined Tariff or User charges.
- (d) The State Government, Government agency or specified Government agency as the case may be, should certify, with reasons :
 1. That the tariff / user charges cannot be increased to eliminate or reduce the viability gap of the PPP Project.
 2. That the Project Term cannot be increased for reducing the viability gap; and
 3. 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.
- (e) The Scheme shall be applicable to both types of projects i.e. projects where in Government of India has sanctioned assistance under their Scheme and those, wherein such assistance is not sanctioned or the project has not been submitted to Government of India for such assistance.

4. Eligible expenditure and quantum of Assistance

- (1) The total viability Gap Funding under this scheme shall not exceed 20% of the Total Project Cost.
- (2) Viability Gap Funding under this scheme will normally be in the form of a capital grant at the stage of project construction. Proposals for any other form of assistance may be considered by the Empowered Committee and sanctioned on a case to case basis, with the approval of GIDB.
- (3) Viability gap funding and the amount thereof will be sanctioned by the Empowered Committee subject to budgetary ceiling and with regard to the nature of the project and priority of the State including regional and sectoral balance.
- (4) In the first two years of operation of the scheme, projects meeting the eligibility criteria will be funded on a first-come, first served basis. In later years, if need arises, funding may be provided based on an appropriate formula, to be determined by Empowered Committee, that balances needs across sectors in a manner that would make broad base the sectoral coverage and avoid preempting of funds by a few large projects.
- (5) It shall not be open for the project owner to get benefit of any other Scheme of the State Government when assistance has been sanctioned under this scheme.

5. Approval of Project proposals :

- (1) Project proposals may be submitted to GIDB by a State Government, Government agency or specified Government agency which owns the underlying assets. The proposals shall include the requisite information necessary for satisfying the eligibility criteria specified in paragraph 3 above.
- (2) Projects based on standardized / model documents duly approved by the State Government would be preferred. Stand-alone documents may be subjected to detailed scrutiny by GIDB.
- (3) Empowered Committee will consider the project proposals for Viability Gap Funding and may seek the required details for satisfying the eligibility criteria.
- (4) Within 3 months of receipt of a project duly completed as aforesaid, GIDB shall inform State Government, Government agency or specified Government agency as the case may be whether the project is eligible for financial assistance under this scheme. In case the project is based on stand alone documents (not being duly approved model / standard documents), the approval process may require an additional 60 days.
- (5) Notwithstanding the approval granted under this scheme, projects promoted by the State Government or its agencies shall be approved and implemented in accordance with the procedure specified by the Board from time to time.

6. Procurement process for PPP Projects

- (1) The Private Sector Company shall be selected through a transparent and open competitive bidding process, as specified under Section 9 of the GID Act, 1999. The criterion for bidding shall be the amount of Viability Gap Funding required by a Private Sector Company for implementing the project where all other parameters are comparable.
- (2) The Government or statutory entity proposing the project shall certify that the bidding process conforms to the provisions of this scheme and convey the same to GIDB prior to disbursement of the grant.

7. Appraisal and monitoring by lead financial institution :

- (1) Within four months from the date on which eligibility of the project is conveyed by GIDB to the concern Government / statutory entity, the PPP Project shall be awarded in accordance with paragraph 6 above.

Provided that upon application made to it by the concerned Government / statutory entity. GIDB may extend this period by not more than two months at a time.

- (2) The Lead Financial Institution shall within three months from the date of bid award, present its appraisal of the project for the consideration and approval of empowered Committee. Provided that upon application of the State Government or concerned agency, Empowered Committee may extend this period by not more than one month at a time.
- (3) The Lead Financial Institution shall 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. It shall send quarterly progress report once every quarter for review by the Empowered Committee.

8. Disbursement of Grant :

- (1) A Grant under this scheme shall be disbursed only after the Private Sector Company has subscribed and expended the equity contribution for the project and will be released in proportion to debt disbursements remaining to be disbursed thereafter.
- (2) Empowered Committee will release the Grant to the Lead Financial Institution as and when due. In case of additional grant to be released by the local State Government or any other statutory body, the GIDB may release fund under this scheme in proportion to the grant released by such bodies.
- (3) The representative of the GIDB, the Lead Financial Institution and the Private Sector Company shall enter into a Tripartite Agreement for the purpose of this scheme. The format of such Tripartite Agreement shall be prescribed by GIDB, GIDB shall disburse funds to the respective lead Financial Institutions and debit as the case may be to :

For General Sector

Demand No. 49

M.H. 285 – Industries

(800) Other Expenses

Minor Head (29) Scheme for Financial support to PPP Project in Infrastructure sectors. Viability Gap Fund.

For Tribal Sector

Demand No. 96

MH 2852 – Industries

Sub-Major Head (80) General (796) TASP

In or head (1) Scheme for Financial Support to PPP Projects in infrastructure sector i.e. Viability Gap Fund.

CEO, GIDB will keep necessary proper record in proper pro-forma and shall maintain a separate account for the utilization of this grant.

This issued with the concurrence of F.D. Dated 29/3/07 on this department file of even number.

By order and in the name of the Governor of Gujarat.

(P. H. Jagtap)
Section Officer
Industries and Mines Department

Copy to :

- 1) Secretary to Hon. Governor of Gujarat
- 2) Principal Secretary to Hon. Chief Minister
- 3) Personal Secretary to all Ministers
- 4) Advisor the Chief Minister
- 5) Under Secretary to Chief Secretary.
- 6) Additional Chief Secretary, Finance Department
- 7) Personal Secretary to P.S.I. & M.D.
- 8) C.E.O. GIDB
- 9) Industries Commissioner, Udhyog Bhavan
- 10) Accountant General Ahmedabad / Rajkot
- 11) Select File.