INFRASTRUCTURE
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Government of India

Guidelines

Formulation, Appraisal and Approval of Public Private Partnership Projects

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Preface

These Guidelines articulate the need for 'due diligence' in the formulation, appraisal and approval of Public Private Partnership (PPP) projects of the Central Government. Unlike private projects where prices are generally determined competitively and Government resources are not involved, PPP 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.

Predictability and risk mitigation are key to successful Public Private Partnerships. They 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. These preconditions are more difficult to establish than is commonly realised. Because of 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 are usually complex. These involve detailed legal and contractual agreements that clearly set forth the risks, rewards and obligations of various participants.

In the past, inadequate preparatory work has led to higher transaction costs, contingent liabilities and delays in project implementation.

International experience too indicates that inadequately prepared projects, and more particularly negotiated projects, have led to renegotiations exposing the respective governments and users to adverse consequences. Learning from past experience, it is necessary to create policy and regulatory frameworks that would eliminate similar pitfalls.

Responding to the above concerns, the Finance Ministry, in consultation with the Planning Commission, has evolved these guidelines to enshrine an independent appraisal and approval process. Under this arrangement, administrative ministries can adopt a 'proactive' developmental approach while the Planning Commission would focus on due diligence, consistency with processes in other sectors and consideration of best practices. The Finance Ministry would examine the extent of direct and indirect

Central Government exposure and also act as an arbiter. Standardisation of the approval process will also ensure that planning, approval and execution of PPP projects is expedited, thus restricting the tendency to 're-invest the wheel' with each PPP transaction.

These guidelines were considered and approved by the Committee on Infrastructure, chaired by the Prime Minister, and subsequently endorsed by the Union Cabinet. The guidelines have since been mandated by the Ministry of Finance for application to all PPP projects.

(Gajendra Haldea)
Adviser to Deputy Chairman,
Planning Commission

Part-I

Procedure for Approval of Public Private Partnership Projects

F. No.2/10/2004-INF
Government of India
Ministry of Finance
Department of Economic Affairs
Infrastructure-II Section

New Delhi, the 29th of November, 2005

Notification

Subject: Setting up of Public Private Partnership Appraisal Committee

The Cabinet Committee on Economic Affairs (CCEA) in its meeting of October 27, 2005 approved the procedure for approval of public private partnership (PPP) projects. Pursuant to this decision, a Public Private Partnership Appraisal Committee (PPPAC) is being set up comprising of the following:

(a) Secretary, Department of Economic Affairs (in the Chair);

(b) Secretary, Planning Commission;

(c) Secretary, Department of Expenditure;

(d) Secretary, Department of Legal Affairs; and

(e) Secretary of the Department sponsoring a project.

2. The Committee would be serviced by the Department of Economic Affairs, who will set up a special cell for servicing such proposals. The Committee may co-opt experts as necessary.

3. The procedure approved by the CCEA for the approval of the PPP projects is enclosed at Annex-I. Detailed guidelines for the appraisal/ approval procedure will be notified separately by this Department.

Sd/-
(Pradeep K. Deb)
Joint Secretary to Government of India

Annex-I

Approval Procedures for Public Private Partnership Projects

1. The Central Government has in place an elaborate system for investment approval relating to Public sector projects revolving around the Public Investment Board (PIB) chaired by Secretary, Department of Expenditure with the Planning Commission providing independent appraisal through the Project Appraisal Division, followed by approval of the Cabinet/CCEA. Expenditure on approved projects is governed by financial rules and delegation of powers.

2. As government shifts to development through Public Private Partnership (PPP), it would be necessary to establish suitable approval mechanisms that aim at securing value for money. PPP projects in sectors such as roads, ports, airports and urban infrastructure are not ordinary private sector projects, which are governed by competitive markets, where prices are determined competitively and government resources are not involved. In the PPP projects, there would be need for due diligence by the government because the projects typically involve:

i. Transfer of public assets, including land (e.g. an existing road or airport facility);

ii. Delegation of governmental authority to collect and appropriate user charges that are levied by force of law and must therefore be 'reasonable';

iii. Provision of services to users in a monopoly or semi-monopoly situation, which imposes a special obligation on the government to ensure adequate service quality; and

iv. Sharing of risks and contingent liabilities by the government, e.g. when claims are made under the respective agreements or when the Central Government has to provide a backup guarantee for non-performance by the entity granting the concession. Even where an explicit guarantee is not included there is a danger that non-performance on part of the State Governments could attract claims under bilateral investment promotion agreements.

3. PPPs are still at a nascent stage in India, but as reliance on PPPs increase, the terms of the projects will invite close scrutiny. Disputes arising out of project terms could also lead to significant payouts by the government, underscoring the importance of careful design of concession terms.

4. These concerns are not addressed even if project sponsors are selected through competitive bidding. In fact competitive bidding only creates a level playing field for selection of bidders; it may not necessarily secure good value in terms of performance standards, user concerns, public revenues and contingent liabilities. Project terms are, therefore, crucial.

5. Recognising these problems, it has been decided to stipulate the following mechanism for approving the PPP projects henceforth:

PPP Appraisal Committee

6. A PPP Appraisal Committee (PPPAC) on the model of the PIB will be set up comprising of the following:

(a) Secretary, Department of Economic Affairs (in the Chair);

(b) Secretary, Planning Commission;

(c) Secretary, Department of Expenditure;

(d) Secretary, Department of Legal Affairs; and

(e) Secretary of the Department sponsoring a project.

The Committee would be serviced by the Department of Economic Affairs, who will set up a special cell for servicing such proposals. The Committee may co-opt experts as necessary.

7. The Ministry of Finance will be the nodal Ministry responsible for examining concession agreements from the financial angle, deciding on guarantees to be extended, and generally assesing risk allocation from the investment and banking perspectives. It would also ensure that projects are scrutinised from the perspective of government expenditure.

8. The Planning Commission will set up a PPP Appraisal Unit (PPPAU), similar to the existing PAMD which appraises public sector projects. This unit will prepare an appraisal note for the PPPAC providing specific suggestions for improving the concession terms, where this is possible.

9. Ministry of Law and Justice, Department of Legal Affairs, would also be represented on the PPP Appraisal Committee, as the concession agreements would require careful legal scrutiny.

10. In view of the size and complexity of PPP projects, it may be necessary to secure the assistance of qualified legal, financial or technical experts to undertake the requisite due diligence. This may be necessary in order to protect government interest, particularly in the face of highly qualified expertise that the private sector participants may employ while negotiating these projects. Planning Commission and the Finance Ministry would engage the experts as necessary.

11. Projects where the capital cost or underlying value of the assets is more than Rs. 100 crore would be brought before the PPP Appraisal Committee. Once cleared by the Committee, the project would be put up to the Competent Authority for final approval.

Project Formulation and Appraisal

12. The Ministry concerned may develop individual proposals using legal, financial and technical consultants and also avail the benefit of an inter-ministerial consultative group, if necessary. The proposal as formulated by the Ministry would be considered by the PPP Appraisal Committee for 'in principle' clearance before inviting expressions of interest from prospective investors.

13. Following the 'in principle' clearance of the PPP Appraisal Committee, the concerned

Ministry may invite expressions of interest and develop the documents further. Where necessary inter-ministerial consultations and pre-bid conferences with bidders may also be held. The concession agreements thus finalised for the purposes of inviting financial bids should be cleared by the PPP Appraisal Committee before technical and financial bids are invited.

14. In cases where the PPP project is based on a duly approved Model Concession Agreement (MCA), 'in principle' clearance by the PPP Appraisal Committee would not be necessary. In such cases, approval of the PPP Appraisal Committee may be obtained only before inviting the technical and financial bids.

15. In case there are departures from the MCA which are not material or substantive, such departures may be cleared by the PPP Appraisal Committee with the approval of Finance Minister. Where the departures are material or substantive, approval of the authority that approved the MCA would be necessary.

16. For projects where the capital costs or underlying value of the assets is less than Rs. 100 crore, the Department of Expenditure would issue detailed guidelines for appraisal of concession agreements. Such projects would not require appraisal/approval of the PPP Appraisal Committee and would be cleared by the EFC/SFC as applicable.

17. The above arrangement enshrines an independent approval process. The administrative Ministry can adopt a "pro-active" developmental approach while the Planning Commission can focus on due diligence, consistency with processes in other sectors and consideration of best practice. The Finance Ministry can consider the extent of direct and indirect Central Government exposure and also act as an arbiter.

Part-II

Guidelines For Formulation, Appraisal and Approval of Public Private Partnership (PPP) Projects

The Guidelines for Formulation, Appraisal and Approval of Public Private Partnership Projects were notified by Ministry of Finance, Department of Economic Affairs, vide OM No. 1/5/2005 - PPP, dated January 12, 2006.

1. Introduction

1.1 The Central Government has notified a system for appraisal/ approval of projects to be undertaken through Public Private Partnership (PPP). Detailed procedure to be followed for this purpose is specified below.

2. Institutional structure

2.1 The institutional structure for the appraisal/approval mechanism is specified at Annex-I.

3. Applicability

3.1 These guidelines will apply to all PPP projects sponsored by Central Government Ministries or Central Public Sector Undertakings (CPSUs), statutory authorities or other entities under their administrative control.

3.2 The procedure specified herein will apply to all PPP projects with capital costs exceeding Rs. 100 crore or where the underlying assets are valued at a sum greater than Rs. 100 crore. For appraisal/ approval of PPP projects involving a lower capital cost/value, detailed instructions will be issued by the Department of Expenditure.

4. Project identification

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

5. Inter-ministerial consultations

5.1 The Administrative Ministry may, if deemed necessary, discuss the details of the project and the terms of concession agreement in an inter-ministerial consultative committee and comments, if any, may be incorporated or annexed to the proposal for consideration of PPPAC.

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

6. 'In principle' approval of PPPAC

6.1 While seeking 'in principle' clearance of PPPAC, the Administrative Ministry shall submit its proposal (in six copies, both in hard and soft form) to the PPPAC Secretariat in the format specified at

Annex-II and accompanied by the pre-feasibility/ feasibility report and a term-sheet containing the salient features of the proposed project agreements.

6.2 PPPAC Secretariat will circulate the copies of PPPAC memo and associated documents to all concerned. A meeting of the PPPAC will be convened within three weeks to consider the proposal for 'in principle' approval.

6.3 In cases where the PPP project is based on a duly approved Model Concession Agreement (MCA), 'in principle' clearance by the PPPAC would not be necessary. In such cases, approval of the PPPAC may be obtained before inviting the financial bids as detailed below.

7. Expression of Interest

7.1 Following the 'in principle' clearance of PPPAC, the Administrative Ministry may invite expressions of interest in the form of Request for Qualification (RFQ) to be followed by short-listing of pre-qualified bidders.

8. Formulation of project documents

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

9. Appraisal/Approval of PPPAC

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

9.2 The proposal for seeking clearance of PPPAC shall be sent (in six copies) to the PPPAC Secretariat in the format specified at Annex-III along with copies of all draft project agreements and the Project Report. The proposal will be circulated by PPPAC Secretariat to all members of the PPPAC.

9.3 Planning Commission will appraise the project proposal and forward its Appraisal Note to the PPPAC Secretariat. Ministry of Law and any other Ministry/ Department involved will also forward written comments to the PPPAC Secretariat within the stipulated time period. The PPPAC Secretariat will forward all the comments to the Administrative Ministry for submitting a written response to each of the comments.

9.4 The concession agreement and any supporting agreements/ documents thereof, alongwith the PPPAC Memo, will be submitted for consideration of PPPAC. The PPPAC will take a view on the Appraisal Note and on the comments of different

Ministries, alongwith the response from the Administrative Ministry.

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

9.6 Once cleared by the PPPAC, the project would be put up to the competent authority for final approval. The competent authority for each project will be the same as applicable for projects approval by PIB.

10. Invitation of bids

10.1 Financial bids may be invited after final approval of the competent authority has been obtained. However, pending approval of the competent authority, financial bids could be invited after clearance of PPPAC has been conveyed.

11. Time frame

11.1 The time frame for the appraisal of projects under the above procedure is at Annex-IV.

12. Exemption from the above procedure

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

Annex-I

Institutional structure

Public Private Partnership Appraisal Committee

Pursuant to the decision of the Cabinet Committee on Economic Affairs (CCEA) in its meeting of 27th October, 2005, a Public Private Partnership Appraisal Committee (PPPAC) has been set up comprising of the following:

(a) Secretary, Department of Economic Affairs (in the Chair);

(b) Secretary, Planning Commission;

(c) Secretary, Department of Expenditure;

(d) Secretary, Department of Legal Affairs; and

(e) Secretary of the Department sponsoring a project.

The Committee may co-opt experts as necessary.

2. The Committee would be serviced by the Department of Economic Affairs, who will set up a special cell, called the PPPAC Secretariat for servicing such proposals.

3. The Ministry of Finance will be the nodal Ministry responsible for examining concession agreements from the financial angle, deciding on guarantees to be extended, and generally assesses risk allocation from the investment and banking perspectives. It would also ensure that projects are scrutinised from the perspective of government expenditure.

4. The Planning Commission will set up a PPP Appraisal Unit (PPPAU), similar to the existing PAMD which appraises public sector projects. This unit will prepare an appraisal note for the PPPAC providing specific suggestions for improving the concession terms, where this is possible.

5. Ministry of Law and Justice, Department of Legal Affairs, would also be represented on the PPP Appraisal Committee, as the concession agreements would require careful legal scrutiny.

Annex-II

Memorandum for PPP Appraisal Committee (for 'in principle' approval)

S.No.	Item	Response
1.	**General**	
1.1	Name of the Project	
1.2	Type of PPP (BOT, BOOT, BOLT, OMT etc.)	
1.3	Location (State/District/Town)	
1.4	Administrative Ministry/ Department	
1.5	Name of Sponsoring Authority	
1.6	Name of the Implementing Agency	
2.	**Project Description**	
2.1	Brief description of the project	
2.2	Justification for the project	
2.3	Possible alternatives, if any	
2.4	Estimated capital costs with break-up under major heads of expenditure. Also indicate the basis of cost estimation.	
2.5	Phasing of investment	
2.6	Project Implementation Schedule (PIS)	
3.	**Financing Arrangements**	
3.1	Sources of financing (equity, debt, mezzanine capital etc.)	
3.2	Indicate the revenue streams of the Project (annual flows over project life). Also indicate the underlying assumptions.	
3.3	Indicate the NPV of revenue streams with 12% discounting	
3.4	Who will fix the tariff/ user charges? Please specify in detail.	

S.No.	Item	Response
3.5	Have any FIs been approached? If yes, there response may be indicated	
4.	**IRR**	
4.1	Economic IRR (if computed)	
4.2	Financial IRR, indicating various assumptions (attach separate sheet if necessary)	
5.	**Clearances**	
5.1	Status of environmental clearances	
5.2	Clearance required from the State Government and other local bodies	
5.3	Other support required from the State Government	
6.	**GoI Support**	
6.1	Viability Gap Funding, if required	
6.2	GOI guarantees being sought, if any	
7.	**Concession Agreement**	
7.1	Term sheet of the proposed Concession Agreement (Attached at Appendix-A)	
8.	**Criteria for short-listing**	
8.1	Is short-listing to be in one stage or two stages?	
8.2	Indicate the criteria for short-listing (attach separate sheet if necessary)	
9.	**Others**	
9.1	Remarks, if any	

Annex-II
(Appendix-A)

Term Sheet of the proposed Concession Agreement

A. Sponsoring Ministry:

B. Name and location of the Project:

C. Legal Consultant:

D. Financial Consultant:

S.No.	Item	Description
1.	**General**	
1.1	Scope of the Project (Please state in about 200 words)	
1.2	Nature of Concession to be granted	
1.3	Period of Concession and justification for fixing the period	
1.4	Estimated capital cost	
1.5	Likely construction period	
1.6	Conditions precedent, if any, for the concession to be effective	
1.7	Status of land acquisition	
2.	**Construction and O&M**	
2.1	Monitoring of construction; whether an independent agency/ engineer is contemplated	
2.2	Minimum standards of Operation and Maintenance	
2.3	Penalties for violation of prescribed O&M standards	
2.4	Safety related provisions	
2.5	Environment related provisions	
3.	**Financial**	
3.1	Maximum period for achieving financial close	

S.No.	Item	Description
3.2	Nature and extent of capital grant/ subsidy contemplated	
3.3	Bidding parameter (capital subsidy or other parameter)	
3.4	Provisions for change of scope and the financial burden thereof	
3.5	Concession fee, if any, payable by the Concessionaire	
3.6	User charges/ fee to be collected by the Concessionaire	
3.7	Indicate how the user fee is to be determined; the legal provisions in support of user fee (attach the relevant rules/ notification); and the extent and nature of indexation for inflation	
3.8	Provisions, if any, for mitigating the risk of lower revenue collection	
3.9	Provisions relating to escrow account, if any	
3.10	Provisions relating to insurance	
3.11	Provisions relating to audit and certification of claims	
3.12	Provisions relating to assignment/ substitution rights relating to lenders	
3.13	Provisions relating to change in law	
3.14	Provisions, if any for compulsory buy-back of assets upon termination/ expiry	
3.15	Contingent liabilities of the government (a) Maximum Termination Payment for Government/ Authority Default (b) Maximum Termination Payment for Concessionaire Default (c) Specify any other penalty, compensation or payment contemplated under the agreement	

S.No.	Item	Description
4.	**Others**	
4.1	Provisions relating to competing facilities, if any	
4.2	Specify the proposed Dispute Resolution Mechanism	
4.3	Specify the proposed governing law and jurisdiction	
4.4	Other remarks, if any	

Annex-III

Memorandum for PPP Appraisal Committee (for final approval)

S.No.	Item	Response
1.	**General**	
1.1	Name of the Project	
1.2	Type of PPP (BOT, BOOT, BOLT, OMT etc.)	
1.3	Location (State/District/Town)	
1.4	Administrative Ministry/ Department	
1.5	Name of Sponsoring Authority	
1.6	Name of the Implementing Agency	
2.	**Project Description**	
2.1	Brief description of the project	
2.2	Justification for the project	
2.3	Possible alternatives, if any	
2.4	Estimated Capital costs with break-up under major heads of expenditure. Also indicate the basis of cost estimation.	
2.5	Phasing of investment	
2.6	Project Implementation Schedule (PIS)	
3.	**Financing Arrangements**	
3.1	Sources of financing (equity, debt, mezzanine capital etc.)	
3.2	Indicate the revenue streams of the Project (annual flows over project life). Also indicate the underlying assumptions.	
3.3	Indicate the NPV of revenue streams with 12% discounting	

S.No.	Item	Response
3.4	Who will fix the tariff/ user charges? Please specify in detail.	
3.5	Have any FIs been approached? If yes, there response may be indicated	
4.	**IRR**	
4.1	Economic IRR (if computed)	
4.2	Financial IRR, indicating various assumptions (attach separate sheet if necessary)	
5.	**Clearances**	
5.1	Status of environmental clearances	
5.2	Clearance required from the State Government and other local bodies	
5.3	Other support required from the State Government	
6.	**GoI Support**	
6.1	Viability Gap Funding, if required	
6.2	GOI guarantees being sought, if any	
7.	**Concession Agreement**	
7.1	Is the Concession Agreement based on MCA? If yes, indicate the variations, if any, in a detailed note (to be attached)	
7.2	Details of Concession Agreement (Attached at Appendix-A)	
8.	**Criteria for short-listing**	
8.1	Is short-listing to be in one stage or two stages?	
8.2	Indicate the criteria for short-listing (attach separate sheet if necessary)	
9.	**Others**	
9.1	Remarks, if any	

Annex-III

(Appendix-A)

Brief particulars of the Concession Agreement

A. Sponsoring Ministry:

B. Name and location of the Project:

C. Legal Consultant:

D. Financial Consultant:

S.No.	Item	Clause No.	Description
1.	**General**		
1.1	Scope of the Project (Please state in about 200 words)		
1.2	Nature of Concession to be granted		
1.3	Period of Concession and justification for fixing the period		
1.4	Estimated capital cost		
1.5	Likely construction period		
1.6	Conditions precedent, if any, for the concession to be effective		
1.7	Status of land acquisition		
2.	**Construction and O&M**		
2.1	Monitoring of construction; whether an independent agency/ engineer is stipulated		
2.2	Minimum standards of Operation and Maintenance		
2.3	Penalties for violation of prescribed O&M standards		
2.4	Safety related provisions		
2.5	Environment related provisions		

S.No.	Item	Clause No.	Description
3.	**Financial**		
3.1	Maximum period for achieving financial close		
3.2	Nature and extent of capital grant/ subsidy stipulated		
3.3	Bidding parameter (capital subsidy or other parameter)		
3.4	Provisions for change of scope and the financial burden thereof		
3.5	Concession fee, if any, payable by the Concessionaire		
3.6	User charges/ fee to be collected by the Concessionaire		
3.7	Indicate how the user fee has been determined; the legal provisions in support of user fee (attach the relevant rules/ notification); and the extent and nature of indexation for inflation		
3.8	Provisions, if any, for mitigating the risk of lower revenue collection		
3.9	Provisions relating to escrow account, if any		
3.10	Provisions relating to insurance		
3.11	Provisions relating to audit and certification of claims		
3.12	Provisions relating to assignment/ substitution rights relating to lenders		
3.13	Provisions relating to change in law		
3.14	Provisions, if any for compulsory buy-back of assets upon termination/expiry		

S.No.	Item	Clause No.	Description
3.15	Contingent liabilities of the government		
	(a) Maximum Termination Payment for Government/ Authority Default		
	(b) Maximum Termination Payment for Concessionaire Default		
	(c) Specify any other penalty, compensation or payment contemplated under the agreement		
4.	**Others**		
4.1	Provisions relating to competing facilities, if any		
4.2	Specify the Dispute Resolution Mechanism		
4.3	Specify the governing law and jurisdiction		
4.4	Other remarks, if any		

Annex-IV

Time required for various steps under the appraisal procedure for PPP projects

S.No.	Action	Time taken
1.	'In principle' approval by PPPAC	Three weeks from the time of submission of the proposal by the Administrative Ministry
2.	Comments of Planning Commission, DEA or any other Ministry/ Deptt. on the final documents forwarded by the Administrative Ministry	Three weeks from the time of submission of the final documents by the Administrative Ministry
3.	Final approval by PPPAC	Two weeks from the sub mission of the PPPAC Memo along with final documents by the Administrative Ministry

Part-III

Guidelines for Projects costing less than Rs. 250 crore (Rs. 500 crore for NHDP)

1. Introduction

1.1 The procedure approved for appraisal of Public Private Partnership (PPP) projects by decision of CCEA in its meeting of October 27, 2005, as notified vide DEA notification No. 2/10/2004-INF dated November 29, 2005, has been modified by decision of CCEA in its meeting of March 22, 2007, as notified vide DEA notification No. 10/32/2006-INF dated April 2, 2007.

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

2. Institutional Structure

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

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

   a. Secretary, Department of Economic Affairs

   b. Secretary of the Ministry/ Department sponsoring the project

ii. For appraisal of projects under NHDP of cost Rs. 250 crore or more but less than Rs. 500 crore and which fulfill conditions as specified in para 3.1 (ii) (a) to (c) below, the Committee shall be as follows:

   a. Secretary, Department of Economic Affairs

   b. Secretary, Department of Road Transport and Highways

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

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

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

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

3. Applicability

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

i. Projects of all sectors costing more than Rs. 100 crore and less than Rs. 250 crore.

ii. NHDP projects of cost Rs. 250 crore or more but less than Rs. 500 crore which fulfill the following conditions:

  a. The bidding is according to the procedure endorsed by PPPAC. This includes the process of two-stage bidding, pre- bid qualification norms etc. This implies that in the first stage, NHAI could short list and pre-qualify bidders on the basis of pre-bid qualification norms for inviting financial bids in the second stage.

  b. The Model Concession Agreement (MCA) approved by the Competent Authority is being followed.

  c. The project has been designed in accordance with the manual of standards and specifications as approved by the competent authority in the Administrative Ministry and stipulated in the approved MCA.

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

4. Project Identification

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

5. Formulation of Project Documents

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

6. Appraisal/Approval of SFC

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

6.2 The proposal for seeking clearance of SFC shall be circulated to all members of SFC in the format specified at Annex-I along with copies of all draft project agreements and the Project Report within one week of receipt.

6.3 Planning Commission will appraise the project proposal and forward its Appraisal Note to the Administrative Ministry. Ministry of Law and any other Ministry/Department involved will also forward written comments to the Administrative Ministry. The SFC will take a view on the Appraisal Note and on the comments of different ministries, along with the response from the Administrative Ministry.

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

7. Approval by Committee in Para 2.1

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

8. Invitation of bids

8.1 Financial bids may be invited after approval of the competent Authority has been obtained. The competent authority for each project will be the same as applicable for normal investment proposals costing more than Rs. 100 crore. However, pending approval of the Competent Authority, financial bids could be invited after the approval/ clearance by the Committee.

9. Time frame

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

10. Exemption from the above procedure

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

Annex-I

Memorandum for SFC

[**Note:** Use the same format as at Annex-III of the Guidelines dated January 12, 2006 (Refer page 19 of this volume)]

Annex-I
(Appendix-A)

Brief particulars of the Concession Agreement

[**Note:** Use the same format as at Annex-III/Appendix-A of the Guidelines dated January 12, 2006 (Refer page 21 of this volume)]

Annex-II

Time required for various steps under the appraisal procedure

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

Part-IV

Guidelines for Projects costing less than Rs. 100 crore

1. Introduction

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

2. Institutional structure

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

3. Applicability

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

4. Project Identification

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

5. Inter-ministerial consultations

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

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

6. Formulation of Project Documents

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

7. Appraisal/Approval of SFC/EFC

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

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

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

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

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

8. Invitation of bids

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

9. Time frame

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

10. Exemption from the above procedure

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

Annex-I

Memorandum for SFC/EFC

[**Note:** Use the same format as at Annex-III of the Guidelines dated January 12, 2006 (Refer page 19 of this volume)]

Annex-I
(Appendix-A)

Brief particulars of the Concession Agreement

[**Note:** Use the same format as at Annex-III/Appendix-A of the Guidelines dated January 12, 2006 (Refer page 21 of this volume)]

Annex-II

Time required for various steps under the appraisal procedure

S.No.	Action	Time taken
1.	Comments of Planning Commission, Department of Expenditure or any other Ministry/Department on the documents circulated by the Administrative Ministry	Four weeks from the time of circulation of the SFC/EFC memo by the Administrative Ministry
2.	Appraisal of proposal by SFC/EFC	Six weeks from the time of circulation of the SFC/EFC memo by the Administrative Ministry
3.	Approval by competent authority	Eight weeks from the time of circulation of the SFC/EFC memo by the Administrative Ministry