

F.No.1/5/2005-PPP  
Government of India  
Ministry of Finance  
Department of Economic Affairs

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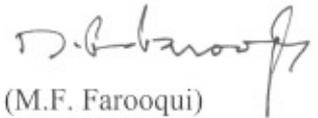
New Delhi, the 12<sup>th</sup> January, 2006

**Notification**

Subject: **Procedure for approval of Public Private Partnership projects.**

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This Department vide the Notification No. 2/10/2004-INF dated 29<sup>th</sup> November, 2005, had communicated the setting up of the Public Private Partnership Appraisal Committee (PPPAC) and issued the procedure for appraisal of Public Private Partnership (PPP) projects as approved by the Cabinet Committee on Economic Affairs (CCEA). As informed in the above mentioned Notification, the detailed guidelines for formulation, appraisal and approval of Public Private Partnership projects in the Central Sector is enclosed.



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To:

- 1) Cabinet Secretary
- 2) All Members of the PPPAC
- 3) Secretaries of all Central Ministries



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

PPP Cell  
Department of Economic Affairs  
Ministry of Finance  
Government of India

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

### **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.

## INSTITUTIONAL STRUCTURE

### Public Private Partnership Appraisal Committee

Pursuant to the decision of the Cabinet Committee on Economic Affairs (CCEA) in its meeting of 27<sup>th</sup> 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 scrutinized 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.

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

<b>1. General</b>	
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	
<b>2. Project Description</b>	
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)	
<b>3.</b>	<b>Financing Arrangements</b>	
3.1	Sources of financing (equity, debt, mezzanine capital etc.)	
3.2	Indicate the revenue streams of the Project (annual flows over project life). Also indicate the underlying assumptions.	
3.3	Indicate the NPV of revenue streams with 12% discounting	
3.4	Who will fix the tariff/ user charges? Please specify in detail.	
3.5	Have any FIs been approached? If yes, there response may be indicated	
<b>4.</b>	<b>IRR</b>	
4.1	Economic IRR (if computed)	

4.2	Financial IRR, indicating various assumptions (attach separate sheet if necessary)	
<b>5.</b>	<b>Clearances</b>	
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	
<b>6.</b>	<b>GoI Support</b>	
6.1	Viability Gap Funding, if required	
6.2	GOI guarantees being sought, if any	
<b>7.</b>	<b>Concession Agreement</b>	
7.1	Term sheet of the proposed Concession Agreement (Attached at Appendix-A)	
<b>8.</b>	<b>Criteria for short-listing</b>	
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)	
<b>9.</b>	<b>Others</b>	
9.1	Remarks, if any	

**Annex-II**  
**Appendix-A**

**Term Sheet of the proposed Concession Agreement**

**A. Sponsoring Ministry:**

**C. Legal Consultant:**

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

**D. Financial Consultant:**

<b>S.No.</b>	<b>Item</b>	<b>Description</b>
<b>I</b>	<b>General</b>	
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	

<b>S.No.</b>	<b>Item</b>	<b>Description</b>
1.7	Status of land acquisition	
<b>II</b>	<b>Construction and O&amp;M</b>	
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	
<b>III</b>	<b>Financial</b>	
3.1	Maximum period for achieving financial close	
3.2	Nature and extent of capital grant/ subsidy contemplated	

S.No.	Item	Description
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	

S.No.	Item	Description
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	
<b>IV</b>	<b>Others</b>	
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	

**Memorandum for PPP Appraisal Committee  
(for final approval)**

<b>1. General</b>	
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	
<b>2. Project Description</b>	
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)	
<b>3.</b>	<b>Financing Arrangements</b>	
3.1	Sources of financing (equity, debt, mezzanine capital etc.)	
3.2	Indicate the revenue streams of the Project (annual flows over project life). Also indicate the underlying assumptions.	
3.3	Indicate the NPV of revenue streams with 12% discounting	
3.4	Who will fix the tariff/ user charges? Please specify in detail.	
3.5	Have any FIs been approached? If yes, there response may be indicated	
<b>4.</b>	<b>IRR</b>	
4.1	Economic IRR (if computed)	
4.2	Financial IRR, indicating various assumptions (attach separate sheet if necessary)	

<b>5. Clearances</b>	
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	
<b>6. GoI Support</b>	
6.1 Viability Gap Funding, if required	
6.2 GOI guarantees being sought, if any	
<b>7. Concession Agreement</b>	
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)	
<b>8. Criteria for short-listing</b>	
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)	
<b>9. Others</b>	
9.1 Remarks, if any	

**Annex-III**  
**Appendix-A**

**Brief particulars of the Concession Agreement**

**A. Sponsoring Ministry:**

**C. Legal Consultant:**

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

**D. Financial Consultant:**

<b>S.No.</b>	<b>Item</b>	<b>Clause No.</b>	<b>Description</b>
<b>I</b>	<b>General</b>		
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		

<b>S.No.</b>	<b>Item</b>	<b>Clause No.</b>	<b>Description</b>
1.5	Likely construction period		
1.6	Conditions precedent, if any, for the concession to be effective		
1.7	Status of land acquisition		
<b>II</b>	<b>Construction and O&amp;M</b>		
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
<b>III</b>	<b>Financial</b>		
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		

<b>S.No.</b>	<b>Item</b>	<b>Clause No.</b>	<b>Description</b>
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		

S.No.	Item	Clause No.	Description
	(c) Specify any other penalty, compensation or payment contemplated under the agreement		
<b>IV</b>	<b>Others</b>		
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		

**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	Four weeks from the time of submission of the final documents by the Administrative Ministry
3. Final approval by PPPAC	Three weeks from the submission of the PPPAC Memo along with final documents by the Administrative Ministry