

Annexure to the Government Order No. IDD 14 ITS 2018 dated 17.03.2018

PPP Policy for Infrastructure Projects -2018
for the State of Karnataka



Government of Karnataka

Infrastructure Development Department

VISION

The Government of Karnataka envisions building strong Public Private Partnerships in infrastructure, to achieve the twin objectives of high growth and equity;

By expanding, deepening, and developing private investment in infrastructure as the means to achieve that high growth; and

Establishing Karnataka as a role-model for infrastructure development, where governance is based on international best practices.

MAIN OBJECTIVE

The PPP Policy for Infrastructure Projects, 2018 envisages to increase the quality and quantity of infrastructure through the implementation of a multi-year infrastructure agenda. The policy focuses on recognizing and embracing the key role of Public-Private Partnerships (PPP) in enhancing infrastructure development.

TOUCHSTONE PRINCIPLES

- Efficient use of existing assets and optimal allocation of additional resources.
- Payment for services
- Equitable contractual structures
- Transparent process of procurement
- Fair regulatory framework
- Enabling institutional framework
- Sustainable incentives and concessions.

Contents

	ABBREVIATIONS	
	DEFINITIONS	1
I.	PREAMBLE	4
II.	OBJECTIVES AND BENEFITS OF THE POLICY	7
III.	APPLICABLE SECTORS	9
IV.	TOUCHSTONE PRINCIPLES	13
	A. Efficient Use of Assets and Allocation of Resources	14
	B. Payment for Services	15
	C. Contractual Structures	16
	D. Procurement Process	18
	E. Regulatory Framework	22
	F. Institutional Framework	22
	G. Incentives and Concessions	27
V.	MONITORING AND EVALUATION OF POLICY	28
VI.	DURATION AND REVIEW OF POLICY	29
VII.	SECTORAL STRATEGIES	29
VIII.	SPECIAL THRUST TO DEVELOPMENT OF INFRASTRUCTURE IN HYDERABAD KARNATAKA REGION	30
IX.	MODEL BID DOCUMENTS, POLICIES AND RULES FORMULATED BY GOVT. OF INDIA	30
SCHEDULE I	EVALUATION OF RISKS AND RISK MITIGATION MEASURES	32
SCHEDULE II	INSTITUTIONAL ROLES AND RESPONSIBILITIES	36
SCHEDULE III	INCENTIVES AND CONCESSIONS	39

ABBREVIATIONS

BLT	Build-Lease-Transfer
BOLT	Build-Own-Lease-Transfer
BOO	Build-Own-Operate
BOOST	Build-Own-Operate-Share-Transfer
BOOT	Build-Own-Operate-Transfer
BOST	Build-Operate-Share-Transfer
BOT	Build-Operate-Transfer
BT	Build & Transfer
CA	Concession Agreement
EPC	Engineering Procurement Construction
FD	Finance Department, Government of Karnataka
GoI	Government of India
GoK	Government of Karnataka
HLC	High-Level Committee
IDC	Inter-Departmental Committee
IDD	Infrastructure Development Department, Government of Karnataka
KSIIDC	Karnataka State Industrial and Infrastructure Development Corporation
IIF	Infrastructure Initiative Fund
IT	Information Technology
K-RIDE	Rail Infrastructure Development Co. Karnataka Ltd.
KUIDFC	Karnataka Urban Infrastructure Development & Finance Corporation Ltd.

LRTS	Light Rail Transit Systems
MRTS	Mass Rapid Transit Systems
MSW	Municipal Solid Waste
NGO	Non-Governmental Organization
NSDP	Net State Domestic Product
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
O&M	Operation & Maintenance
PDF	Project Development Fund
PIF	Project Investment Fund
PPP	Public-Private Partnership
PSP	Private Sector Participant
ROMT	Rehabilitate-Operate-Maintain-Transfer
SPV	Special Purpose Vehicle
SWA/SLSWA	State Level Single Window Agency
VGf	Viability Gap Fund

Definitions

Bidder	Any entity which has submitted a proposal to undertake an Infrastructure Project under Public-Private Partnership
Central Government	Government of India
Central Government Agency	Any department of the Central Government, any statutory authority of the Central Government, or body corporate, owned or controlled by the Central Government holding greater than 50% of the paid-up share capital in such entity.
Company	Any entity incorporated under the Companies Act 1956/2013
Developer	Any Private Sector Participant who has entered into a contract for an Infrastructure Project with the Government/ Government Agency.
District PPP Committee	A committee constituted by Government at the District level to facilitate and co-ordinate infrastructure projects under the PPP route.
Government	Government of Karnataka
Government Agency	Any department of the Government, any statutory authority, urban local body, or body corporate, owned or controlled by the Government holding greater than 50% of the paid-up share capital in such entity.
State High Level Clearance Committee (SHLCC)	Committee constituted by Government under the chairmanship of Chief Minister under Section 3 of the Karnataka Industries (Facilitation) Act 2002.
Infrastructure	It includes all infrastructure sectors and sub-sectors as defined in Section III – APPLICABLE SECTORS of this document (i.e. “PPP Policy for Infrastructure Projects, 2018”)and any amendments/additions made thereof.

Infrastructure Project	A project in Infrastructure, in the sectors delineated in this Policy
Policy Wing	Policy Wing shall manage all activities related to policy, technical, legal and such other matters related to PPP projects.
Appraisal Cell	Appraisal Cell to make recommendations to review and approve or disapprove project proposals on the basis of Value-for Money and other considerations.
Approval Cell & Monitoring Unit	Based on the recommendations of the Appraisal Cell, the Approval Cell will approve or disapprove Project proposals on the basis of Value-for Money and other considerations.
PPP Cell	PPP Cell established by the Karnataka Government to manage all activities related to policy, technical, legal and such other matters related to PPP projects.
Person	Any company or association or body of individuals, whether incorporated or not, that is a legal entity
State Level Single Window Agency for PPP	Agency constituted by Government at the State level for approval of projects up to limit as imposed by Government from time to time.
Private Sector Participant	Means any Person other than: <ul style="list-style-type: none"> a. Central Government or Central Government Agency b. State Government or State Government Agency c. Any joint ventures between Central Government, Central Government Agencies, Government and/or Government Agency, where there is no shareholding from private/ retail investors.

Public Need	Means a substantial or obvious community need for the proposed project based on all attendant circumstances as compared to a mere convenience. The determination of “Public Need” shall be taken by the relevant administrative department after considering (a) Common use and needs of the community; (b) Appropriateness of the project in relation to the development plans of the department; and (c) Possibility of the project otherwise not coming up.
Public Private Partnership	Construction/ Renovation/ Rehabilitation and Operation & Maintenance, or Operation & Maintenance of an Infrastructure Project of the Central/State Government or Government Agency for common use where a Private Sector Participant: <ul style="list-style-type: none"> a. has an investment; and b. is responsible for such construction/ renovation/ rehabilitation and operation & maintenance, or operation & maintenance for a period of not less than 3 years, in each case.

I PREAMBLE

1. Karnataka has the distinction of being one of the fastest growing economies in the country with a US \$189 billion economy growing at 7.6 per annum. The per capita Gross State Domestic Product (GSDP) increased at a CAGR of 11 per cent between 2011-12 and 2016-17.
2. Infrastructure has been one of the key priority areas for India and the Central Government has increased infrastructure spending at a rapid pace during the last decade. However, the increase in India's GDP in recent years has put tremendous pressure on its inadequate infrastructure. There are vast parts of the country which are isolated economically as well as geographically. The immense potential of these areas remains untapped. The lack of infrastructure not only results in reduced economic output, it also translates into additional costs in terms of time, effort and money to access essential services such as health care and education. Therefore, it is important that infrastructure development is given prime consideration for economic welfare.
3. The World Bank (WB) and International Monetary Fund's (IMF) economic forecasts both make the case for increased infrastructure investment to support long-term growth. India is projected to grow at 7.40% of its gross domestic product (GDP) in 2018-2019 and 7.80 % in 2019-2020, as per the January 2018, economic forecasts of IMF, thereby making it the world's fastest-growing major economy, at least for the next two years. Thereby, there is a stronger need to focus on the development of infrastructure and raising resources for financing India's infrastructure requirement of INR 50 trillion by 2022.
4. Infrastructure development has remained central to Karnataka's efforts to deliver inclusive and robust growth. Clearly recognising the need to develop high quality infrastructure as a means to achieve rapid economic

growth, the Government of Karnataka (GoK) had come out with an Infrastructure Policy in 1997. The Infrastructure Policy of 1997 was aimed at expanding and upgrading infrastructure to meet the growing needs of the industrial and agricultural sectors, inviting private investment in infrastructure, and adopting a co-ordinated and integrated approach to infrastructure development. The policy also had specific incentives and concessions for infrastructure projects. However, with the efflux of time, there have been changes in the tax and stamp duty regime, formulation of Government of India's (GoI) policy of Public-Private-Partnership (PPP) in infrastructure projects, and the concept of the Viability Gap Fund (VGF). In line with these changes, Government resolved to formulate the Infrastructure Policy of 2007 which was further amended in October, 2015.

5. Kempegowda International Airport in Bengaluru is the 3rd busiest airport in India. It is the successful green field international airport conceived in PPP format, which became operational in May, 2008. It is one of the largest airports in India built with modern technology and is ranked at the top in terms of quality of service and user experience. The State Government has 13% equity shareholding in Bengaluru International Airport Limited.
6. As Karnataka grows and takes its rightful place in the national and global economy, Government's focus has remained on sound policies and inclusive institutions. This is where the State's strong economic frameworks come in to make the State's economy more resilient and ever more supportive of growth. Today, Karnataka has more than 20 policies across all relevant sectors such as Aerospace and Defence, Biotechnology, IT, IT-enabled services, Innovation, Textiles, Agri-Business and Food Processing, Start-up, Tourism, Animation Visual Effects Gaming, Semi-Conductor, Renewable Energy, Solar, Infrastructure, Road, Port, Grape Processing and Wine, Pharmaceutical, NRI, etc. that improve productivity and wages, employment opportunities and outcomes.

7. The New Industrial Policy 2014-19, envisions building a prosperous Karnataka through inclusive, sustainable & balanced industrial development and lays emphasis on providing good infrastructure support for promotion of industries.
8. The Government of Karnataka has also been a fast mover in providing appropriate policy pushes to new technologies. Karnataka, a pioneer State, home to first electric vehicle in the country along with the required ecosystem is at the cusp of making a transition to new mobility solutions. To make a transition to new electric mobility solutions and to allow Electric Vehicles sector to bloom, Karnataka became the first State in the country to introduce a comprehensive and well-designed 'Electric Vehicle and Energy Storage Policy 2017' by taking into account the aspirations of industry, the needs of the consumers etc.
9. These policies have been evolved with a view to augment and expedite infrastructure development through active private sector participation. Promotion of private investment has been high on the agenda of Government of Karnataka. However, infrastructure challenges remain large and require public investment to encourage private investment to supplement.
10. Government has sought to deal with some of these constraints by implementing various programmes and projects departmentally and through Government agencies. These are being financed through various sources including budgetary resources, grants and loans from GoI, and bilateral and multi-lateral agencies.
11. Karnataka is embarking upon an infrastructure led development strategy. The Government recognises the experience from several emerging markets and developing economies that bottlenecks and gaps in critical infrastructure in the State could hinder the potential rate of growth of the State's economy. These targets are expected to be achieved by facilitating

private sector investment and rapidly upgrading technology. Government recognises that high levels of economic and industrial growth and job creation can be achieved only if infrastructure develops at a commensurate pace. Government also recognizes that the private sector can play a substantial role in infrastructure development and that given the right policies and frameworks, adequate private investment can become available. Government has already taken several initiatives in this regard, envisaging significant investments in projects in transportation (for airports, ports, railways and roads), tourism, power generation, urban infrastructure, etc. which leads to the direct and indirect job creation related to infrastructure.

II. OBJECTIVES & BENEFITS OF INFRASTRUCTURE POLICY 2018

12. PPP Policy for Infrastructure Projects, 2018 envisages increasing the quality and quantity of infrastructure through the implementation of a multi-year infrastructure Action Plan. The policy would focus on recognizing and embracing the key role of Public-Private Partnerships (PPP) in enhancing infrastructure development. The impact of infrastructure on an economy depends greatly on the policy environment within which the investment is made. The need for infrastructure development is so enormous that all efforts need to be made to maximize the limited public sector resources through PPPs in the development and functionality of infrastructure.

13. Government, therefore, proposes to provide and facilitate an increasing role for PPP - both in creating new infrastructure assets, as well as in managing assets already created. By this, Government seeks to derive the following benefits, which would deliver better value-for-money to the user:

- a) Savings in costs due to innovative designs, timely project implementation and higher efficiencies in operations
- b) Enhanced quality of services to users due to better managerial practices & efficiencies

- c) Reduction in, and gradual elimination of, pricing constraints
- d) Enabling public funds to be earmarked for other commercially non-viable but socially justifiable projects
- e) Financial innovation and development of cost-effective solutions
- f) Greater employment opportunities in the infrastructure sector

14. PPP would be considered both in new Infrastructure Projects and in managing existing Infrastructure Projects. The specific option to be followed would be based on specific requirements, for which Government may seek recommendations from experts/ professional agencies. Where necessary, Government may also set up independent advisory group(s) to assist in the formulation of sector strategies and selection of suitable implementation options.

15. **As far as possible, for all new investments in infrastructure, the option of implementing the project through PPPs would be explored. Exceptions would be made with regard to projects in backward areas, or projects with high social relevance, but which are prima-facie not financially viable.** The following models would be considered, inter-alia, for PPPs:

- a) Project implementation by Government/Government Agency followed by a medium or long-tenure O&M contract to a private operator.
- b) Project implementation by a Special Purpose Vehicle (SPV) set up by Government/Government Agency followed by divestiture to a private operator after stabilization of operations.
- c) Project Implementation by a private developer/operator or joint ventures with Government under a licence/concession structure.

16. Government recognizes that for some projects it may be necessary for Government of India or Government to extend financial support by way of

equity participation, Viability Gap Fund¹, or other mechanisms in order to leverage the desired levels of private finance. It is envisaged that the incentives/ financial support contemplated under this Policy are applicable:

- a) **For infrastructure projects where, in the opinion of the Government, the project is a public project set up for common use, where such infrastructure would otherwise not be created; and**
- b) **Only for bridging the viability gap for Infrastructure Projects on a PPP basis.**

17. Given the experiences with the reform process in the last decade, it is felt that a consistent approach needs to be followed in all infrastructure sectors, so that the process of development is both uniform and complementary. The PPP Policy for Infrastructure Projects 2018 seeks to formulate the touchstone principles that would constitute the broad framework for the development of each infrastructure sector.

18. In order to achieve this consistency, Government would develop multi-year Action Plans detailing the strategies and implementation plans for each of the infrastructure sectors clearly setting out the role for PPP, which would allow for the provision of adequate and reliable infrastructure services of high quality at affordable prices to users.

III APPLICABLE SECTORS²

19. The infrastructure sectors and facilities, which would be governed by this Policy, include the following:

Sectors	Sectors & Sub-sectors
1. Agri-Infrastructure	1. Agriculture and horticulture markets. 2. Floriculture parks and markets. 3. Agro-food processing and allied infrastructure (including

¹ As per Guidelines on Support to Public Private Partnerships in Infrastructure issued by the Ministry of Finance, Department of Economic Affairs, Government of India

² Vide Government Order No. IDD 07 ITS 2013 dated 30.10.2015

Sectors	Sectors & Sub-sectors
	<p>common-user cold storage facilities).</p> <ol style="list-style-type: none"> 4. Agriculture and horticulture <ol style="list-style-type: none"> a. Terminal storage b. Post-harvest storage infrastructure c. Logistics parks d. Warehouses. 5. Fisheries, Animal Husbandry Parks and Dairy infrastructure
2.Education	<ol style="list-style-type: none"> 1. Infrastructure and facilities for educational institutions, not on a purely commercial basis, but which satisfy a public need. 2. Knowledge City 3. Vocational Training 4. Skill Development 5. Science & Technology parks 6. E-Libraries
3.Energy	<ol style="list-style-type: none"> 1. Power generation, including captive power generation, as per provisions of the Electricity Act 2003, and co-generation projects, transmission, distribution and power trading services. 2. Oil and Gas (origination, terminals, transmission and gas works). 3. Renewable and non-conventional energy sources (Wind, Hydro, Solar, Tidal, Biomass and MSW).
4.Healthcare	<ol style="list-style-type: none"> 1. Infrastructure and facilities for healthcare, not on a purely commercial basis, but which satisfy a public need. 2. Infrastructure and facilities for healthcare <ol style="list-style-type: none"> a. Primary b. Secondary c. Tertiary 3. Nursing and Patient Care 4. Diagnostic Centers

Sectors	Sectors & Sub-sectors
	<ol style="list-style-type: none"> 5. Trauma and Rescue centers 6. Rehabilitation and training centers for physically and mentally challenged persons. 7. Geriatric Centers 8. Medical Education Infrastructure
5.Industrial Infrastructure	<ol style="list-style-type: none"> 1. Industrial Parks (including Biotechnology, Information Technology parks, etc.). 2. Special Economic / Free Trade and Export Promotion Zones. 3. Industrial Estates and Industrial Townships. 4. Marine Parks 5. Food Parks 6. Special Investment Regions 7. Development of Specific Zones like National Investment and Manufacturing Zones 8. Corridor Development <ol style="list-style-type: none"> a. Industrial Corridors b. Infrastructure Corridors c. Freight Corridors 9. IT Services
6.Irrigation	Canals, Dams and Weirs
7.Public Markets	<ol style="list-style-type: none"> 1. Infrastructure and facilities for Public Markets, not on a purely commercial basis, but which satisfy a public need. 2. Markets to promote handicrafts and produces from women and specially abled persons
8.Tourism	<ol style="list-style-type: none"> 1. Amusement, Entertainment, Theme Park. 2. Hotels/ Resorts. 3. Convention and Exhibition Centers. 4. Cultural Fairs. 5. Cultural Centers.

Sectors	Sectors & Sub-sectors
	<ul style="list-style-type: none"> 6. Golf Courses 7. Hospitality Districts 8. Special Tourism Region 9. Wellness /eco/ wild life Tourism 10. Museum 11. Sports, Adventure related infrastructure
9. Transportation and Logistics	<ul style="list-style-type: none"> 1. Roads (including bridges, interchanges and flyovers). 2. Railway systems. <ul style="list-style-type: none"> a. Tunnels b. Viaducts c. Bridges d. Terminals 3. Urban transport system: MRTS, LRTS, Monorail, High-Capacity bus systems and High Speed Rail System 4. Airports and Airstrips. 5. Minor Ports and Harbours. 6. Inland Water Transport. 7. Bus/ Truck/ Urban Transport Terminals and associated public facilities such as Public Amenities Centers. 8. Warehousing infrastructure (including container freight stations, container depots, cold storage facilities and tank farms). 9. Mechanized and Multi-storey Parking Facilities. 10. Transport Terminals <ul style="list-style-type: none"> a. Inter-modal Transit Centers b. Traffic Management Centers 11. Parking Facilities <ul style="list-style-type: none"> a. Surface Parking. b. Underground public parking facilities

Sectors	Sectors & Sub-sectors
10.Urban and Municipal Infrastructure	<ol style="list-style-type: none"> 1. Township Development. 2. Commercial development with common-user facilities. 3. Water Supply and Sewerage. 4. Desalination. 5. Wastewater recycling and reuse. 6. Solid Waste / Bio-Medical Waste/ Hazardous Waste: collection, transportation, treatment and disposal facilities. 7. Energy Efficiency in <ol style="list-style-type: none"> a. Street Lighting b. Traffic signal management 8. Signage 9. e-waste management
11.Sports and Youth Services	<ol style="list-style-type: none"> 1. Sports Infrastructure 2. Art & Culture Theaters 3. Playgrounds/sports/stadiums 4. Hostels/quarters in the Games villages. 5. Sports training centers and Gyms
12.Housing	<ol style="list-style-type: none"> 1. Low cost / EWS housing 2. Affordable housing
13.Rural Development	<ol style="list-style-type: none"> 1. Waste to energy (agri-waste) 2. Rural Drinking Water projects
14.Telecommunications	<ol style="list-style-type: none"> 1. Telecommunication -Fixed network: Optic fibre/cable networks which provide broadband/internet. 2. Telecommunication Towers

In all cases, it is envisaged that the incentives/ financial support contemplated under this Policy are applicable only if the conditions under Para 14 are met. The sectors/areas in the ambit of the Policy would be modified as and when appropriate.

IV TOUCHSTONE PRINCIPLES

20. The Infrastructure Policy has been developed around the following main principles:

- a) Efficient use of existing assets and optimal allocation of additional resources
- b) Payment for services
- c) Equitable contractual structures
- d) Transparent process of procurement
- e) Fair regulatory framework
- f) Enabling institutional frameworks
- g) Sustainable incentives and concessions

A. EFFICIENT USE OF ASSETS AND ALLOCATION OF RESOURCES

21. Government recognises that efficiency in allocation of resources can be achieved by prioritisation of projects in an objective and unbiased manner. To this end, Government would first look at the option of better utilization of existing assets before new investments are proposed. Priority would be accorded to those projects where development of critical linkages provide significant network or linkage benefits, as in the case of a transportation link interfacing railways, roads and ports, or a power project in the vicinity of a consumption centre.

22. Government would develop projects based on considerations of both social need and economic viability, the focus being integrated infrastructure development. Government, however, recognises that “social” projects may not offer sufficient commercial incentive for PPP. In such cases, Government would use other compensation mechanisms like provision of VGF, or annuity payments. As an alternative, Government (or Government Agency) may implement such projects upfront and eventually transfer management of services to a Private Sector Participant (PSP), where feasible.

23. Government would also develop objective criteria for rationalization of investments for expanding, upgrading and/or development of infrastructure. Typically, project identification and prioritisation would be governed by the following considerations:

- a) magnitude of gap between demand and supply for the Infrastructure;
- b) focus on balanced regional development³, especially with regard to provision of basic infrastructure;
- c) development of physical/inter-sectoral linkages where significant economic gains can be realized.

24. Since Government would actively promote PPP in infrastructure projects, a larger share of investable public funds could be used for identified social needs that may not otherwise be amenable to private finance initiatives. In order to create a sustainable source of Government funds for long-term infrastructure financing, Government would leverage internal and extra-budgetary resources under various schemes such as the Infrastructure Initiative Fund (IIF), ASIDE (Assistance to States for Infrastructure Development for Exports), Atal Mission for Rejuvenation and Urban Transformation (AMRUT), Smart Cities and Viability Gap Fund (VGF), and resources from KSIIDC, KUIDFC, and bilateral and multilateral agencies.

B. PAYMENT FOR SERVICES

25. Government recognizes that in a system where pricing of services is not economically sustainable, users would have no incentive to economise on their use of resources, and service providers would have no incentive to become more efficient. Government believes that the inculcation of the “provider-charges” and the “user-pays” principles are fundamental to the success of PPPs. To this end, Government would, where necessary and

³In line with the report of the Dr D M Nanjundappa Committee on addressing the regional imbalances

appropriate, consider levy of user charges (tolls, fees, tariffs, cesses etc.) to meet the following objectives:

- a) Create a stable and dedicated financial source for construction/ redevelopment/ rehabilitation/ replacement of project assets and their ongoing operations and maintenance in order to provide efficient, sustainable and high quality services at affordable prices to users.
- b) Manage demand
- c) Encourage PPP
- d) Cover costs of service provision
- e) Recognising that economically weaker sections may require certain subsidies in user charges, provide explicitly for such subsidies to the project, to ensure that the project remains economically viable.

26. The levy of user charges would be based on one or more of the following criteria:

- a) Savings to users
- b) Willingness to Pay
- c) Need for explicit subsidies
- d) Uniformity between various projects
- e) Cost Recovery
- f) Debt service & Equity returns

C. CONTRACTUAL STRUCTURES

27. Government would set in place appropriate contractual arrangements to give effect to the process of project implementation. Government's endeavour would be to develop contractual frameworks that would allow for equitable allocation of risks between the contracting parties, taking into account the legitimate concerns of private investors. The attempt would be to allocate risks to the party best suited to bear the risks. A matrix of typical project risks and risk mitigation measures is set out in **Schedule I**.

28. EXISTING ASSETS: The contractual/ implementation structures used would include the following:

- a) Management of the whole or part of the assets by private operators through
 - i. Operations & Maintenance (O&M) contracts for pre-determined periods;
 - ii. Lease of assets/Area Concession;
 - iii. Rehabilitate, Operate, Maintain and Transfer (ROMT) contracts.
- b) Sale of whole or part of the assets
- c) Partial or full divestiture of the Undertaking

29. New Assets: Depending on the nature of the project, the contractual structures/ agreements used for new projects would include, *inter-alia*:

- a) Build & Transfer (BT)
- b) Build-Lease-Transfer (BLT)/Build-Own-Lease-Transfer (BOLT)
- c) Build-Transfer-Lease (BTL)
- d) Build-Transfer-Operate (BTO)
- e) Build-Operate-Transfer (BOT)/Design-Build-Operate-Transfer (DBFOT)
- f) Build-Own-Operate-Transfer (BOOT)/Design-Build-Own-Operate-Transfer (DBOOT)
- g) Build-Own-Operate (BOO)
- h) Build-Operate-Share-Transfer (BOST)
- i) Build-Own-Operate-Share-Transfer (BOOST)
- j) Build-Own-Lease-Transfer (BOLT)
- k) Hybrid Annuity Model (HAM)

30. SPECIAL PURPOSE VEHICLES: Where appropriate, Government/ Government Agencies may participate in the equity structure of any SPV for the development and implementation of infrastructure projects. The selection of the PSP for participating in the SPV would follow the

procurement process set out in section 32. The equity structure of the SPV would be decided on a case-to-case basis.

31. Government recognizes that creation of Infrastructure under the PPP model requires that there be reasonable assurance that competing facilities would not be created that would materially adversely affect the technical and financial viability of the project.

D. PROCUREMENT PROCESS

32. All contracts would be awarded on the basis of a transparent process, under the ambit of the Karnataka Transparency in Public Procurement Act (Act 29 of 2000), or under a “Swiss Challenge” format as set out in para 34. In all cases, the award criteria would be spelt out upfront. The stages in the procurement process could be single-stage or multi-stage, depending on the size or level of complexity of the project. For this purpose, Government may use the services Empanelled Consultants Consultants/advisers empanelled by State or Central Government Generally, the stages in the procurement process would include:

- a) Expressions of interest (EOI)
- b) Request for Qualifications (RFQ)
- c) Request for Proposals (RFP)
- d) Technical and financial evaluation
- e) Signing of Agreements

33. The criteria used for selection would inter-alia include objective technical and for financial parameters, such as:

- a) Level of service, quality of assets offered;
- b) Lowest present value of Viability Grant support;
- c) Lowest quantum of land;
- d) Lowest present value of asset based support from the Government;
- e) Highest share (or present value of) of revenue;
- f) Lowest unit value or present value of payments by Government;

- g) Highest upfront payment (or present value of upfront payments);
- h) Highest present value of future payments;
- i) Lowest concession period;
- j) Lowest unit value or present value of user fees;
- k) Highest premium on (or present value of) equity shares offered.
- l) Reverse Auction

34. Swiss challenge or Suo-moto proposals to promote innovative projects by maximising competition & transparency⁴: A Private Sector Participant (Proposal Initiator) may submit a suo-moto and innovative proposal (Original Proposal) to Government/Government Agency for setting up an Infrastructure Project containing the following:

- a) Articulation of the public need for the project;
- b) Requisite technical details, i.e., details of alignment/site, estimates of cost, etc.;
- c) Cost incurred by the Proposal Initiator for the development studies related to the project.

[i] In respect of Suo-moto and innovative proposals:

1. Only such proposal that has innovation in technology, that is unique and legally owned or authorised to be used by the Proposal Initiator that could result in increased value addition; it may refer to incremental, emergent or revolutionary changes in products, services and/or process. The proposal should not only be suo-moto but also innovative.
2. Only such of the projects which do not require any financial support from the Government, shall be considered.
3. Such of projects which would result in monopoly and exclusive rights shall not be considered.
4. The requirement of land, if any, for the project would be considered for acquisition / allotment at the market rates / KIADB allotment rates

⁴Vide Government Order No. IDD 07 ITS 2013 dated 30.10.2015

wherever required. Under no circumstances, no land will be made available at concessional rates.

5. The following sectors are considered with the threshold limits of the project costs as indicated hereunder. The detailed operational guidelines will be issued separately. These, however, may change from time to time.

Infrastructure Sectors	Threshold Limits
1. Agri-infrastructure	Projects costing Rs.25 crore and above.
2. Education	Projects costing Rs.25 crore and above.
3. Energy	Projects costing Rs.50 crore and above.
4. Healthcare	Projects costing Rs.50 crore and above.
5. Industrial Infrastructure	Projects costing Rs.100 crore and above.
6. Irrigation	Projects costing Rs. 500 crore and above for major irrigation projects; and Projects costing Rs.200 crore and above for minor irrigation projects.
7. Public Markets	Projects costing Rs.25 crore and above.
8. Tourism	Projects costing Rs.50 crore and above.
9. Transportation and Logistics	Projects costing Rs.500 crore and above.
10. Urban and Municipal Infrastructure	Projects costing Rs.50 crore and above.
11. Sports and Youth Services	Projects costing Rs.50 crore and above.
12. Housing	Projects costing Rs.50 crore and above.
13. Rural Development	Projects costing Rs.25 crore and above.
14. Tele-communications	Projects costing Rs.100 crore and above.

6. No VGF assistance would be available.
7. A maximum of 4 months⁵ shall be made available to the project proponent from the day of clearance by the SLSWA to submit final

⁵Revised to 4 months vide corrigendum order No. IDD 59 ITS 2009 dated 16.08.2010

proposals is along with DPR / PFR/ Feasibility report to enable to go ahead inviting competitive bidding for counter proposals.

- [ii] Government would, in the first instance, assess the public need for the Infrastructure Project. In case the Infrastructure Project is found to satisfy a public need, Government would assess the technical feasibility/ suitability of the Original Proposal and modify the same, if required. Government may carry out additional studies for the project, if required.
 - [iii] After evaluating the proposal and considering it suitable, Government would, put up competitive bidding for counter proposals (“Swiss Challenge”). The Original Proposal (except proprietary information and details of the financial proposal) and contract principles of the Original Proposal would be made available to any interested applicants. If the competitive bidding process results in a superior proposal, the Proposal Initiator would be given an opportunity to match the competing counter proposal within a stipulated time-frame, and be selected as the project concessionaire only if he is with 15% of the superior bid value. If the Proposal Initiator declines to match the superior counter proposal, then the applicant who has made the superior proposal would be selected as the concessionaire. Upon such selection, Government/ Government Agency concerned shall cause/ arrange to reimburse to the Proposal Initiator, a part or the whole of the project development costs, as determined upfront and declared in the bidding documents, and may recover the same from the successful bidder. In order to encourage competition in the bidding process, the superior bidder, in the event the project is not offered to him would be reimbursed/ compensated to an extent an amount not exceeding 0.10% of the cost of the project, or, Rs.20.00 lakhs, whichever is less.
35. Government would evaluate all proposals received for any Infrastructure Project. Government may also choose to appoint suitable external advisors or consultants, where necessary, for the purposes of evaluation.

36. In order to facilitate expeditious project implementation, Government would endeavour to conclude the evaluation process for all Infrastructure Projects within 90 days from the date of submission of the final proposals. In the case of suo-moto proposals, Government would decide to proceed with the bidding process within 180 days of their submission. In any event, Government would endeavour to provide all necessary State-level clearances and enable implementation of any Infrastructure Project being taken up through Public Private Partnerships within 180 days from the date of submission of the final proposals for such project.

E. REGULATORY FRAMEWORK

37. Given that availability of unencumbered land in a time-bound manner is a critical pre-requisite for most Infrastructure Projects, Government intends to set in place suitable mechanisms, for facilitating expeditious acquisition of land for such projects. If found necessary, Government would also consider promulgating a specific legislation for expeditious acquisition of land for infrastructure projects covered under this Policy.
38. Since many infrastructure facilities and services have natural monopoly characteristics, independent regulation may be desirable to ensure that the interests of both users and service providers are kept in view.
39. Government intends to set up independent regulatory authorities⁶ for some of the infrastructure sectors. The role of the regulator would include setting norms for entry and exit, tariff fixation, and establishing standards for construction, operations and maintenance for the facilities/services. However, the setting up the regulatory authorities would be decided based on the specifics of each sector.

F. INSTITUTIONAL FRAMEWORK

40. At present the process of project identification and development is handled by the various Government departments and agencies and in case of urban

⁶Also multi-utility regulators

projects by the respective urban local bodies. The Infrastructure Development Department (IDD) of the Government of Karnataka, which has been set up as the nodal agency to streamline the process of appraisal and approval of Infrastructure Projects, shall facilitate various Government departments in developing Infrastructure Projects through PPPs.

41. Infrastructure Development Department through the “PPP Cell” would manage all activities related to policy, technical, legal and such other matters related to PPP projects. The PPP Cell is headed by the Additional Chief Secretary, Infrastructure Development Department and will be adequately staffed.

42. IDD would be duly strengthened with staff having appropriate skills to enable it to co-ordinate and integrate the necessary procedures and processes for facilitating Government/Government Agencies in expeditious project approval and implementation. Experts in domain areas such as finance, procurement, urban and engineering would be hired by IDD either directly or through an agency to work exclusively for infrastructure projects and assigned within respective departments for seamless reporting and co-ordination with departments. Simultaneously, capacity would also be built up in Government/Government Agencies at the State and District level, to formulate and implement Infrastructure Projects on PPP basis. Services of empanelled consultants/advisors may be hired by the respective Departments/Government agencies for structuring of PPP projects and submit to IDD for approval.

43. The PPP Cell may also engage consultants as and when necessary. The PPP Cell will be the nodal agency to receive the proposals in respect of the PPP projects and place them before the State Level Single Window Agency for PPP projects for consideration and approval. The PPP Cell may invite/co-opt representatives from the private sector, nominated by State-level Industrial fora such as ASSOCHAM, CII, FKCCI, and KASSIA et.al.

44. Government will set up a District PPP Committees at the District level, to co-ordinate and facilitate the implementation of infrastructure projects, including facilitation for obtaining clearances and approvals on a PPP route. The District PPP Committee shall be chaired by the Deputy Commissioner of the concerned district. The District PPP Committee shall have officers of appropriate rank, nominated by the Government, as well as upto three representatives from the private sector, nominated by State-level Industrial fora such as ASSOCHAM, CII, FKCCI, and KASSIA et.al.
45. KSIIDC will act as a nodal agency to assist the Government in the development of PPP policies and programme, review and monitor PPP projects during implementation, execution and management and make suitable recommendations to the Government for its consideration and adoption. KSIIDC would be establishing a Policy Wing to manage all activities related to policy, technical, legal and such other matters related to PPP projects. To assist IDD, KSIIDC would also setup an Appraisal Cell to make recommendations to review and approve or disapprove Project proposals on the basis of Value-for Money and other considerations. Financial Support under the Karnataka Viability Gap Fund Scheme and recommendations for such allocation of the Fund for Projects would be placed by the KSIIDC for IDD's approval.
46. KSIIDC, if so directed by IDD, would also assist the respective departments in the project development and procurement process, where such assistance is requested. Alternatively, these services could be procured from Empanelled Consultants by State or Central Government as suitably identified and selected by the departments concerned and accordingly the proposal could be sent to the KSIIDC to be placed for approval by IDD.
47. A State Level Single Window Agency (SLSWA) has been set up at the State Level under the Chairmanship of the Chief Secretary to approve the projects under PPP projects upto Rs. 500 crore, and to recommend the

projects above Rs. 500crore to the State High Level Clearance Committee (SHLCC) under the Chairmanship of the Hon'ble Chief Minister constituted under Section (3) of the Karnataka Industries (Facilitation) Act 2002. In the case of all PPP proposals uptoRs. 500crore, the concerned Department shall, in consultation with the Infrastructure Development Department place them before the State Level Single Window Agency[SLSWA] for PPP headed by the Chief Secretary for approval. For all proposals in excess of Rs. 500crore, the State Level Single Window Agency for PPP will scrutinize the proposals and make its recommendations to the State High Level Clearance Committee[SHLCC], headed by the Honb'bleChief Minister, for approval. The IDD, as the nodal Department for PPP, will assist the concerned Departments in the evaluation of all such projects. The IDD shall also assist the State Level Single Window Agency for PPP and SHLCC in evaluating and deciding upon the specific proposals.

48. POST AWARD GOVERNANCE AND PROJECT MONITORING⁷:

- i. It is essential to continuously monitor the performance of the PPP projects over the project life cycle in accordance with *the Planning Commission* guidelines on “Institutional Mechanism for monitoring of PPP projects” issued vide OM No.14011/09/2008-Infra (Part-II) dated 08.08.2012 of Department of Economic Affairs, Government of India.
- ii. The institutional structure for monitoring PPP projects requires the creation of a two-tier mechanism for monitoring PPP projects. The PPP Cells within each department will have a Project Monitoring Unit (PMU) which monitors the projects through a reporting mechanism. The Monitoring Reports for each project would include compliance of contract terms, adherence to time lines, assessment of performance, remedial measures and imposition of penalties. The State Level

⁷Vide Government Order No. IDD 07 ITS 2013 dated 30.10.2015

Performance Review Unit (PRU) set up under KSIIDC would review the PPP Project Monitoring Reports submitted by the different PMUs and oversee or initiate action for rectifying any defaults or lapses.

- iii. KSIIDC will setup a suitably designed information management system to seek information from various project implementation departments/agencies to compile the aforesaid quarterly reports.

49. IDD would set out the process for scrutinizing and clearing all investment proposals, frame guidelines for assessing the feasibility of private investment, set in place standard procurement documents and framework agreements, and assist the Government/Government Agencies in the procurement of developers. IDD would also facilitate the Government/Government Agencies, to develop and implement Infrastructure Projects in the PPP format, in an expeditious manner.

50. In order to facilitate financing of project development and implementation in an efficient, sustainable and expeditious manner, Government would use “Infrastructure Initiative Fund”, “Indian Infrastructure Project Development Fund” (IIPDF) and “National Investment and Infrastructure Fund” (NIIF) along with its “Karnataka Infrastructure Project Development Fund” (KIPDF). IDD would set out the policy and regulatory guidelines and provide the necessary institutional support for operation and management of the Fund. All fees and charges⁸ accruing from project development and investment initiatives of IDD/ concerned Government/ Government Agency, would be credited to the Infrastructure Initiative Fund. Government would also make contributions to the Fund through budgetary provisions and/or other sources, from time to time, as it may deem appropriate.

51. Based on the strategy developed for each sector, IDD, in consultation with Government Departments/Agencies, would prepare a road map for infrastructure development in the State that will:

⁸ Such as project development fees, application/tender charges, concession payment, interest charges guarantee payments, taxes, cess etc.

- a) Identify critical projects in different sectors that need immediate attention;
- b) Identify projects where significant benefits of network extension can be exploited for integrated infrastructure development;
- c) Explore the scope for PPPs in developing new Infrastructure Projects and augmenting existing infrastructure facilities and encourage such participation through appropriate incentives;
- d) Prepare a shelf of projects for posing on a PPP format;
- e) Mobilize resources through appropriate policy measures to supplement private sector investment, especially in the case of commercially non-viable projects;
- f) Identify and resolve bottlenecks in the institutional framework that are likely to impede investments and therefore provide a conducive environment for infrastructure development through PSP;
- g) Facilitate the conversion of approved projects into the implementation phase.

52. The institutional roles and responsibilities are set out in Schedule II.

53. Government also recognizes the role of public opinion and stakeholder participation in facilitating Infrastructure Project development and implementation. Since the viability of projects is contingent upon cost to the final user, it is important to ascertain “what the market can bear”. Mobilizing public opinion and ensuring stakeholder participation is thus an integral part of Infrastructure Projects. IDD would collaborate with professional bodies, NGOs, Industry Associations, and User Groups in facilitating this process.

G. INCENTIVES AND CONCESSIONS

54. Government would provide the incentives and concessions set out in Schedule III to promote private finance initiatives in infrastructure development. These would be available to all projects falling in the ambit of Para 19 of this Policy. Investors would be eligible for any other additional incentives and/or concessions proposed/available for projects under existing sectoral policies/proposed sector-specific strategies, but Government shall

take a holistic view of the totality of incentives and concessions, vis-à-vis the viability requirements of the project. In addition, several of these projects would also enjoy tax benefits under the Income Tax Act, 1961, as delineated by the Government of India.

55. In case of projects where no private investments in the form of private equity participation are envisaged, and where the Government agency or implementing authority directly awards the project to a contractor following a standard procurement process, but not under a specific concession structure as described in Para 28-30 of this document, no incentives and concessions would be available under this Policy.
56. Subsidies in the Infrastructure sector would be based on the need for balancing adequate cost recovery, with social needs and regional development. Wherever subsidy is necessitated for social/ regional needs, it shall be the endeavour of the Government to ensure that such subsidies are direct and transparent. In all other cases, it shall be the endeavour to price services to be commensurate with the real costs of service provision, and sustainability of the project.
57. To the extent that the project parameters may permit, every project shall endeavour to maximise employment opportunities to the local population of the State of Karnataka.

V MONITORING AND EVALUATION OF POLICY

58. The PPP Policy for Infrastructure Projects, 2018, will be translated into a comprehensive Plan of Action where Government would develop multi-year Action Plans detailing the strategies and implementation plans for each of the infrastructure sectors.
59. An Empowered Committee will be constituted by the Government, under the Chairmanship of Additional Chief Secretary, Infrastructure Development Department to facilitate coordination and planning from various departments and thereby make recommendations to State High Level Clearance Committee regarding the development of policies,

directives, manuals and guidelines in a timely manner for taking mid-course corrections.

60. The monitoring and evaluation of the policy would be done at the State level by the State High Level Clearance Committee under the Chairmanship of Hon'ble Chief Minister.
61. Evaluation takes place at different instants while generally mid-way through the policy cycle or programme implementation and at the end. The output of an evaluation can be used as the basis for new policy initiatives. The Evaluation of the PPP Policy for Infrastructure Projects 2018, will be carried out through neutral and credible agencies once every three years and the results will be placed before the State High Level Clearance Committee. The programmes and interventions will be tweaked and redesigned on the basis of these results and as per evolving infrastructure needs in the State.

VI DURATION AND REVIEW OF POLICY

62. This policy would come into force with effect from the date of issue of Government notification and would be effective till the formulation of a new infrastructure policy.
63. There would be a mid-term review of this Policy every three years based on a critical assessment of feedback from stakeholders, and changes in scope that are deemed necessary and desirable, would be incorporated at that stage.
64. The Government recognises that expanding and institutionalising the scope of PPP in provision of infrastructure may also necessitate appropriate changes in the existing legislative framework. It is however felt that the present framework offers sufficient scope for PPPs in provision of infrastructure. The specific legislative constraints for PPPs would also be reviewed and addressed during the mid-term review.

VII SECTORAL STRATEGIES

65. The broad principles set out in this document would govern the various strategies to be developed for each sector. The concerned administrative

departments would finalize the sector strategies and action plans thereunder within six months of the date this Policy comes into force.

66. IDD would assist Government/Government Agencies in making a concerted effort to set out an action plan for already identified project development opportunities in various infrastructure sectors in the immediate term. IDD would interface with other Departments concerned, such as, the Public Works, Ports & Inland Transport Department, Urban Development Department, Energy Department, Commerce & Industries Department, and Department of Information, Tourism & Youth Services, among others, to advise on and co-ordinate the identified and new project development activities.

VIII SPECIAL THRUST TO DEVELOPMENT OF INFRASTRUCTURE IN HYDERABAD-KARNATAKA REGION⁹:

67. Given the special status to the Hyderabad-Karnataka region during the year 2013 under Article 371 J of the Constitution of India, the following measures shall be taken to encourage the development of infrastructure in this region:
- a. Infrastructure Strategic Action plan for the region that would address key social and economic Infrastructure such as roads and bridges, healthcare, educational, drinking water supply, minor irrigation, animal husbandry, sericulture and urban development.
 - b. Create a PPP cell in the Hyderabad- Karnataka Area Development Board (HKADB) which will be equipped to:
 - i. Identify potential PPP projects that can be undertaken in the region
 - ii. Facilitate selection of private developers for implementation of various projects
 - iii. Oversee performance of these projects
 - c. A committee under the Chairmanship of Additional Chief Secretary, IDD would be constituted to monitor the progress of projects on a quarterly

⁹Vide Government Order No. IDD 07 ITS 2013 dated 30.10.2015

basis.

- d. Government shall undertake specific capacity building programs for the officers in the region to understand the need and benefits of PPP. All projects being implemented on PPP mode would be fast tracked to ensure faster delivery of services.

IX MODEL BID DOCUMENTS, POLICIES AND RULES FORMULATED BY GOVT OF INDIA¹⁰:

68. Govt. of India has brought out several model bid documents for various sectors. The State will adopt them for PPP projects undertaken in the State. The State will consider policies and rules on PPP as and when formulated by Govt. of India.

¹⁰Vide Government Order No. IDD 07 ITS 2013 dated 30.10.2015

SCHEDULE I-EVALUATION OF RISKS & RISK MITIGATION MEASURES

Projects are subject to various types of risks during the development, construction and operations periods. In a PPP framework, these risks are typically assigned to the parties best able to handle them. The table below sets out the typical project risks envisaged during the project life-cycle and their mitigation measures in a standard Concession (BOT) contract.

Risk Description	Assigned to	Risk Mitigation Measure
I. Project Development Period		
Statutory clearances needed prior to implementation including Environmental Clearance	EPC Contractor/ Concessionaire	Government shall facilitate obtaining all such clearances
Land Acquisition	Concession Agreement (CA)	Government shall set in place appropriate process to expedite land acquisition. However, prior to tendering of any infrastructure project, minimum 70% of the required land for the project should be available for implementation. If the land available is less than 70%, the project will not be put to tender.
Delay in Land acquisition	CA	-do-
II. Construction Period		
Project Design Risk	EPC Contractor / Concessionaire	Detailed technical evaluation by independent Technical Consultant. Independent Engineer entrusted with detailed scope of work to ensure that project conforms to design standards and specifications.

Risk Description	Assigned to	Risk Mitigation Measure
<p>Political Force Majeure Event (War, invasion, armed conflict or act of foreign enemy, strikes, agitation, blockade, embargo, insurrection, military action, civil commotion)</p> <p>Non Political Force Majeure (Floods, Earthquakes, Drought, etc).</p>	CA	Agreement typically lays down provisions for extension in time, sharing of costs and payment of compensation by the Contracting Authority under such events.
Damage/Injury to 3 rd parties	EPC Contractor / Concessionaire	Insurance generally procured by EPC Contractor with an extension of cross liability
Cost Overrun Risk	EPC Contractor / Concessionaire	<p>Construction cost estimates</p> <p>Independent revalidation of construction costs estimated by EPC Contractor.</p> <p>Fixed time/fixed price contracts. Risk related to cost overrun passed on to the EPC Contractor.</p> <p>Insurance Cover</p>
Project Completion/Time Overrun Risk	EPC Contractor / Concessionaire	<p>Fixed time /fixed price contract with EPC Contractor</p> <p>Performance Security provided by EPC Contractor, including defects liability period</p> <p>Retention Money</p> <p>Equity stake in project SPV</p>
Inflation Risk	EPC Contractor / Concessionaire	Transferred to the EPC Contractor / Concessionaire under the EPC Contract
Technology Risk	EPC Contractor / Concessionaire	Concessionaire to provide warranties /commitments to upgrade technology to meet output specifications

Risk Description	Assigned to	Risk Mitigation Measure
Termination Risk	Promoters/ Concessionaire/ Lenders	Termination Compensation Substitution/Step-in Rights to Project lenders
III. Operations Period		
Traffic/ Demand Risk	Concessionaire/ CA Depending on project	Detailed Traffic Studies by independent traffic consultant/expert. Annuity structures/ Financial Support
Revenue Risk	Concessionaire/ CA	Traffic surveys/ willingness-to-pay studies Annuity structures / Financial Support
Revenue Leakage Risk	Concessionaire/ CA	Origin-Destination surveys; tolling infrastructure, monitoring systems Independent Auditor
Maintenance Standards	O&M Contractor/ Concessionaire	Performance Security Monitoring by Independent Engineer.
Increase in O & M costs	O&M Contractor/ Concessionaire	Fixed Price Contract
Injury to the Project road users/third parties	O&M Contractor/ Concessionaire/ Insurance Co.	Insurance Cover
Environmental Risk	O&M Contractor/ Concessionaire	Concessionaire/ O&M Contractor to meet the accepted environmental norms during the operations period. This could be enforced through suitable clauses in the Concession Agreement.

Risk Description	Assigned to	Risk Mitigation Measure
Termination Risk	CA/Concessionaire/Lenders	Termination Compensation Substitution/ Step-in-Rights to Project Lenders.
IV. Financing Risks		
Equity	Sponsors/Investors	Sponsors generally required to maintain in aggregate a minimum shareholding in the paid up equity capital of the Concessionaire. Project lenders insulated from risk related to equity subscription
Term Debt	Lenders	Suitable security creation
Interest Rate Risk	Concessionaire	Fixed interest rates on debt, with reset options
Adverse FX Risk	Concessionaire/CA	Funding through Rupee debt In case of forex funding for critical projects, exchange rate risk could be fully borne by Concessionaire through appropriate agreements and hedging mechanisms
V. Other Risks		
Expropriation, including creeping nationalization, changes in legislation, discriminatory actions on tolls, etc.	CA	Such acts defined as direct political force Majeure events and remedies are generally provided under the Concession Agreement.

SCHEDULE II -INSTITUTIONAL ROLES & RESPONSIBILITIES

Govt./ Govt. Agency/ Organization	Key Tasks
Government of Karnataka (GoK)	<ul style="list-style-type: none"> a. Formulation and review of policy measures b. General administration of policy measures c. Co-ordination between various departments for facilitating project implementation d. Performance evaluation
Infrastructure Development Department assisted by KSIIDC, GoK	<ul style="list-style-type: none"> a. co-ordination of policy level initiatives b. assistance to SHLCC and SLSWA for evaluation of all Infrastructure Project proposals to be implemented through PPP c. to establish a Policy Wing to manage all activities related to policy, technical, legal and such other matters related to PPP projects. The Policy Wing will be managed by suitably qualified and experienced persons. d. to act as a nodal agency to the Government in the development of PPP policies and programmes, and make suitable recommendations to the Government for its consideration and adoption; e. to conceptualise and identify Projects and ensure their conformance to the objectives of the State; f. to advise the Government as the case may be, on the project and give recommendations or suggestions; g. to encourage participation of private sector persons in financing, construction, maintenance and operation of projects; h. to co-ordinate between inter departmental/ agencies of the Government; i. to monitor the competitive bidding process and suo-moto proposals and provide for course correction, if required; j. to prioritise projects to be undertaken and prepare an inventory of projects to be taken up for implementation; k. to identify inter-sectoral linkages; l. to setup an Appraisal Cell to make recommendations in matters of promoting of infrastructural projects needing Central Government interventions or clearances.

	<ul style="list-style-type: none"> m. review and approve or disapprove project proposals and other considerations. n. review and suggest amendments and modifications to Concession Agreements on the basis of Value-for-Money and similar considerations; o. to decide financial support under the Karnataka Viability Gap Fund Scheme and approve allocation of the Fund for Projects; p. to approve scale and scope of a suo-moto proposal or project undertaken through Swiss-Challenge Approach and to recommend modifications of a non-financial nature, if required; q. to resolve issues relating to project approval process; <ul style="list-style-type: none"> i. to co-ordinate with Department of Economic Affairs, Ministry of Finance, GOI, in matters pertaining to approval of VGF under the scheme ii. to co-ordinate with Central Government ministries/departments/agencies with regard to the implementation of the this including monitoring program in attracting private sector involvement in infrastructure and evaluation of the implementation plan from time to time. r. not being inconsistent to other applicable laws, prescribe time limits for clearances for any project and assist the concessionaire in obtaining statutory and other clearances and approvals in a timely manner; s. to review periodically the status of clearances; t. to develop model documents/agreements for the Infrastructure Sectors; u. to recommend projects for grant of viability gap fund under the relevant scheme(s) of Government of India; v. review and monitor PPP projects during implementation, execution, operation and management; w. to administer and manage the Fund and its assets;
State High Level Clearance Committee	Facilitate and approve PPP projects over Rs. 500crore
State Level Single Window Agency	Facilitate, coordinate and scrutinise all PPP projects and approve projects up to Rs.500crore.

District PPP Committee	<ul style="list-style-type: none">a. Facilitate project identification, development & implementationb. Facilitate co-ordination between various departmentsc. Facilitate obtaining clearances and approvals
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SCHEDULE III -INCENTIVES AND CONCESSIONS

1. The project would be allowed to charge user fees (tolls, port dues etc.) during the concession period.
2. Recognising the fact that infrastructure projects require special consideration in view of long gestation periods, low rates of return and higher risks, incentives and support such as tax holidays, tax exemptions, Viability Gap Fund, etc., have been provided under the purview of the Government of India.
3. Apart from the incentives, concessions and support available to the projects, the Government proposes to offer the following incentives in addition to the incentives provided in the relevant policies with regard to sectors. However, duplication of incentives shall not be considered:

A. FACILITATION

- a. Where it is not possible for private investors to obtain land required for the project on their own, the Government would acquire the land required for the project;
- b. Facilitation in obtaining clearances and approvals from various agencies;
- c. Facilitate in obtaining water and power required for the project.

B. ASSET-BASED SUPPORT

- a. Government land may be provided, subject to availability, at concessional rates;
- b. Wherever an Infrastructure Project by itself is not financially viable, the private investor may be allowed to acquire additional land on the same terms as the land for the main project, and develop suitable commercial activities to ensure a reasonable composite internal rate of return. Such development rights would be consistent with applicable laws and land-use, and would include commercial

complexes, hotels, housing complexes, and advertisement hoardings. Where permitted under local regulations, this would include relaxation in the applicable Floor-Space Index norms;

- c. Develop linkage infrastructure, for projects that need such critical linkages.
- d. This will not be available to the procurement made under Swiss Challenge Route.¹¹

C. FOREGOING REVENUE STREAMS

a. CONCESSION ON STAMP DUTY ON TRANSFER OF LAND¹²:

Other than Hyderabad Karnataka Area	Hyderabad Karnataka Area
Zone 1 : 100 %	HK Zone 1 : 100%
Zone 2 : 100 %	HK Zone 2 : 100%
Zone 3 : 75 %	
Zone 4 : nil	

b. Concession on conversion fine on land:

Other than Hyderabad Karnataka Area	Hyderabad Karnataka Area
Zone 1 : 100 %	HK Zone 1 : 100%
Zone 2 : 100 %	HK Zone 2 : 100%
Zone 3 : 75 %	
Zone 4 : nil	

[Note: **Zone 1**: Most backward; **Zone 2**: More backward; **Zone 3**: Backward; **Zone 4**: Industrially developed; Hyderabad Karnataka Area: Districts of Bidar, Bellari, Gulbarga, Raichur, Koppal & Yadagiri]

¹¹ Amended vide Corrigendum No IDD 59 ITS 2009 dated 31.05.2010

¹² The zones in this Policy shall be identical to that defined in the Industrial Policy, 2014 of GoK

D. CONTINGENT GUARANTEES

In specific cases, guaranteed payment structures such as “Take-or-pay” (wherein there is an assurance of payment for the availability of a service) or “supply-or-pay” (wherein there is an assurance of payment for the non-availability of a service) would be considered.

E. FINANCIAL SUPPORT

- a. Viability gap finance from the Central Government: The Government of Karnataka would sponsor the project for release of Viability Gap Fund, from the Government of India.
- b. The Government of Karnataka would also provide additional Viability Gap Fund, over& above the VGF of the Central Government.
- c. Provided that the quantum of total Viability Gap Fund shall be determined after clearly and explicitly calculating all project costs and incentives/concessions:
 - i. Taking into account all costs of the projects, excluding cost of land, and land related charges such as Stamp Duty & Conversion Fine
 - ii. Taking into account all other incentives granted, including asset based support and the foregoing of revenue streams, and including any other financial incentive granted under any other sector policy, or scheme of the Central Government, Central Government Agency, Government or Government Agency.
- d. This will not be available to the procurement made under Swiss-Challenge route¹³.

By order and in the name of the
Governor of Karnataka

Sd/-

(M. Venkatesh Murthy)
Under Secretary to Government
Infrastructure Development Department
Tel: 080-2203 4063

¹³ Amended vide Corrigendum No IDD 59 ITS 2009 dated 31.05.2010



PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

Sub: Revised Policy on PPP for Infrastructure Projects in Karnataka -2018.

- Read:**
1. G.O No.IDD 01 UIP 1997 dated: 26.12.1997.
 2. G.O No.IDD 32 IDM 1997 dated: 16.07.2007.
 3. Corrigendum Order No. IDD 59 ITS 2009 dated:31.05.2010 & 16.08.2010.
 4. Govt. Notification No.IDD 59 ITS 2009 dated: 01.06.2010 & 02.06.2010.
 5. Govt. Order No. IDD 07 ITS 2010 dated: 08.08.2011.
 6. Govt. Notification No.IDD 59 ITS 2009 dated: 19.05.2012.
 7. Govt. Order No.IDD 07 ITS 2013 dated:30.10.2015.

Preamble:

The State Government brought a separate Infrastructure Policy for Infrastructure Development during 1997, vide G.O read at Sl no(1) which were revised during 2007 vide G.O read at Sl no (2) and in G.O no.IDD 07 ITS 2013, dated: 30.10.2015. In the current scenario with the change in guidelines by the Department of Economic Affairs, Government of India and considering developmental trends in the market, the need for formulating a new policy with updations in the institutional framework, structuring mechanism of the projects and other relevant updations has been felt essential.

2. Karnataka is embarking upon an infrastructure led development strategy. Clearly recognising the need to develop high quality infrastructure as a means to achieve rapid economic growth and keeping in view the current economic scenario, the Government of Karnataka (GoK) has formulated a comprehensive and well-designed “PPP Policy for Infrastructure Projects-2018”.

I. The key objectives of the Karnataka “PPP Policy for Infrastructure Projects-2018” include the following:

- a. To increase the quality and quantity of infrastructure through the implementation of a multi-year infrastructure agenda.
- b. To focus on recognizing and embracing the key role of Public-Private Partnerships (PPP) in enhancing infrastructure development.
- c. To provide a fair and transparent policy framework to facilitate and encourage Public-Private Partnerships (PPP) in the upgrading, expanding and development of infrastructure in the State
- d. To put in place successful PPP implementation models.
- e. To facilitate private sector investments in infrastructure by improving domestic investment environment.

II. The Salient Features of the new Karnataka PPP Policy for Infrastructure Projects-2018 include the following:

- a. The sanction limit for the Single Window Agency for PPP projects under the Chairmanship of the Chief Secretary to Government constituted at the State level to be **increased to Rs 500 Cr from existing Rs.50 Cr.**
- b. Facilitate financing of project development and implementation through Infrastructure Initiative Fund, Indian Infrastructure Project Development Fund” (IIPDF)” and “National Investment and Infrastructure Fund” (NIIF) along with its “Karnataka Infrastructure Project Development Fund” (KIPDF) which may be placed under the control and supervision of KSIIDC.
- c. Monitoring and evaluation of the policy would be done at the State level by the State High Level Clearance Committee under the Chairmanship of Hon’ble Chief Minister.

- d. An Empowered Committee will be constituted by the Government, under the Chairmanship of the Additional Chief Secretary, Infrastructure Development Department to facilitate coordination and planning from various departments and thereby make recommendations to State High Level Clearance Committee regarding the development of policies, directives, manuals and guidelines in a timely manner for taking mid-course corrections.
- e. Infrastructure Development Department (IDD) will be the nodal agency for all the infrastructure projects across the 14 sectors taken on PPP mode. All PPP projects to be implemented in the State by various Departments, agencies and State Corporations will be sent to IDD for vetting and advice.
- f. IDD with the assistance of KSIIDC will develop multi-year Action Plans detailing the strategies and implementation plans for each of the fourteen infrastructure sectors clearly setting out the role for PPP.
- g. IDD and KSIIDC would be duly strengthened with staff having appropriate skills to enable it to co-ordinate and integrate the necessary procedures and processes for facilitating Government/Government Agencies in expeditious project approval and implementation.
- h. KSIIDC, under the administrative control of IDD, shall play a key supportive role by assisting IDD in all its major project development, implementation and monitoring functions.
- i. KSIIDC will setup a suitably designed **information management system** to seek information from various project implementation departments/agencies to compile the aforesaid quarterly reports.

- j. Infrastructure Development Department(IDD) shall handhold all the PPP projects in the State till award of the project and also during implementation period. The main role of IDD will be:
- i. to establish a Policy Wing to manage all activities related to policy, technical, legal and such other matters related to PPP projects. The Policy Wing will be managed by suitably qualified and experienced persons.
 - ii. to act as a nodal agency to the Government Departments /Agencies in the development of PPP policies and programme and make suitable recommendations to the Government for its consideration and adoption;
 - iii. to monitor the competitive bidding process and suo-moto proposals and provide for course correction, if required;
 - iv. to setup an Appraisal Cell to make recommendations in matters of promotion of infrastructural projects needing central Government interventions or clearances.
 - v. to decide financial support under the Karnataka Viability Gap Fund Scheme and approve allocation of the Fund for Projects;
- k. Capacity would also be built up in Government Departments/Government agencies at the State and district levels to formulate and implement infrastructure projects on PPP basis. Services of empanelled consultants/advisors may be hired by the respective Departments/Government agencies for structuring of PPP projects and submit to IDD for approval.

1. The administrative control of KSIIDC, which is at present under Commerce & Industries Department will be transferred to Infrastructure Development Department for providing the above mentioned services.
- m. Other updations to be made in the Policy as per the current trends in the market and Government of India guidelines on PPP projects.
3. The proposal for a Revised Policy on PPP for Infrastructure Projects in Karnataka- 2018 has been examined and hence this order.

Government Order No. IDD 14 ITS 2018

Bangalore dated: 17.03.2018

Under the circumstances explained in the preamble the Government of Karnataka are pleased to announce the Revised Infrastructure Policy as detailed in Annexure – I to this order supported by Schedule-I (Evaluation of Risks and Risk mitigation) and Schedule – II (Institutional Roles and Responsibilities).

1. The detailed scope of services of the IDD as nodal agency for PPP projects in the State is stated in Schedule II (Institutional Roles and Responsibilities) of the Infrastructure Policy, 2018 at Annexure-I
2. Sanction of the Government is also accorded to transfer the administrative control of Karnataka State Industrial and Infrastructure Development Corporation from the Commerce and Industries Department to Infrastructure Development Department with immediate effect.

3. The Department of Personnel and Administrative Reforms will issue necessary directions to KSIIDC as per Karnataka Government (Allocation of Business) Rules 1977 in this regard.

4. This order issues with the concurrence of Finance Department in vide note No 1141, dated:17.02.2018 and Commerce and Industries Department in vide note dated: 17.02.2018 and in accordance with rule 28 of First Schedule to Karnataka Government (Transaction of Business) Rules 1977.

By order and in the name of the
Governor of Karnataka

Venkatesh Murthy M.
(M. Venkatesh Murthy)

Under Secretary to Government
Infrastructure Development Department
Tel: 080-2203 4063

To:

The Compiler, Karnataka Gazette with a request to publish in the next Special Gazette and send 500 copies to Infrastructure Development Department, Room No. 08, Ground Floor, Vikasa Soudha, Bangalore.

Copy to:

1. The Principal Accountant General (G&SSA), Karnataka, New Building, 'Audit Bhawan', Post Box No. 5398, Bangalore-01.
2. The Principal Accountant General (E&RSA), Karnataka, New Building, 'Audit Bhawan', Post Box No. 5398, Bangalore-01.
3. The Principal Accountant General (A&E), Karnataka, Park House Road, Post Box No. 5329, Bangalore-01.
4. The Additional Chief Secretary to Government and Development, Commissioner, Vidhana Soudha, Bangalore.
5. All Additional Chief Secretaries/Principal Secretaries/Secretaries to Government
6. The Commissioner, Bruhat Bangalore Mahanagara Palike [BBMP], NR Square, Bangalore

7. The Commissioner, Directorate of Urban Land Transport [DULT], BMTC TTMC, 'B' Block, 4th floor, KH Road, Shanthinagar, Bangalore.
8. The Commissioner & Director, DMA, 9th Floor, Visveswaraya Main Tower, Dr Ambedkar Road, Bangalore
9. The Commissioner for Industrial Development and Director of Industries & Commerce, Khanija Bhavan, No. 49, Race Course Road, Bangalore
10. The Commissioner, Bangalore Development Authority [BDA], Kumara Park, Bangalore.
11. The Commissioner, Health & Family Welfare Dept, Ananda Rao Circle, Bangalore
12. The Managing Director, Karnataka State Finance Corporation Ltd [KSFC], KSFC Bhavan, Thimmaiah Road, Bangalore
13. The Managing Director, Karnataka Power Transmission Corporation Ltd [KPTCL], Cauvery Bhavan, Bangalore
14. The Managing Director, Karnataka Power Corporation Ltd [KPCL], Shakti Bhavan, Race Course Road, Bangalore
15. The Managing Director, Karnataka Renewable Energy Development Ltd [KREDL], No. 39, Shanthi Gruha, Bharat Scouts and Guides Building, Palace Road, Bangalore
16. The Managing Director, Karnataka State Road Transport Corporation Ltd [KSRTC], KH Road, Shanthinagar, Bangalore.
17. The Managing Director, Bangalore Metropolitan Transport Corporation Ltd [BMTC], KH Road, Shanthinagar, Bangalore.
18. The Managing Director, Karnataka Road Development Corporation Ltd [KRDCL], No.16/J, Miller tank, Thimmaiah Road, Bangalore 560052.
19. The Managing Director, Karnataka State Tourism Development Corporation Ltd. [KSTDTC], Khanija Bhavan, Bangalore.
20. The Managing Director, Karnataka Urban Infrastructure Development & Finance Corporation Ltd. [KUIDFC], "Nagarabhivridhi Bhavana", No. 22, 17th F Corss, Binnamangala 2nd stage, Old Madras Road, Indiranagar, Bangalore 560038
21. The Managing Director, Karnataka Urban Water Supply and Drainage Board [KUWSDB], #6, Jal Bhavan, Bannerghatta Road, Bangalore.
22. The Managing Director, Bangalore Water Supply and Drainage Board [BWSSB], Cauvery Bhavan, KG Road, Bangalore.
23. The Managing Director, Karnataka State Industrial & Infrastructure Development Corporation Ltd [KSIIDC], Khanija Bhavan, Bangalore

24. The Chief Project officer, Karnataka State Highways Improvement Project [KSHIP], PWD Annexe Building, K.R Circle, Bangalore.
25. The Chief Operating Officer, Karnataka Rural Road Development Authority, Ananda Rao Circle, Bangalore.
26. The CEO & Executive Member, Karnataka Industrial Areas Development Board [KIADB], Khanija Bhavana, Race Course Road, Bangalore.
27. The Managing Director, Karnataka Udyog Mitra [KUM], Khanija Bhavan, Bangalore
28. The Director, Ports & Inland Water Transport, Baithkol, Karwar.
29. The Director of Tourism, Khanija Bhavan, Bangalore
30. The Director, Agriculture Marketing Department, Raj Bhavan Road, B'lore
31. Director (Projects), Bangalore Airport Rail Link Ltd, KSFC Bhavan, Thimmaiah Road, Bangalore
32. The Chief Advisor and CEO, Technical Consultancy Services Organisation of Karnataka [TECSOK], Basava Bhavan, Sri Basaveswara Circle, Bangalore
33. All Deputy Commissioners of the State.
34. All Chief Executive Officers of Zilla Panchayats
35. All Commissioners of City Municipal Corporations
36. All Commissioners of Urban Development Authorities
37. PS to Hon'ble Minister for Large & Medium Scale Industries and Infrastructure Development, Vidhana Soudha, Bengaluru
38. PS to Principal Secretary to Government, Infrastructure Development Department, Vikasa Soudha, Bengaluru
39. The Deputy Secretary to Government [Cabinet Section], Vidhana Soudha, Bangalore with reference to the Cabinet Subject No. C-270/2018 held on 01.03.2018.
40. The Deputy Secretary 1 & 2, Infrastructure Development Department, Vikasa Soudha, Bengaluru.
41. Section Guard File / Spare Copies.