

18. Since GoK 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, GoK 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), National Urban Renewal Mission (NURM), Viability Gap Fund (VGF), and resources from iDeCK (PDF & PIF), KUIDFC, and bilateral and multilateral agencies.

## **B. Payment for Services**

19. GoK recognizes that in a system where pricing of services is not economically sustainable, users would have no incentive to economize on their use of resources, and service providers would have no incentive to become more efficient. GoK believes that the inculcation of the “provider-charges” and the “user-pays” principles is fundamental to the success of PPPs. To this end, GoK would, where necessary and appropriate, consider levy of user charges (tolls, fees, tariffs, cesses etc.) to meet the following objectives:

- 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.

- Manage demand
- Encourage PPP
- Cover costs of service provision
- 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.

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

- Savings to users
- Willingness to Pay
- Need for explicit subsidies
- Uniformity between various projects
- Cost Recovery
- Debt service & Equity return

## **C. Contractual Structures**

21. GoK would set in place appropriate contractual arrangements to give effect to the process of project implementation. GoK'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.

**22.Existing Assets:** The contractual/ implementation structures used would include the following:

- Management of the whole or part of the assets by private operators through
  - Operations and Maintenance (O&M) contracts for pre-determined periods
  - Lease of assets
  - Rehabilitate, Operate, Maintain and Transfer (ROMT) contracts
- Sale of whole or part of the assets
- Partial or full divestiture of the Undertaking

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

- Build & Transfer (BT)
- Build-Lease-Transfer (BLT)
- Build-Transfer-Operate (BTO)
- Build-Operate-Transfer (BOT)
- Build-Own-Operate-Transfer (BOOT)
- Build-Own-Operate (BOO)
- Build-Operate-Share-Transfer (BOST)
- Build-Own-Operate-Share-Transfer (BOOST)
- Build-Own-Lease-Transfer (BOLT)

**24.Special Purpose Vehicles:** Where appropriate, GoK/ GoK 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 27. The equity structure of the SPV would be decided on a case-to-case basis.

25.The Infrastructure Development Corporation (Karnataka) Limited (iDeCK) has been assisting GoK in the preparation of documents for Infrastructure Projects, incorporating the touchstone principles set out in this document. iDeCK would co-ordinate with the Infrastructure Development Department (IDD) in providing assistance to concerned departments in the preparation of sectoral strategies and action plans for the successful implementation of projects under the ambit of PPPs. iDeCK would also assist these departments in the project development and procurement process, where such assistance is requested. Alternatively, these services could be procured from independent third party consultants as may be suitably identified and selected by the concerned project development agencies/ departments for this purpose.

26.GoK 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**

27. All contracts would be awarded on the basis of a transparent process, under the ambit of the Karnataka Transparency in Public Procurement (KTPP) Act (Act 29 of 2000), or under a “Swiss Challenge” format as set out in Clause 29, after getting exemption under section 4(g) of the KTPP Act. 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, GoK may use the services of suitably qualified independent advisers with the requisite technical knowledge. Generally, the stages in the procurement process would include:

- Expressions of interest (EOI)/ Request for Qualifications (RFQ)
- Request for Proposals (RFP)
  - Technical and financial proposals
- Signing of Agreements

28. The criteria used for selection would include objective technical/ financial parameters, such as:

- Level of service, quality of assets offered;
- Lowest present value of Viability Grant support;
- Lowest quantum of land;
- Lowest present value of asset based support from the Government;

- Highest share (or present value of) of revenue;
- Lowest unit value or present value of payments by GoK;
- Highest upfront payment (or present value of upfront payments);
- Highest present value of future payments;
- Lowest concession period;
- Lowest unit value or present value of user fees;
- Highest premium on (or present value of) equity shares offered.

29. A Private Sector Participant (Proposal Initiator) may submit a *suo-moto*/ innovative proposal (Original Proposal) to GoK/ GoK Agency for setting up an Infrastructure Project containing the following:

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

GoK 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, GoK would assess the technical feasibility/ suitability of the Original Proposal and modify the same, if required. GoK may carry out additional studies for the project, if required.

After evaluating the proposal and

considering it suitable, GoK 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. If the Proposal Initiator declines to match the superior counter proposal, then the applicant that has made the superior proposal would be selected as the concessionaire. Upon such selection, GoK/ GoK Agency concerned shall cause/ arrange to reimburse to the Proposal Initiator, a part or the whole of the development costs, as determined upfront and declared in the bidding documents, and may recover the same from the successful bidder.

30. GoK would evaluate all proposals received for any Infrastructure Project. GoK may also choose to appoint suitable external advisors or consultants, where necessary, for the purposes of evaluation.

31. In order to facilitate expeditious project implementation, GoK 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, GoK would decide to proceed with the bidding process within 180 days of their submission.

In any event, GoK 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**

32. Given that availability of unencumbered land in a time-bound manner is a critical pre-requisite for most Infrastructure Projects, GoK intends to set in place suitable mechanisms, for facilitating expeditious acquisition of land for such projects. If found necessary, GoK would also consider promulgating a specific legislation for expeditious acquisition of land for Infrastructure Projects covered under this Policy.

33. 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.

34. GoK intends to set up independent regulatory<sup>3</sup> authorities 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

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<sup>3</sup> Also Multi-Utility regulators

maintenance for the facilities/ services. However, the setting up of the regulatory authorities would be decided based on the specifics of each sector.

## **F. Institutional Framework**

35. At present the process of project identification and development is handled by the various GoK departments and agencies and in case of urban 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 GoK departments in developing Infrastructure Projects through PPPs.

36. GoK has set up a “PPP Cell” in the IDD. The PPP Cell is headed by the Principal Secretary – IDD, and shall be adequately staffed. iDeCK will provide technical advice and support to the PPP Cell. 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 SWA 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.*

37. GoK shall set up a District PPP Committee 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 GoK, 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.*

38. 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. Simultaneously, capacity would also be built up in Government/ Government Agencies at the State and District level, to formulate and implement Infrastructure Projects on a PPP basis. iDeCK would support IDD and other GoK departments/ agencies in developing and financing Infrastructure Projects on a PPP basis. The PDF and PIF administered and managed by iDeCK, on behalf of GoK, would be utilized for this purpose, where appropriate.

39. A Single Window Agency (SWA) has been set up at the State Level under the Chairmanship of the Chief Secretary to approve the projects under PPP projects upto Rs. 50 Crores, and to recommend the projects above Rs. 50 Crores to the State High Level Committee under the Chairmanship of the Chief Minister constituted under

Section 3 of the Karnataka Industries (Facilitation) Act 2002. In the case of all PPP proposals upto Rs. 50 Crore, the concerned department shall, in consultation with the Infrastructure Development Department place them before the SWA for PPP headed by the Chief Secretary for approval. For all proposals in excess of Rs. 50 Crores, the SWA for PPP will scrutinize the proposals and make its recommendations to the High Level Committee, headed by the Chief Minister, for approval. The IDD, as the nodal department for PPP, with support from iDeCK, shall assist the concerned departments in the evaluation of all such projects. The IDD shall also assist the SWA for PPP and HLC in evaluating and deciding upon specific proposals.

40. 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.

41. In order to facilitate financing of project development and implementation in an efficient, sustainable and expeditious manner, GoK would use its "Infrastructure Initiative Fund." IDD would set out the policy and regulatory guidelines and provide the necessary

institutional support for operations and management of the Fund. All fees and charges<sup>4</sup> accruing from project development and investment initiatives of IDD/ concerned Government/ Government Agency, would be credited to the Infrastructure Initiative Fund. GoK would also make contributions to the Fund through budgetary provisions and/or other sources, from time to time, as it may deem appropriate.

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

- Identify critical projects in different sectors that need immediate attention;
- Identify projects where significant benefits of network extension can be exploited for integrated infrastructure development;
- Explore the scope for PPPs in developing new Infrastructure Projects and augmenting existing infrastructure facilities and encourage such participation through appropriate incentives;
- Prepare a shelf of developed projects for posing on a PPP format;
- Mobilize resources through appropriate policy measures to supplement private sector investment, especially in the case of commercially non-viable projects;

Identify and resolve bottlenecks in the

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<sup>4</sup> such as Project development fees, application/tender charges. concession payment, interest charges, guarantee Payments, taxes. cesses etc.

institutional framework that are likely to impede investments and therefore provide a conducive environment for infrastructure development through PSP;

- Facilitate the conversion of approved projects into the implementation phase.

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

44. GoK 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**

45. GoK 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 13 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 GoK 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.

46. 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 22–24 of this document, no incentives and concessions would be available under this Policy.

47. To enhance commercial viability of projects, GoK may allow, wherever necessary, the Concessionaire/ SPV to develop utilitarian services or other socially acceptable commercial activities such as development of hotels/motels, gas stations, or recreational centres etc., on the Infrastructure Project site.

48. 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.

49. 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 Duration and Review of Policy

50. This policy would come into force with effect from the date of issue of Government Order and would be effective till the formulation of a new infrastructure policy.

51. There would be a mid-term review of this Policy 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.

52. The government recognizes 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.

## VI Sectoral Strategies

53. 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.

54. As regards the power sector, the recent policies announced by GoK with respect to privatisation<sup>5</sup> and Restructuring and the Electricity Act 2003 would, *inter-alia*, provide the underlying basis for implementation of the proposed sector development strategy.

55. 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 use the services of iDeCK, which has been assisting several of these departments on various projects and policies in the past, particularly in the PPP domain, to provide the necessary project development and implementation support. For this purpose, IDD would interface with other departments concerned, such as the Public Works Department, Urban Development Department, Energy Department, Commerce & Industries Department, and Department of Information, Tourism & Youth Services, among others, to advise on and co-ordinate identified and new project development activities.

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<sup>5</sup> detailed Policy Statement on Karnataka Power Sector Restructuring and Privatisation Programme: Independent Power Producers Policy 77



## 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 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.

I. Project Development Period		
Risk Description	Assigned to	Risk Mitigation Measure
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
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 & specs.
Political Force Majeure Event (War, invasion, armed conflict or act of foreign enemy, strikes, agitation, blockade, embargo, insurrection, military action, civil commotion)	CA	Agreement typically lays down provisions for extension in time, sharing of costs and payment of compensation by the CA under such events
Damage/Injury to 3rd parties	EPC Contractor / Concessionaire	Insurance generally procured by EPC Contractor with an extension of cross liability
Cost Overrun Risk	EPC Contractor / Concessionaire	Construction cost estimates Independent revalidation of construction costs estimated by EPC Contractor. Fixed time/fixed price contracts. Risk related to cost overrun passed on to the EPC Contractor. Insurance Cover

Risk Description	Assigned to	Risk Mitigation Measure
Project Completion/Time Overrun Risk	EPC Contractor / Concessionaire	Fixed time /fixed price contract with EPC Contractor  Performance Security provided by EPC Contractor, including defects liability period  Retention Money  Equity stake in project SPV
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
Termination Risk	Promoters/ Concessionaire/ Lenders	Termination Compensation Substitution/Step-in Rights to Project lenders
<b>III. Operations Period</b>		
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	O-D surveys ; tolling infrastructure, monitoring systems Independent Auditor

Risk Description	Assigned to	Risk Mitigation Measure
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.
Termination Risk	CA/Concessionaire/ Lenders	Termination Compensation Substitution/ Step-in-Rights to Project Lenders
<b>IV. Financing Risks</b>		
Equity	Sponsors/Investors	Sponsors generally required to maintain in aggregate a minimum shareholding of 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 also be partly or fully borne by CA through appropriate agreements and hedging mechanisms

Risk Description	Assigned to	Risk Mitigation Measure
<b>V. Other Risks</b>		
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"> <li>• Formulation and review of policy measures</li> <li>• General administration of policy measures</li> <li>• Co-ordination between various departments for facilitating project implementation</li> <li>• Performance evaluation</li> </ul>
Infrastructure Development Department, GoK	<ul style="list-style-type: none"> <li>• Co-ordination of policy level initiatives</li> <li>• Part of Single Window Agency (SWA) for PPP for approval of private investment proposals up to Rs. 50 Crore</li> <li>• Part of High-Level Committee (HLC) for Infrastructure Projects over Rs. 50 Crore</li> <li>• Assistance to HLC and SWA for evaluation of all Infrastructure Project proposals to be implemented through PPP</li> <li>• Co-ordination of project development</li> </ul>
High Level Committee	<ul style="list-style-type: none"> <li>• Facilitate and approve PPP projects over Rs. 50 Crore</li> </ul>
Single Window Agency	<ul style="list-style-type: none"> <li>• Facilitate, co-ordinate and scrutinise all PPP projects and approve projects up to Rs.50 Crore.</li> </ul>
PPP Cell & District PPP Committee	<ul style="list-style-type: none"> <li>• Facilitate project identification, development &amp; implementation</li> <li>• Facilitate co-ordination between various departments</li> <li>• Facilitate obtaining clearances and approvals</li> </ul>
iDeCK	<ul style="list-style-type: none"> <li>• Secretariat/ Advisor to IDD/ SWA/ HLC</li> <li>• Co-ordination of policy level initiatives –preparation of sectoral strategies and action plans for successful project implementation</li> </ul>

- Administering training and skill development programmes
- Co-ordination of project development for PPP projects
- Project financing
- Interface between government and private sector/industry

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### **SCHEDULE III –Incentives & Concessions**

The project would be allowed to charge user fees (tolls, port dues etc.) during the concession period.

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 GoI.

Apart from the incentives, concession and support available to the projects, the GoK proposes to offer the following incentives:

#### **A. Facilitation**

- ❖ 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;
- ❖ Facilitation in obtaining clearances and approvals from various agencies
- ❖ Facilitate in obtaining water and power required for the project.

#### **B. Asset-based support**

- ❖ Government land may be provided, subject to availability, at concessional rates.

- ❖ 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 law 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;

- ❖ Develop linkage infrastructure, for projects that need such critical linkages.

#### **C. Foregoing Revenue Streams**

- ❖ Exemption from entry tax and special entry tax arising in the construction of the Infrastructure Project facility for a period of three years or till the date of completion of the project, whichever is earlier. Only machinery, equipments, and construction material would be eligible for this exemption. Further, the limit of exemption would be Rs. 25 Lakhs for machinery and equipment, and Rs. 1 lakh for construction material, or as officially notified by GoK from time to time. Such exemption would be applicable both to the developer of the infrastructure project, or any Person authorized to execute works in the infrastructure project;

- ❖ Concession on stamp duty on transfer of land<sup>6</sup>:
  - i. Zone 1: 100%
  - ii. Zone 2: 50%
  - iii. Zone 3: Nil
- ❖ Concession on conversion fine on land:
  - i. Zone 1: 100%
  - ii. Zone 2: 50%
  - iii. Zone 3: Nil

#### 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

- ❖ 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
- ❖ The Government of Karnataka would also provide additional Viability Gap Fund, over the VGF of the Central Government.

- ❖ 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.

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<sup>6</sup> The zones in this policy shall be identical to that defined in the Industrial Policy (2006) of the Government of Karnataka.

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