

## **Manual 3**

**The Procedure followed in the decision making process, including channels of supervision and accountability**

Gujarat Infrastructure Development Board's mandate is to pave way for fast track implementation of infrastructure projects. GIDB identifies and gets projects prepared, conduct feasibility studies, recommends risk-sharing mechanisms and monitor the progress of the projects.

The Gujarat Infrastructure Development Board approves the feasibility studies to be carried out and recommends the concession agreements across the sectors. The proposals are prepared by respective officials in GIDB, which are placed before the Executive Committee for approval by the Chief Executive. The Executive committee consists of Minister – Industries, Government of Gujarat as Chairman and all the other members including the Chief Secretary and other Secretaries.

On recommendation of the Executive Committee, the proposal is put up before the Gujarat Infrastructure Development Board for approval. Feasibility studies costing Rs. 1.5 crores and above are put up to the Board for approval, while all other proposals like concession agreements etc. are also put up to the Board for final recommendation. The GIDB Board is chaired by the Chief Minister of Gujarat, other Ministers and Secretaries of the Government as director.

Because of long gestation periods of infrastructure projects and the high risk attached with infrastructure projects, developing an infrastructure project is like putting together a jigsaw puzzle. To reduce the consequent uncertainties attached with these projects, the Board has worked out a cycle for their implementation. This, of course, is only a broad framework to bring in better focus.

### Project Life Cycle

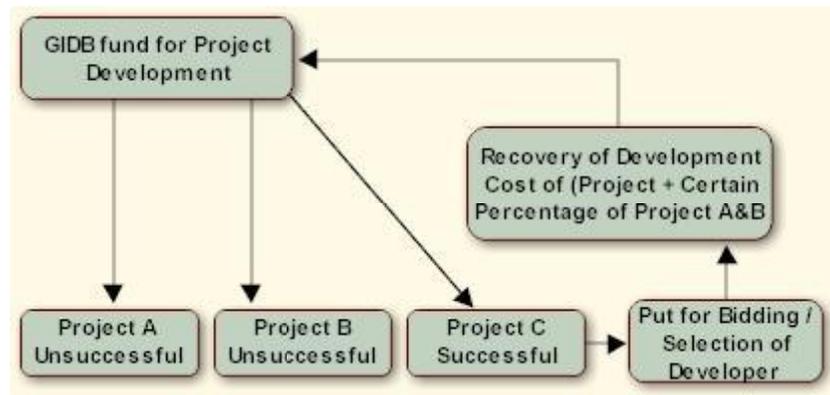


This project cycle is supported by Gujarat Infrastructure development Act – 1999 on Public private partnership and other sector specific laws and policies, which support the stages of the project cycle. The GID Act, the fountainhead of project cycle, establishes procedure for private sector participation.

This first stage of the project cycle is very crucial to successful implementation of any infrastructure project. GIDB had formulated a plan document called “The Gujarat Infrastructure Development Agenda – Vision 2010”. The GIDB took up an extensive planning exercise for various infrastructure sectors.

GIDB has undertaken project preparation exercise. Under this, it supports conduct of pre feasibility studies for various projects that have been identified. If after pre-feasibility study a project is found bankable, it could be offered to the private sector for execution. These studies conducted through reputed consultants. GIDB operates a revolving facility for carrying out pre-feasibility studies. The Government supports this corpus through budgetary grants.

### The structure for revolving fund



A successful Public Private Partnership entails distribution of project risks among the parties involved in its development. This is achieved through the mechanism of “Concession Agreements” which details the risk allocation. The State Government has already come out with such agreements for various sectors such as power, gas, road etc. It is felt that upfront allocation of risk helps the investor in judging the project better and facilitate their decision making. The various types of concession agreements that the State Government can enter in to have also been specified in the GID Act of the State.

The selection of developer is the key to successful execution of a project. Gujarat Infrastructure Development Board provides for a level playing field and transparent mechanism for this. They are:

- International Competitive Bidding
- Challenge Route, Which has a Component of limited competitive Bidding.

### **The procedure under section – 9 of GID Act for International Competitive Bidding**

- A Techno Economic feasibility study is carried out by GIDB/Government department which is approved in GIDB.
- Project is put up for Competitive Bidding by the steering committee/ implementing agency.
- The process followed is as under :
  - Advertise for Pre-qualification Pre-qualify on three areas: legal, financial capability and experience
  - RFP Two-stage bidding process: technical and financial
  - Bid security and performance security required for bidders

On selection of the Developer, the proposal along with the final negotiated Concession agreement is forwarded to GIDB for approval.

- The GIDB Sector official evaluates the proposal and puts up to the Board for recommendation.
- On recommendation of the GIDB Board, the Concession agreement gets formal approval of the Government and is executed by the implementing agency.

### **The procedure under section 10 of GID Act for Challenge Route**

- One can divide the unsolicited proposal process into three stages –
  - (a) acceptance by the procurer (Government) that the project prime facie is of interest,
  - (b) detailed negotiations to arrive at a consensus on the project parameters and documentation which becomes binding on the procurer and the developer, and
  - c) competitive bidding on functional specifications of the project through the Challenge Route.
- At the first stage, the underlying approach is to establish that the project will meet the requirements of the procurer, it can be delivered in a reasonable time-frame and that the project developer will be able to do it.
- In the second stage, having established the need for the project and the suitability of the project/developer, the underlying approach is to firm up the price of the goods/services and the risk structure while at the same time evolve criteria for the competitive bid stage.
- In the third stage, the project is put to Challenge. The pre-qualifying criteria for the competition are the same as that used for assessing the project developer. The Project Agreements are provided as *fait accompli* with clear instructions that none of the agreements would be amended or are subject to any negotiations. The Minimum Functional Specifications are provided against which the potential bidders are allowed to bid.