



GOVERNMENT OF KERALA

Abstract

Kerala Infrastructure Investment Fund Board (KIIFB) – Implementation Procedure for carrying out infrastructure plans –Approval--Orders issued.

FINANCE (INFRASTRUCTURE) DEPARTMENT

G.O.(Ms) No315/2016/Fin.

Dated, Thiruvananthapuram, 08/08/2016

Read: Kerala Infrastructure Investment Fund Act 1999 (Amendment Ordinance 2016)

ORDER

In the Revised Budget Speech of 2016-17, Government has announced several infrastructure investment proposals for financing by Kerala Infrastructure Investment Fund Board (KIIFB). It is found necessary to issue guidelines for ensuring necessary standardisation and efficiency in the preparation, processing and implementation of project proposals of the various Departments, PSUs and other public agencies of the State which have been permitted to avail of funding through KIIFB by Government.

Government are pleased to issue the general guidelines given as annexure hereto for availing the assistance of Kerala Infrastructure Investment Fund Board.

(By Order of the Governor)

Anie Jula Thomas

Joint Secretary (Finance)

To

The Principal Accountant General (A&E), Kerala, Thiruvananthapuram
The Principal Accountant General (G & SSA), Kerala, Thiruvananthapuram
The Accountant General (E & RSA) Kerala, Thiruvananthapuram
The General Administration (SC) Department, *vide item No.....*
The Fund Manager (KIIFB)
The Joint Secretary to Additional Chief Secretary (Finance)
The Nodal Officer (www.finance.kerala.gov.in)
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Forwarded/By Order

Section Officer

ANNEXURE

Guidelines for availing financial resources from KIIFB

I. STAGE-I: Approval of projects for financial resources

Eligible Projects

1. Eligible Projects shall be those projects which are identified in the Annual Budget.
2. **For projects identified in the Budget or Budget Announcements for inclusion under KIIFB financing, the Administrative Department may issue the Administrative Sanction directly without further consultation with Finance Department, as specified below.**
3. Projects which have not been taken up in the Budget may be taken up in only in exceptional cases. In such cases, the Administrative Department may after consultation with the Finance Department and with the approval of the Chief Minister, place such projects for consideration of the Council of Ministers.
4. Eligible projects as defined in the KIIFB (Amendment) Ordinance 2016 shall be of size of at least Rs.100 cr.

An eligible project can be a collection of smaller projects, which shall be not less than Rs.10 cr. in size.

For the purpose of reckoning size of Rs.10 cr., for sectors like Health, Education, Scheduled Castes/Tribes Development a cluster of units can make up a unit of Rs.10 cr.

E.g. The project for converting more than one schools into centres of excellence can be clubbed to make up a unit of Rs.10 cr.

1. Step 1: Options Analysis

Where, as mentioned above, in exceptional circumstances, an Administrative Department proposes a project that has not been included in the budget, it should perform an analysis of all the options available to it in respect of such project. Once the option is identified, there should be a preliminary study i.e., a Pre-Feasibility Study to assess the project.

2. Step 2: Pre-feasibility Study

- a. Pre-feasibility is a study which is not elaborate but normally conducted at the department or sponsor level. This is more of an assessment rather than a scientific detailing. Nonetheless, there should be preliminary assessment of the various financial indicators as well.
- b. A Pre-Feasibility Study should ideally cover the following aspects:
 - a. Technical Pre-feasibility
 - The engineering and technical aspects as envisaged;
 - New technology, if any;
 - Places where it has been implemented;
 - Operational aspects and ease / difficulty of managing the same;
 - Technical and operational risks summary
 - b. Pre-Financial Feasibility
 - Approximate costs of the project;
 - Financial risks in the project;
 - Private sector interest in the project;
 - Identification of socio economic benefits
- c. The pre-feasibility analysis can be conducted by the sponsor themselves or can be done through an outsourced consultant. The department may carry out the evaluation themselves if there is enough data available to conduct it themselves.

3. Step 3: Project Concept Note

- a. The Project Concept Note covers the basics of the project in terms of type of infrastructure and service to be provided. The Project Concept Note is expected to answer some basic questions of the project. It should contain all the departmental information that may be available at that point of time. If a feasibility study is available for the same, then the feasibility report will be an additional input along with the Project Concept Note.
- b. Project Concept Note is a summary of the project that is being initiated by the Government through an SPV, based on inputs from a study conducted (on its own or by a third party). It essentially gives a brief of the project and its boundaries.

- c. For projects which have not been mentioned in the Budget or Budget Announcements, Administrative Department takes this Project Concept Note along with any Pre-Feasibility studies, for seeking in-principle approval of the cabinet for taking up the project.
- d. It is reiterated that for projects mentioned in the Budget or Budget Announcements, the Administrative Department may satisfy itself of the pre-feasibility and issue Administrative Sanction.

4. Step 4: Identification of Special Purpose Vehicle (SPV)

- a. Along with the Project Concept Note, the Administrative Department should identify the Special Purpose Vehicle that will execute the project.
- b. Based on the requirements of the project, the Department shall, either set up a new Special Purpose Vehicle (SPV) or utilise the services of an existing SPV for the purpose of implementing the project. The SPV will plan, appraise, approve, implement, manage, operate, monitor and evaluate the project entrusted to it. The SPV will be headed by a full time CEO and will have nominees of the Government on it.
- c. The execution of projects may be done through joint ventures, subsidiaries, public-private partnership (PPP), turnkey contracts, etc suitably dovetailed with revenue streams.
- d. The SPV will be a limited company incorporated under the Companies Act, 2013 in which the Government, LSGs, PSUs, promoters, etc have suitable equity shareholding. The private sector or financial institutions could be considered for taking equity stake in the SPV.
- e. Complete flexibility shall be given to the SPV to implement and manage the project.
- f. For procurement of goods and services, transparent and fair procedures as prescribed under existing rules shall be followed.

5. Step 5: Administrative Department accords in-principle approval

- a. Once the project note is ready the Administrative Department shall examine and process the same along with a note identifying the Special Purpose Vehicle, for seeking in-principle approval of the Cabinet.
- b. Thereon the Administrative Department shall accord sanction for conducting detailed feasibility study and preparation of the Detailed Project Report (DPR). This approval is the first step towards registration and acknowledgement of the project by KIIFB.

II. STAGE-II: SPV prepares RFP for engaging Consultant where necessary:

1. Once the SPV has been determined and entrusted with the implementation of the project, the SPV may either prepare the Detailed Project Report (DPR) on its own or submit a proposal for obtaining the services of Consultants for the various purposes connected with the project such as Project Consultancy, Planning, Implementation, Procurement, Management and Advisory Services.
2. The RFP shall basically have the following components:
 1. Brief Project Overview
 2. Organization's Background
 3. Project Goals & Target Audience
 4. Sitemap
 5. Scope of Work & Deliverables
 6. Timeline
 7. Technical Requirements
 8. Criteria for Selection
 9. Format & Proposal Timeline
 10. Check List
3. The SPV can also make use of the Standard RFP prepared by KIIFB as a guide for preparing the RFP suited to their specific requirements. The assistance of KIIFB will also be readily available in this regard. A copy of the Standard RFP is attached as ANNEXURE.

III. STAGE III Preparation of Detailed Project Report (DPR) by SPV

1. The SPV may adopt format that is appropriate to the project with the approval of the Secretary of the Administrative Department.
2. However, detailed guidance formats will be issued later under the Scheme to be modified under the KIIFB Act, 1999. [Administrative Department or the designated SPV need not wait for such notification.]

IV. STAGE IV: Assessment of project by KIIFB

The Project Evaluation Team in KIIFB shall examine the DPR and check for the feasibility, financial analysis and relevant details.

V. STAGE VI: Approval of the Project by KIIF Board

The Proposal duly examined by the Project Evaluation Team in KIIFB is placed before the KIIF Board chaired by the Hon'ble Chief Minister. This Board will be the sole authority to accord sanction for financing of the project through the Fund.

VI. STAGE VI: Tender, Contract, Concession Agreement by SPV as are applicable

1. Once the approval of the KIIFB is obtained regarding funding and other procedures regarding implementation of the project, the SPV shall register on the Direct Benefit Transfer (DBT) Portal of KIIFB.
2. Thereafter, the SPV can finalise the tender, Contracts and Concession Agreement and starts implementation.
3. The SPV shall also register the vendors/contractors on the DBT portal for purposes payment. (Detailed guidance will follow.)
4. Payments approved by SPV are released to the bank account of the vendor/contractor from the KIIFB Bank Account. (To avoid delay involved in borrowing project specific funds, initial payments can be met from the corpus of KIIFB).

VII. STAGE VII: Review of Implementation of the Project

1. The Executive Committee of KIIFB chaired by Minister (Finance) will periodically review the progress of the project and oversee the release of funds.
2. The Executive Committee may appoint an Inspection Authority to examine the utilisation of funds.