

## **Guidelines for funding under Sagarmala Programme**

### **1. Background**

1.1. The Sagarmala Programme was launched with the approval of the Union Cabinet on 25<sup>th</sup> March 2015, with a view to achieve the broad objective of promoting port-led development in India. The objectives of the programme are port modernization & new port development, port connectivity enhancement, port-led industrialization and coastal community development. As part of the programme, a National Perspective Plan, April 2016 (NPP) has been prepared for the comprehensive development of the coastline and maritime sector.

1.2. As part of the Sagarmala Programme, more than 300 projects have been identified in the National Perspective Plan in the 4 focus areas and more projects can be considered during the course of the programme.

### **2. Implementation of projects under Sagarmala**

2.1. As per the concept approved by the Cabinet, implementation of the projects shall be done by the Central Line Ministries, State Governments / State Maritime Boards and SPVs which may be set up at the State-level or port-level.

2.2. At the Central level, the Sagarmala Development Company Limited (SDCL) has been set up under the Companies Act, 2013 to assist the State level/zone level Special Purpose Vehicles (SPVs), as well as SPVs to be set up by the ports, with equity support for implementation of projects under Sagarmala to be undertaken by them. The formation of SDCL was approved by the Cabinet on 20<sup>th</sup> July 2016 and was incorporated on 31<sup>st</sup> August 2016. It may be clarified that the implementation of the projects shall be done by the Central Line Ministries, State Governments / State Maritime Boards and SPVs and the SDCL will provide a funding window and/or take up only those residual projects that cannot be funded by any other means / mode. The SDCL will primarily provide equity support to the State-level or port-level SPV. All efforts would be made to implement these projects through the private sector and through the Public Private Participation (PPP) wherever feasible. The established guidelines and modality of appraisal and sanction of PPP projects shall be followed.

2.3. Projects in which SDCL will take an equity stake, are expected to start giving returns only after 5-6 years. Therefore, SDCL will be supported during initial 5-6 years through budgetary allocation of Ministry of Shipping. SDCL will also be raising funds as debt / equity (as long term capital) from multi-lateral and bilateral funding agencies, as per the requirements, in consultation with Department of Economic Affairs. The SPVs in which SDCL will invest may start giving dividend once they become profitable and will constitute a revenue stream. The expenses incurred for project development will be treated as part of the equity contribution of SDCL. In case SDCL is not taking any stake or the expenses incurred are more than the stake of SDCL, then it will be defrayed by the SPV to SDCL. SDCL may, in future, want to divest its investment in any particular SPV to recoup its capital for future projects.

2.4. At the State level, the State Maritime Boards / State Port Departments shall service the State Sagarmala Committees and also be, inter alia responsible for coordination and implementation of individual projects, including through SPVs (as may be necessary) and oversight. The State Governments / SMBs shall implement such identified projects either from their own budgets or through SPVs wherein the SDCL may provide equity support, as may be required and necessary.

2.5. The preparation of DPRs of specific projects and subsequent action regarding their appraisal and sanction can be done by the relevant Central Line Ministries and State Governments and other agencies, where they are project proponents. For the other projects, SDCL may get the DPRs prepared and take further action to get them implemented.

2.6. Funds will be sought for the implementation of residual projects from time to time in the budgets of the respective ministries / departments which will be implementing the projects. The Ministries / State Governments / Maritime Boards shall implement such identified either from their own budgets or through SPVs wherein the SDCL may provide equity support, as may be required and necessary.

### **3. Selection of projects for funding under Sagarmala**

3.1. Projects which are aligned to the objectives of Sagarmala Programme (port modernization & efficiency improvement, ports connectivity enhancement, port-led industrialization and coastal community development) will be considered.

3.2. Project proponent would be required to provide project document (Detailed Paper/DPR) with financial analysis duly approved by the competent appraising and administrative authorities. Generic structure of a Detailed Paper / Detailed Project Report is given at **Annexure I**. Appraisal of project should have inbuilt Business Model, Revenue Generation, Market Scenario for project viability etc.

3.3. Residual projects for which SPV is formed / proposed to be formed will be considered and preference shall be given to those projects:

- i. which are innovative, synergistic in nature aligned with the objectives of Sagarmala Programme.
- ii. where land is being contributed by project proponent

3.4. It is clarified that Operations & Maintenance (O & M) cost for the projects will not be covered under Sagarmala Programme.

### **4. Appraisal and approval of projects for funding under Sagarmala**

4.1. Projects considered for funding (other than equity support) under Sagarmala Programme's budget shall be appraised and approved under the extant instructions and guidelines of the Ministry of Finance. The format for appraisal is placed at **Annexure II**.

i. Road and rail connectivity projects, already appraised and approved by the Ministry of Road Transport & Highways and Ministry of Railways respectively, will be considered as appraised projects. A representative of Ministry of Shipping could be a member of the project appraisal committee, set up by the relevant Ministries.

4.2. Projects considered for equity support under Sagarmala and to be financed by SDCL, will be independently appraised and approved by SDCL as per its procedure.

### **5. Project funding mechanism under Sagarmala**

5.1. Projects considered for funding under Sagarmala Programme will either be provided equity support (SPV route) from SDCL or funded (other than equity support) from the budget of Ministry of Shipping. Port projects will be primarily funded through the SPV route.

5.2. Once the project is funded under Sagarmala after due appraisal and approval, to the extent and limits prescribed under the guidelines, fund shall be released once all the clearances are in place.

5.3. No other guarantees will be provided to the projects considered for funding under Sagarmala Programme.

#### **Funding (other than equity support) from budget of Ministry of Shipping**

5.4. The fund contribution from Sagarmala Programme (from the budget of Ministry of Shipping) in any project will be limited to 50 per cent of project cost as per DPR or tendered cost, whichever is lesser. 50 per cent is the cap of assistance from all sources/schemes of Government of India and will be provided in three tranches based on project milestones. In case of UTs, where no other sources of funding are available, the limit of 50 per cent could be relaxed.

5.5. The fund released for a project being implemented in convergence mode with the schemes of other Central Line Ministries will not be higher than the approved ceiling of financial assistance under the concerned Central Sector Scheme (CSS).

5.6. Projects having high social impact but with no return or low Internal Rate of Return (IRR) (e.g. fishing harbour projects, coastal community skill development projects, coastal tourism infrastructure projects etc.) may be provided funding, in convergence with the schemes of other Central Line Ministries, for implementation under EPC mode.

5.7. As mentioned in Para 2.6, funds will also be sought for the implementation of residual projects from time to time in the budgets of the respective ministries / departments which will be implementing the projects. All efforts would be made to implement those projects through the private sector and through Public Private Participation (PPP) wherever feasible.

### **Equity Support**

5.8. The equity contribution from SDCL, in any project SPV, will be decided based on the project equity as per its DPR and will generally not exceed 49 per cent of the project equity. In this regard, the recommendations made in Para 6.2.9 of the report of the Committee on Revisiting and Revitalising Public Private Partnership Model of Infrastructure (**Annexure III**), may also be kept in view.

5.9. SDCL can take equity contribution in existing or newly incorporated SPVs formed by State Governments/Maritime Boards/Ports etc. provided that these SPVs have projects which are ready for implementation.

5.10. SDCL can take equity in an existing or newly incorporated umbrella SPVs formed by State Governments/Maritime Boards/Ports etc. provided the same has been duly approved by the competent authority. SDCL's participation in the umbrella SPV would not restrain SDCL from taking part in any other project SPV created by the same State Governments/ Maritime Boards/Ports.

5.11. SDCL shall take only token equity to initiate/assist the process of project development in those SPVs which are scouting for projects or having projects under development stage only.

5.12. At an umbrella SPV level, it will always be difficult to ascertain the revenue flow from a particular project; therefore separate accounting for each project would be an important clause in the SPV contract document.

### **6. Monitoring and evaluation of projects funded under Sagarmala**

6.1. Projects which are provided equity support (SPV route) by SDCL will be monitored by the SPVs as well as SDCL and Ministry of Shipping through an appropriate monitoring and evaluation mechanism.

6.2. For projects which are provided funding (other than equity support)

i. The fund recipients / project proponents will submit monthly progress report (physical and financial) of projects as per the electronic format / MIS prescribed by SDCL. SDCL along with the fund recipients / project proponents will monitor the progress of projects based on the same.

ii. The fund recipients / project proponents will submit the utilization certificate for the fund released in the previous tranche for claiming release of subsequent instalments / tranches. Wherever possible, the fund recipients / project proponents will submit a completion certificate, issued by an independent 3<sup>rd</sup> party agency, along with the final utilization certificate to claim the final tranche of fund. The 3<sup>rd</sup> party agency is to be appointed by the Ministry of Shipping from the approved panel maintained by IPA for this purpose. The cost of appointing and functioning of the 3<sup>rd</sup> party agency will be borne by the Ministry of Shipping.

iii. The fund recipients / project proponents will maintain financial records, supporting documents, statistical records and all other records, to support performance of the project.

### **7. Other points related to the guidelines**

7.1. These guidelines will be effective from the date of issue and are applicable to all projects considered for funding under Sagarmala Programme.

7.2. All projects receiving funding support from Sagarmala Programme must display Sagarmala logo prominently in the site locations and acknowledge that the project is developed under Sagarmala, in all the project related documents and branding material.

7.3. If any doubt / clarification arises in the implementation of these guidelines, the decision of Ministry of Shipping shall be final and binding.

GENERIC STRUCTURE OF A DETAILED PAPER/DETAILED PROJECT REPORT

- (i) Context/Background:** This section should provide a brief description of the sector/sub-sector as well as the national strategy and policy framework. This section should also provide a general description of the scheme/project being posed for appraisal.
- (ii) Problems to be addressed:** This section should elaborate the problem to be addressed through the project/scheme at the local/regional/national level. Evidence regarding the nature and magnitude of the problems should be presented, supported by baseline data/survey/ reports etc.
- (iii) Aims and Objectives:** This section should indicate the development objectives proposed to be achieved, ranked in order of importance. The outputs/deliverables expected for each development objective should be spelt out clearly.
- (iv) Strategy:** This section should present an analysis of alternative strategies available to achieve the development objectives. Reasons for selecting the proposed strategy should be brought out. Basis for prioritization of locations should be indicated (wherever relevant). Opportunities for leveraging government funds through public-private partnership or savings through outsourcing must be explored. This section should also provide a description of the ongoing initiatives, and the manner in which duplication can be avoided and synergy created with the proposed scheme/project.
- (v) Target Beneficiaries:** There should be clear identification of target beneficiaries. Stakeholder analysis should be undertaken, including consultation with stakeholders at the time of scheme/project formulation. Options regarding cost sharing and beneficiary participation should be explored and incorporated in the project. Impact of the project on weaker sections of society, positive or negative, should be assessed and remedial steps suggested in case of any adverse impact.
- (vi) Legal Framework:** This section should present the legal framework, if relevant, within which the scheme/project will be implemented, as well as the strengths and weaknesses of the legal framework in so far as it impacts on achievement of stated objectives.
- (vii) Environmental Impact:** Environmental Impact Assessment should be undertaken, wherever required, and measures identified to mitigate the adverse impact, if any. Issues relating to land acquisition, diversion of forest land, wildlife clearances, rehabilitation and resettlement should be addressed in this section.
- (viii) Technology:** This section should elaborate on the technology choices, if any; evaluation of the technology options, as well as the basis for choice of technology for the proposed project.

**(ix) Management:** Responsibilities of different agencies for project management or scheme implementation should be elaborated. The organization structure at various levels, human resource requirements, as well as monitoring arrangements should be clearly spelt out.

**(x) Finance:** This section should focus on the cost estimates, budget for the scheme/project, means of financing and phasing of expenditure. Options for cost sharing and cost recovery (user charges) should be explored. Infrastructure projects may be assessed on the basis of the cost and tenor of the debt. Issues relating to project sustainability, including stakeholder commitment, operation-maintenance of assets after project completion and other related issues should also be addressed in this section.

**(xi) Time Frame:** This section should indicate the proposed zero date for commencement and also provide a PERT/CPM chart, wherever relevant.

**(xii) Cost Benefit Analysis:** Financial and economic cost-benefit analysis of the project should be undertaken wherever such returns are quantifiable. Such an analysis should generally be possible for infrastructure projects, but may not always be feasible for public goods and social sector projects. Even in the case of latter, the project should be taken up for appraisal before the PIB and some measurable outcomes/deliverables suitably defined.

**(xiii) Risk Analysis:** This section should focus on identification and assessment of implementation risks and how these are proposed to be mitigated. Risk analysis could include legal/contractual risks, environmental risks, revenue risks, project management risks, regulatory risks, etc.

**(xiv) Outcomes:** Success criteria to assess whether the development objectives have been achieved should be spelt out in measurable terms. Base-line data should be available against which success of the project will be assessed at the end of the project (impact assessment). Similarly, it is essential that base-line surveys be undertaken in case of large, beneficiary-oriented schemes. Success criterion for scheme deliverables/outcomes should also be specified in measurable terms to assess achievement against proximate goals.

**(xv) Evaluation:** Evaluation arrangements for the scheme/project, whether concurrent, mid-term or post-project should be clearly spelt out. It may be noted that continuation of schemes from one period to another will not be permissible without a third-party evaluation.

Last but not the least, a self-contained **Executive Summary** should be placed at the beginning of the document. *In cases where only a Concept Paper or Feasibility Report is attached to the EFC/PIB proposal, it should cover the main points mentioned in the generic structure above.*

## Format for Appraisal of Projects

### 1. Project Outline

- 1.1. Title of the Project
- 1.2. Sponsoring Agency (Ministry / Department / Autonomous Body or Undertaking)
- 1.3. Proposed Cost of the Project
- 1.4. Proposed Timelines for the Project
- 1.5. Whether Project will be implemented as part of a scheme or on stand-alone basis?
- 1.6. Whether financial resources required for the Project have been tied up? If yes, details?
- 1.7. Whether Feasibility Report and/or Detailed Project Report has been prepared?
- 1.8. Whether the proposal is an Original Cost Estimate or a Revised Cost Estimate?
- 1.9. Whether any land acquisition or pre-investment activity was undertaken or is contemplated for this Project? Whether the cost of such intervention has been included in the Project Proposal?

### 2. Outcomes and Deliverables

- 2.1. Stated aims and objectives of the Project
- 2.2. Indicate year-wise outputs / deliverables for the project in a tabular form.

Activities	Year 1		Year 2 & so on			
	Physical	Financial	Physical	Financial	Physical	Financial

- 2.3. Indicate final outcomes for the project in the form of measurable indicators which can be used for impact assessment / evaluation after the project is complete. Baseline data or survey against which such outcomes would be benchmarked should also be mentioned.

### 3. Project Cost

- 3.1. Cost estimates for the project along with schedule duration (both year and activity-wise). Also the basis for these cost estimates along with the reference dates for normative costing (it should preferably not be more than a year old)
- 3.2. In case land is to be acquired, the details of land cost, including cost of rehabilitation / resettlement needs to be provided.
- 3.3. In case pre-investment activities are required, how much is proposed to be spent on these, with details activity-wise?
- 3.4. Whether price escalation during the project time cycle has been included in the cost estimates and at what rates?
- 3.5. Whether the Project involves any foreign exchange element, the provision made or likely impact of exchange rate risks?

#### 4. Project Finance

- 4.1. Indicate the sources of project finance: budgetary support, internal and extra-budgetary sources, external aid, etc.
- 4.2. Indicate the cost components, if any, that will be shared by the State Governments, local bodies, user beneficiaries or private parties?
- 4.3. In case of funding from internal and extra-budgetary resources, availability of internal resources may be supported by projections and their deployment on other projects?
- 4.4. Please indicate funding tie-ups for the loan components, if any, both domestic and foreign, along with terms and conditions of loan based on consent/comfort letters.
- 4.5. If government support/loan is intended, it may be indicated whether such funds have been tied up?
- 4.6. Please provide the leveraging details, including debt-equity and interest coverage ratios, along with justification for the same.
- 4.7. Mention the legacy arrangements after the project is complete, in particular, arrangements for the maintenance and upkeep of assets that will be created?

#### 5. Project Viability

- 5.1. For projects which have identifiable stream of financial returns, the financial internal rate of return may be calculated.
- 5.2. In case of projects with identifiable economic returns, the economic rate of return may be calculated. In such cases project viability will be determined by taking both financial and economic returns together.
- 5.3. In case of proposals where both financial and economic returns are not readily quantifiable, the measurable benefits/outcomes simply may be indicated.

#### 6. Approvals and Clearances

Requirement of mandatory approvals / clearances of various local, state and national bodies and their availability may be indicated in a tabular form (land acquisition, environment, forestry, wildlife etc.). In case land id required, it may be clearly mentioned whether the land is in the possession of the agency free from encumbrances or encroached or stuck in legal resources?

	Approvals / Clearances	Agency concerned	Availability (Y/N)

#### 7. Human Resources

- 7.1. Indicate the administrative structure for implementing the project. Usually creation of new structures, entities etc. should be avoided
- 7.2. Manpower requirement, if any and posts (permanent or temporary) that are intended to be created.
- 7.3. In case outsourcing of services or hiring of consultants is intended, brief details of the same may be provided.

## **8. Monitoring and Evaluation**

- 8.1. Indicate the Project Management / Implementing Agency(s). What agency charges are payable, if any?
- 8.2. Mode of implementation of individual works: Department/Item-rate/Turnkey/EPC/ Public Private Partnership etc.
- 8.3. Please indicate timelines of activities in PERT/Bar Chart along with critical milestones.
- 8.4. Please indicate the monitoring framework, including MIS, and the arrangements for internal/statutory audit.
- 8.5. Please indicate what arrangements have been made for impact assessment after project is complete.



Para 6.2.9 of the report of the Committee on Revisiting and Revitalising Public Private Partnership Model of Infrastructure:

*"The DEA may issue guidance material on Government participation in JV-SPVs that implement PPP projects. In general, such participation may be discouraged, save for well articulated strategic reasons so as to enable independence in functioning of the company to gain from private sector efficiencies while being at arm's length from the government. It would also avoid the possibilities of conflict of interest for government officials. Where it is felt that active involvement of government is absolutely essential for clearly defined strategic reasons, it may be restricted to minority participation with limited liability for government officials on the board of the SPVs. The decision for such participation may be taken at a sufficiently high level and in no case at a level lower than secretary to government in case of central sector projects and principal secretary to government for state projects"*