

## **Infrastructure Policy**

**GOVERNMENT OF ANDHRA PRADESH  
ABSTRACT  
Andhra Pradesh Infrastructure Policy - Approved.  
General Administration (Coordination) Department**

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**G.O.Ms.No.427**

**Dated:18.12.2000**

### **Read the following:-**

1. G.O.Ms.No.44, Finance & Planning (Plg.XX)Dept. Dated 14-06-2000
- 2.G.O.Ms.No.47,Finance&Planning (Plg.XX)Department,Dated:20-7-2000.

### **ORDER:**

1.Government of Andhra Pradesh have decided to undertake Mega Infrastructure Projects in the State to attract Industries and for the overall development of the State. As a first step taken to accelerate the sanction and implementation of the Projects in a transparent manner, the Government in the G.O.first read above, has constituted a High Level Task Force and identified 31 Mega Infrastructure Projects for immediate implementation with Private Sector Participation.

2. The Government in the G.O. second read above, appointed a Consultant, M/s.Crisil Advisory Services(CAS), a Division of Credit Rating Information Services of India Limited (CRISIL), Mumbai, who have a wide range of expertise in developing Mega Infrastructure Projects including private sector participation, to help the Task Force in conceptualizing and implementing the 31 Mega Infrastructure Projects.

3. The Andhra Pradesh Infrastructure Policy (The Policy) provides guidelines for attracting and facilitating private investments in infrastructure through:

(i) Empowering the Task Force set up to address issues relating to all infrastructure project.

(ii) A speedy and transparent selection mechanism

(iii) Adequate administrative support and reduction in procedural delays

(iv) A bankable risk sharing mechanism.

4. The Policy would apply to all infrastructure projects implemented with Private Public Partnership (PPP) and requiring Government support.

5. The Policy envisages the need for a special legislation called Infrastructure Development Act (IDA), which would be supported by a set of rules, guidelines and sectoral policies. The IDA would constitute a special Infrastructure Promotion Authority (IPA) having quasi-judicial functions, while the Task Force would undertake the executive functions outlined in the IDA.

6. The infrastructure sectors covered by the policy are as follows:

(i) Power Generation. Transmission and Distribution Projects.

(ii) Roads (Government Highways, Major District Roads, Other District Roads & Village Roads), Bridges and Bypasses.

(iii) Minor Ports and Harbours

(iv) Airports and Heliports

(v) Gas and Gas Works

vi) Inland Container Depots and Logistics Hubs

(vii) Health

(viii) Information Technology and Telecommunications.

(ix) Land Reclamation

(x) Canals, Dams

(xi) Industrial/Knowledge Parks and Townships

(xii) Waste Management

(xiii) Sewerage, Drainage

(xiv) Inland Water Transport

(xv) Tourism

(xvi) Education

(xvii) Public Markets

(xviii) Gas and Gas works

(xix) Trade Fair, Convention, Exhibition and Cultural Centres

(xx) Water Supply, Treatment and Distribution

(xxi) Metro Railroads and other Urban Transport Systems.

7. In addition to the above, other sectors would be added to the ambit of the policy as and when required.

8. In order to provide cross-sectoral perspective to infrastructure development and co-ordinate between the various Government Departments and implementing agencies, the high-level Task Force chaired by the Chief Secretary constituted in the G.O. first read above would extend to all infrastructure projects undertaken through PPP in the State. Apart from functions of the Task Force referred to the executive functions of the Task Force would be as follows:

(i) Conceptualize new projects

(ii) Identify inter-sectoral linkages

(iii) Provide enablers for privatisation

(iv) Vet consultant TORs and selection process.

(v) Decide form and extent of Government support

(vi) Resolve process-related issues

(vii) De-bottleneck the project development process

(viii) Decide issues pertaining to user levies

(ix) Prepare model contracts

(x) Prescribe timelines for clearances and denial conditions

(xi) Issue rules and guidelines

(xii) Build public opinion

9. Different approaches will be allowed for pursuing projects depending on whether the developer or the Government Department/Agency initiates the project. Inherent project characteristics would also be important. However, at all times, transparency and fairness of the process shall be paramount.

10. The Government may directly negotiate with developers for implementing:

a) Projects where the project has been initiated by the developer and:

(i) Minimal administrative support is envisaged, AND

(ii) Only State level clearances are necessary, AND

(iii) No Fiscal incentives are required, AND

(iv) Project is viable even when land is granted at market rates, and

(v) No exclusive right is conferred on the developer AND

(vi) Minimal inter-linkages are required

OR, Where

b) Projects involve proprietary technology/franchises, which is available with only one developer.

11. The Swiss Challenge Approach would be followed in projects where the project is initiated by a potential developer (Suo-Moto Proposal) AND it:

(i) Requires extensive administrative and asset support from the Government,

OR

(ii) Requires Central and extensive State level clearances, OR

(iii) Requires Fiscal incentives, OR

(iv) Where land is granted at concessional rates, OR

(v) Where exclusive rights are accorded to the project developer, OR

(vi) Where Extensive linkages are needed.

12. In Swiss Challenge, the Government would invite competitive offers to the Suo-Moto Proposal from other developers. The Government of Andhra Pradesh would then provide the original developer an opportunity to match or improve upon the competing offer in a stipulated timeframe. If he does so the project would be awarded to the Developer offering the Suo-moto Proposal, else it is awarded to the developer who has submitted the superior offer.

13. For all other projects, the Government would use competitive bidding for developer selection.

14. In case of limited bids, the Task Force will have the authority to:

(i) Negotiate with the developer to ensure that the offer is fair and

(ii) Recommend that all subsequent procurement for the project is undertaken through competitive bidding or

(iii) Reject the offer

15. For developer selection in BOOT, BOT, BOO and other similar projects, the Government shall use one or more of the following criteria:

(i) Lowest bid in terms of the present value of user fees

(ii) Highest revenue share to the Government

(iii) Highest up-front fee

(iv) Shortest concession period

(v) Lowest present value of the subsidy

(vi) Highest investment levels or proposed capacity creation

(vii) Lowest capital cost and operation & Maintenance (O & M) cost for projects having a definite scope.

(viii) Highest equity premium

(ix) Lowest quantum of Government Support solicited.

16. For projects under Build Transfer, Build Lease Transfer (BLT) and Build Transfer Lease (BTL), the selection criteria will be based on the lowest NPV (Net Present Value) of payments from the Government.

17. The Task Force may approve any other selection criteria found suitable.

18. The Government will offer support on externalities, which would lead to the timely execution of projects. However, the Government does not intend offering direct financial support to infrastructure projects.

19. The Government will offer the following support under 3 categories to all the projects covered under this policy, viz.

i) Administrative Support, wherein

1. State-level statutory clearances will be enumerated and provided within prescribed time limits.

2. Non-Statutory State level clearances will be automatically granted if project meets required specifications.

3. Government will provide Best-effort support for all central level clearances

4. Department will undertake all Rehabilitation & Resettlement (R&B) activities and recover the cost from Developer.

ii) Asset Based Support, wherein:

1. Government owned land may be provided at concessional cost for projects in which ownership would revert to the Government

2. If Government land is not available and where it is not possible for private investors to obtain land for the project on their own, Andhra Pradesh Industrial Infrastructure Corporation Ltd. would acquire the land required for the project, charging concessional administrative expenses.

3. Government will facilitate development of linkage infrastructure for projects.

iii) Foregoing of Revenue Streams, wherein the Government will :

1. Exempt all inputs required during the construction period from Sales Tax.

2. Exempt the first Sale / Transfer from payment of Stamp duty and Registration Charges.

3. Exempt payment of Seigniorage Fees and Cess on minor minerals during construction of the project.

20. Other specific incentives for each sector will be provided in the sector specific policies.

21. The Government recognises that each project would have its own intricacies and other specific concessions/ incentives would be required to make the project viable. Thus, the Government will on a case-to-case basis grant concessions not provided in this Policy.

22. The investor would also be allowed to charge user levies during the concession period.

23. For projects involving investment of more than Rs.5,000 million the Government may consider granting further concessions/incentives, which are directly related to the project, based on the merits of each case.

24. Project bankability has suffered primarily due to lack of unprejudiced risk sharing and not on account of projects being financially unviable. Un-prejudiced risk sharing would only occur when all risk elements are identified and allocated to those best equipped to deal with the same. The Government recognizes the following as important risk issues and will ensure that the same will be adequately addressed in the concession agreement..

- (i) Right over Assets
- (ii) Competition Policy
- (iii) Expansion / Upgradation of Facility
- (iv) Change in Law
- (v) Force Majeure
- (vi) Licensor and Licensee Events of Default
- (vii) Insurance
- (viii) Indemnities

25. In addition to the above, in order to mitigation risks perceived by the lenders, the Government will provide :

- 1. Mortgage of lease hold rights
- 2. Step-in Heights/ Right of Substitution to Lenders

26. However, to safeguard the interest of the Government, the developer will be required to provide.

- 1. Assignment of Insurance proceeds to the Government after meeting lenders charge.
- 2. Protection in case of breach of License provisions.
- 3. Indemnity to Government against flaws in :
  - a. Design
  - b. Engineering and Construction
  - c. O & M.

27. This order issues with the concurrence of Finance and Planning (Fin.Wing) Department vide their U.O.No7686/PFS/100 dated 15.12.2000.

**(BY ORDER AND IN THE NAME OF GOVERNOR OF ANDHRA PRADESH)**

**P.V.RAO**  
**CHIEF SECRETARY TO GOVERNMENT**

To

1. Finance and Planning (Fin.Wing) Department
2. Industries & Commerce Department
3. Youth, Advancement, Tourism & Culture Department
4. Finance & Planning (Plg.Wing) Department
5. Irrigation & Command Area Development Department
6. Transport, Roads & Buildings Department
7. Revenue Department
8. Environment, Forest Science .& Technology Department
9. Municipal Administration & urban Development Department
10. Information Technology & Communications Department

Copy to :

1. Law Dept.
  2. P.S. to Chief Minister
  3. P.S. to Chief Secretary.
  4. P.S. to Secretary (Coord.)
- SF/SC.

**//FORWARDED - BY ORDER//**  
**SECTION OFFICER**