

বাংলাদেশ



গেজেট

অতিরিক্ত সংখ্যা
কর্তৃপক্ষ কর্তৃক প্রকাশিত

রবিবার, সেপ্টেম্বর ৯, ২০১২

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নং ০৭.০০.০০০০.১৪৬.০১.০০১.১১.৬১—গণপ্রজাতন্ত্রী বাংলাদেশ সরকার দেশের অর্থনৈতিক উন্নতি ত্বরান্বিত করার লক্ষ্যে সরকারি-বেসরকারি অংশীদারিত্ব (পিপিপি) উদ্যোগ বাস্তবায়নের জন্য ইতোমধ্যে জারীকৃত Policy and Strategy for Public Private Partnership (PPP), 2010 এর সংস্থান মোতাবেক পিপিপির আওতায় গৃহীত প্রকল্পসমূহের মধ্যে যে সকল প্রকল্প অর্থনৈতিকভাবে সম্ভাবনাময় কিন্তু বাণিজ্যিক/আর্থিক বিবেচনায় সম্ভাবনাময় নয় সে সকল প্রকল্প বেসরকারি বিনিয়োগকারী ও অবকাঠামো/সেবা ব্যবহারকারী/জনগণের নিকট গ্রহণযোগ্য করে তোলার জন্য সরকারের তরফ হতে বিশেষ আর্থিক/অনুদান সহায়তা প্রদানের নিমিত্ত এতদ্বারা Guideline for Viability Gap Financing (VGF) for Public-Private Partnership (PPP) Projects, 2012 জারী করিল।

২। ইহা জনস্বার্থে জারী করা হইল এবং অবিলম্বে কার্যকর হইবে।

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Guideline for

Viability Gap Financing (VGF) for Public-Private Partnership (PPP) Project

1. Introduction

1.1 The Government has notified the Policy and Strategy for Public-Private Partnership (PPP), 2010 to undertake various projects related to infrastructure as well as public service delivery through Public-Private Partnerships (PPP).

1.2 In accordance with the policy objectives, the Government of Bangladesh has decided to subsidize economically viable PPP Projects that will not be financially viable if they are constrained to charge affordable user tariffs or utility payments. The Government will make such PPP Projects financially viable by providing a budget line. This budget line shall be known as the Viability Gap Financing (VGF).

1.3 This Guideline sets the criteria for eligibility to receive VGF, the procedure for submission, appraisal, approval, disbursement and monitoring the Viability Gap Financing.

2. Rationale

2.1 The Viability Gap Financing (VGF) is meant for projects where financial viability is not ensured but their economic and social viability is high. VGF could be in the form of capital grant or annuity payment or in both forms.

2.2 VGF in the form of capital grant shall be disbursed during the construction phase of the PPP Project only after the private sector company has subscribed and expended the equity contribution required for the project.

2.3 VGF in the form of annuity shall be disbursed on a periodic basis (i. e. monthly, quarterly, half yearly, yearly etc) during the period wherein the private sector company provides service under the PPP Project after the commencement of operation.

3. Objectives

The intention of viability Gap Financing is to make the commercially nonviable infrastructure projects attractive to private investor through PPP arrangement and to undertake the project more effectively under the close supervision of the government. The VGF concept has been evolved to achieve the following objectives in implementing PPP projects :

(a) To attract more private investment in the country's infrastructure development through the provision of capital grant and or annuity;

(b) To enable the government to bring in more projects contributing a portion of costs of individual projects and maximize the use of private capital for building infrastructure in Bangladesh;

(c) To make the project bankable, Financial Institutions get comfort with VGF (Capital grant) along with equity drawdown at the front end of project construction.

4. Definition and terms

Unless otherwise stated, the terms used in this Guideline shall have the following meaning :

Cabinet Committee on Economic Affairs (CCEA) means the Committee established by the Government under Rule 18 of the Rules of Business, 1996.

Competitive Tendering Process or CTP means the process whereby a private party is granted the right to undertake a PPP project, and which involves transparent and open competition among at least two unrelated tenderers.

Financial Close means the point at which commercial and financial contracts have been signed and conditions precedent to the first debt drawdown has been fulfilled;

Lead Financial Institution means the financial institution (FI) that is funding the PPP project, and in case there is a consortium of FIs, the FI designated as such by the consortium;

Private Sector Company means a company in which 51% or more of the subscribed and paid up equity is owned and controlled by a private entity;

Project Term means the duration of the contract or concession agreement for the PPP project;

Tariff means a Taka amount charged to service users or consumers per unit of service provided;

Total Estimated Cost means the Capital Expenditures as determined through Detailed Feasibility Study; and

Viability Gap Financing means a grant one-time or deferred, provided under this Guideline with the objective of making a project financially viable.

5. Applicability

Viability Gap Financing (VGF) will be applicable to only :

- a. Build-Operate-Transfer (BOT) project;

- b. The total viability gap financing in the form of capital grant shall not exceed thirty percent (30%) of the total estimated project cost;
- c. The amount of VGF shall be equivalent to the lowest offer in the competitive tender for capital subsidy or annuity, subject to the fulfillment of all other parameters of the Tender.

6. Eligibility

In order to be eligible for financing under this guideline a PPP Project shall meet the following criteria :

- a. The project shall be implemented i.e. developed, financed, constructed, maintained and operated for the concession period by a Private Sector Company to be selected through a Competitive Tendering Process;
- b. The Economic Rate of Return (ERR) of the project shall meet the threshold level as specified by the PPP Unit, Finance Division from time to time;
- c. The PPP Project should be from the sector as stipulated in the Policy and strategy for PPP, 2010;
- d. The project should provide a service against payment of a predetermined tariff or user charge.

7. VGF Entitlement Priorities

Proposal submitted under this Guideline are mainly prioritized based on Economic Rate of Return (ERR) of the projects. The project with higher ERR will get higher priority. If the accumulated VGF need in a year exceeds the VGF budget, the dropout projects will have to apply the year thereafter. The fund disbursement is mainly based on best come best serve basis.

8. VGF Management

The VGF shall be managed and administered by the Finance Division, Ministry of Finance through its designated PPP Unit.

9. VGF Approval Process

Finance Division through its PPP Unit will manage and disburse the VGF upon request made by the line Ministry through the office for PPP. Detailed Feasibility Study (DFS) is the pre-requisite for availing VGF for any BOT project. Economic Rate of Return (ERR) will be determined through conducting DFS.

However, the following steps shall be followed in order to finalize the decision on VGF financing and make disbursement of VGF against a PPP Project :

(a) Implementing Agency proceed to the next phase with the project that has received In-Principle approval to conduct Detailed Feasibility Study (DFS). The objective of DFS is to develop a feasible, bankable, and affordable PPP project structure and estimate VGF required if any. If requirement of VGF is identified the Line Ministry submit the case to PPP Office in the prescribed format. The concerned Implementing Agency should certify, with reasons:

- i) that the tariff/user charge cannot be increased to eliminate or reduce the viability gap of the PPP;
- ii) that the Project Term cannot be increased for reducing the viability gap; and
- iii) that the capital costs are reasonable and based on the standards and specifications normally applicable to such projects and that the capital costs cannot be further restricted for reducing the viability gap.

(b) PPP Office reviews the VGF identification to assess the accuracy and necessity of VGF through undertaking the following actions :

- i) Review Financial Model that has been used to identify VGF to ensure completeness, accuracy and adequacy of calculations and underlying assumptions;
- ii) Review PPP Structure to assess value for money and the necessity of VGF;
- iii) PPP Office may ask for further information necessary for conducting such review.

(c) Based on these review PPP Office send the proposal to the PPP Unit of the Finance Division on behalf of the Line Ministry.

(d) PPP Unit, Finance Division reviews the VGF proposal to assess the eligibility for VGF and prioritize the proposal received through undertaking the following actions :

- i) Assess that VGF does not exceed 30% of the project estimated cost excluding land;
- ii) Rank the received VGF proposals in order of ERR and recommend available VGF budget accordingly.
- iii) PPP Unit may ask for further information necessary for conducting such review.

(e) Based on these review PPP Unit prepares the summary of the proposal which will be appraised through the following VGF Appraisal Committee for making recommendation and finally obtain the approval of the Finance Minister.

(f) The composition of VGF Appraisal Committee will be as follows :

(i) Additional Secretary, Finance Division	Chairperson
(ii) Joint Chief, Concern Sector Division, Planning Commission	Member
(iii) Joint Secretary/Joint Chief, Line Ministry	Member
(iv) Joint Secretary (TDM), Finance Division	Member
(v) Representative of PPP Office	Member
(vi) Deputy Secretary, PPP Unit, Finance Division	Member-Secretary

(g) The line Ministry/Implementing Agency is authorized to initiate the Tender Process only on receipt of the approval on VGF proposal and publish Request for Qualification (RFQ) and Request for Proposal (RFP) including the provision of VGF.

(h) The Qualification and Tender Evaluation Committee (QTEC) review all Tenders in accordance with the criteria prescribed in the RFP. Fulfillment of all the criteria set out in the RFP and all other parameters, the tenderer with the lowest VGF requirement will be invited for negotiations by the Implementing Agency/Line Ministry. Following successful negotiations Implementing Agency/Line Ministry submits the recommendation of QTEC for VGF to the PPP Unit through PPP Office in prescribed format for concurrence.

(i) Any PPP Project requiring VGF shall be submitted for final approval by the CCEA irrespective of project classification by investment size as mentioned in the Policy and Strategy for Public-Private Partnership 2010.

(j) The PPP Unit, Finance Division, the Lead Financial Institution and the Private Sector Company (Private Partner) shall enter into a Tripartite Agreement for the purposes of disbursement of the VGF grant. The VGF agreement to be signed by the parties will be included in PPP Contract.

10. VGF Disbursement

10.1 Private Partner submits VGF disbursement request to the Implementing Agency/Line Ministry based on VGF Agreement. Line Ministry submits the request to PPP Office for review along with substantiating evidence of Financial Close. Based on review the PPP Office sends the proposal with observation to PPP Unit, Finance Division for disbursement;

10.2 VGF will be disbursed by the PPP Unit of Finance Division through the Lead Financial Institution to the Private Party as and when due.

11. Monitoring

11.1 Implementing Agency will hold monthly meeting and send report quarterly to the PPP Unit with brief description of the causes of slippages or non-compliances of VGF requirement schedule as stipulated in the concession contract.

11.2 The Lead Financial Institution shall also be responsible for regular monitoring and periodic evaluation of project compliance with agreed milestones and performance levels, particularly for the purposes of disbursing the VGF. It shall also send a quarterly progress report to the Implementing Agency, Line Ministry, PPP Office and PPP Unit of Finance Division.

11.3 The PPP Unit will review and evaluate the reports received from Implementing Agency and Lead Financial Institution and assess compliance and performance levels set forth in the VGF Agreement and give necessary directives to all concerned.