

STUDY AND COMMENTS ON JOINT VENTURE ARRANGEMENT OF IL & FS WITH BIHAR AND PROPOSED JVC WITH GOVT. OF ARUNACHAL PRADESH
(Comments of Shri A. Lego, SSW)

The IL & FS has offered for consultancy services for Trans Arunachal Pradesh and also offered to have JVC with Govt. of Arunachal Pradesh for the same. They have also indicated that they had JVC with BRRDA for implementation of PMGSY. In order to understand the role of IL & FS in JVC and with Govt. of Bihar. I have gone through the MoA of IL & FS with BRRDA vis-a-vis their proposal for Govt. of Arunachal Pradesh. The brief bulleted points of role of IL & FS in JVC are as below:-

**MOA with Govt. of Bihar-
Introduction:**

- BRRDA has taken a decision to implement preparation of DPR, Tendering activities of PMGSY through consultants.
- BRRDA has selected IL & FS Infrastructure Development Corporation Ltd., on nomination basis to manage the preparation of DPR, bid process management, selection of contractor for construction and supervision of PMGSY schemes.

Scope of service and role of IL & FS

- Preparation of broad project plan in consultation with BRRDA.
- Identify various components / packages/ phases.
- Preparation of overall project plan in the stages as under-
 - a) DPR preparation.
 - b) bidding for selection of contractor
 - c) bidding for selection of supervision consultants.
- Preparation of overall plan for quality control and maintenance and develop form of standard document for contract administration.
- Carry out by themselves or recruit sub-consultant for DPR preparation survey etc.
- Manage bidding process for procurement of works and CSC by preparing document like-
 - a) Qualification criteria
 - b) Evaluate Bid / EOI and recommend to BRRDA for short listing
 - c) Develop Request for Proposal (RFP)
 - d) Assist BRRDA in holding pre-bid meeting
 - e) Assist BRRDA in evaluation of bid and recommend to Govt. of Bihar
 - f) Assist BRRDA in negotiation and final selection of contractor
- Re-bidding process on failure of any bidding etc.
- Monitor contract performance including assistance for revocation
[Role of IL & FS advisory / assistance only]

In this MoA the role of BRRDA are as below:-

- Coordinate with Govt. of Bihar and its agencies
- Project related information and approval
- Payment to ITDC
- Making land available for construction

- Provide security for project personnel

The fees prescribed is 1% of landed cost.

Proposal for MOA with Govt. of Arunachal Pradesh.

The scope of services proposed in draft MOA with Govt. of Arunachal Pradesh are as below:-

- IL & FS shall prepare overall Master Plan for implementation of the progress in time bound manner with the vision of-
 - a) to dovetail the project with schemes under which they will be implemented
 - b) To attract good quality and cost effective services
- Preparation for Master Plan for every stages like-
 - a) DPR preparation.
 - b) bidding for selection of contractor
 - c) bidding for selection of supervision CSC
- Identify capacity development measures for engineers and contractor

Module-II- Project Development:

In module-II the role of IL & FS shall be-

- Assist procurement of consultant for DPR preparation by transparent bidding process. Cost of studies to be borne by Govt. of Arunachal Pradesh. (IL & FS shall provide assistance for reimbursement from MoRTH)

In the pre-construction stages IL & FS will-

- Develop qualification criteria for inviting Expression of Information (EOI) for approval of Arunachal PWD.
- Evaluate EOI and recommend list of qualified bidder to Arunachal PWD.
- Develop Request for Proposal (RFP) document / bid document.
- Conduct pre-bid conference on behalf of Arunachal PWD.
- Evaluate bids and recommend to Arunachal PWD for selection of bidder.
- Assist Arunachal PWD during negotiation and final selection of contractor and signing agreement..
- IL & FS shall assist procurement of CSC.
- IL & FS shall assist preparation of project and other contract documents for availing support from MoRTH, ADB, World Bank etc.

In case of capacity building the role of IL & FS in Arunachal PWD shall be-

- Identify requirement of capacity building and support creating continuous capacity building exercise for officials of PWD and contractor
- JVC though Govt. of Arunachal Pradesh would approach capacity building from various donor agencies like ADB, DONER, NEC.

The role of Arunachal PWD proposed are-

- Coordinate with Govt. of Arunachal Pradesh and its agencies
- Provisions of project related information and approval
- Payment for project development expenses and IL & FS remunerations
- Making land available free of encumbrance
- Security

Creation of Joint Venture Company (JVC)

Mission of JVC:

- JVC shall be jointly promoted by Govt. of Arunachal Pradesh and IL & FS. The JVC would utilize the services of IL & FS, TDC for carrying out project development activities.
- JVC would create linkage for capacity building of contractor and employees of Arunachal PWD.

Creation of Project Development Fund:

- The project Development Fund will be created to meet the project development expenses
- The fund received from MoRTH for Project Development activities shall be routed to the PDF through Govt. of Arunachal Pradesh.

Share Capital of JVC:

- Rs. 10 lakhs
- initial paid up capital Rs. 1.00 lakh
- share holding
 - 50% Govt. of Arunachal Pradesh
 - 50% IL & FS

Project implementation mechanism:

- Govt. of Arunachal Pradesh & IL & FS enter into MoA for program management for development of Highways.
- MoRT & H, Govt. of India shall entrust PWD, Govt. of Arunachal Pradesh for implementation. MoRT & H pay 9% of the project cost to State Govt. for carrying out project Development activities
- Govt. of Arunachal Pradesh constitute a project Development Committee for monitoring of project-

This would act as a decision making body for taking process forward of the project.

- Technical and legal consultant for project shall be appointed through bidding process as per guidelines of MoRT&H.
- Fees for Technical Consultant shall be borne by MoRT&H.
- All other expenses towards project Development shall be borne by Govt. of Arunachal Pradesh through the fund received from MoRT&H 29% of project cost.
[Role of JVC in decision making is not clear]

Fees structure:

- Rs. 25.00 lakhs for Module-I
- 2% of landed cost for Module-II

My personal comments:

By seeing the present proposal of IL & FS, it is seen that the role of IL & FS and development of the project shall be like a role of adviser / assistant. The engagement of consultant for DPR preparation has also to be done separately by the department inspite of engaging IL & FS in the project, as their role will be limited to the assistance in the procurement of consultants for DPR preparation. Hence the expenditure incurred on IL & FS shall be in addition to the expenditure that shall be incurred in the payment of consultant engaged in preparation of DPR and contract supervision. Further, we are not gaining any advantage on the following points with the JVC:-

- (1) Speedy process in the approval of tender
- (2) Retaining officers for the project by putting responsibility on the job.
- (3) Since all process of procurement of consultants and procurement of works and its evaluation shall be outsourced, our officers will not be exposed to the process in depth.

In view of above, I have the following opinion:-

1. The proposal of Chief Engineer (P-10) for creation of PIU for the project under the control of Ministry may function better in the present condition of the State. Because in this process, recruitment of good officers of quality and suitable for the project with receptive attitude towards changes in the process of construction can be ensured.
2. The Officers so selected may be trained on the process of procurement of consultant, procurement of works as per MoRT&H guidelines.
3. Since the Trans Arunachal Road is expected to be declared as National Highway with full funding from Govt. of India, functioning of PIU under the control of MoRT&H may speed up the process of acceptance of tender as well as sanctioning process of projects.

Action Plan Proposed:

- (1) One of the Chief Engineers of Arunachal Pradesh, PWD should be designated as nodal Chief Engineer for the road (Trans Arunachal) to avoid multi-owner problem of the road. He should be fully responsible for all kinds of activities in the road.
- (2) The information as desired by MoRT & H should be submitted early and the notification of the road as NH be expedited. Otherwise except the announcement of Hon'ble Prime Minister, the road is yet to be a NH.
- (3) Simultaneously, we can invite EOI/RFP for inventorization for improvement of the road from empanelled consultant and engage them in the process as advance action [If necessary cost should be borne by Govt. of Arunachal Pradesh]. Standard TOR are available for the same under Mo RT & H. This process will give us:-
 - (a) Details of existing status and improvement required.
 - (b) Priority section of road to be taken up for improvement.

- (4) Consultant for DPR preparation may be engaged for section of road to be improved on priority or train our designated officers for preparation of the same.
- (5) As a simultaneous action PIU may be formed. The establishment cost could be borne by Govt. of Arunachal Pradesh in the initial stage and charged to 9% agency charges as and when works start.