

Indian Leather Development Programme
Guidelines for sub-scheme Up-gradation/installation of infrastructure for
environment protection
XI Plan Outlay Rs. 200 crores.

Leather industry and tanning activity in particular, all over the World is linked to environmental concerns. In view of the fact that environmental issues are slowly gaining ground and expensive measures would need to be put in place for industries to cope with the stringent norms; an allocation of Rs. 200 crores has been made in the 11th Five Year Plan to meet environmental concerns which would include, interalia, establishment, expansion and up gradation of CETPs, developing secure landfills and other techniques for hazardous waste management using Best Available Technology

1. The Scheme

The scheme would provide assistance of 50% subject to a limit of Rs. 50 crore for projects for setting up / upgradation of infrastructure for environment protection. An amount of Rs. 200 crore has been provided by the Government of India for setting up of such Environmental infrastructure during the XI Plan period. The benefits under the scheme would be available to a group of entrepreneurs that are engaged in leather business and intend to set up / upgrade the infrastructure for environment protection. Special Purpose Vehicle (SPV), promoted by such entrepreneurs for setting up such infrastructure would be the recipient of the assistance under the scheme. CETP companies already established by group of leather entrepreneurs can also be the SPV for implementation of the scheme. Likewise, with a view to limit overhead expenditure and achieve greater competition and get better techno-commercial offers, if a group of CETP companies promote an umbrella SPV for carrying out their respective up gradation, such a SPV would be the recipient of the assistance under the scheme in respect of the respective individual project of CETPs to be upgraded by it.

2. Scope of the scheme

The scheme targets leather clusters with high pollution level, which require strategic intervention by way of providing assistance to set up/ up grade environmental infrastructure to meet the pollution control norms.

The scheme would broadly cover the following activities

- Establishment / expansion /up gradation of CETPs
- Developing secure landfills
- Conversion of waste into some by-products
- Any other techniques for hazardous waste management

3. Scheme Objective

- Projecting the environment friendly image of the Indian Leather Industry to the world
- Popularizing environment friendly technology amongst Indian leather industry
- Providing financial assistance to the leather units to adopt technology to achieve the norms set by pollution control boards

4. Basic Approach and Methodology

- Widely publicize the issue of environment protection amongst the leather industry
- Encourage group of units to set up / upgrade and expand CETP to meet environmental norms
- Encourage formation of SPVs by leather units/ CETP companies
- Helping SPVs for preparing proposals for setting up / expansion and upgradation of CETPS and other activities for environment protection
- Carrying out a feasibility study for setting up of CETPs and other environmental infrastructure
- Getting the DPRs prepared by SPV for setting up /expansion /upgradation of CETPs

- Co-ordinating with the State Government for getting their commitment for contributing their share in the project

5. Implementation of the Scheme

The scheme would be implemented by the Special Purpose Vehicle formulated by leather entrepreneurs. Once the in-principle approval for the project is conveyed to the SPV, SPV would get the DPR prepared, if required they may appoint a consultant for the purpose. SPV would be free to choose any technology and appoint any contractor by using fair, open and competitive bidding process for selection of successful contractor.

There are various technologies and companies available at present that provide solutions to the environmental issues facing the leather industry. In order to enable the industry to get the latest and best technology the concept of Best Available Technology (BAT) would be used for the scheme. The Best Available Technology (BAT) in term of life cycle costs should be chosen for each project. As this would require going for a tender leaving the choice of technology to the bidder, all reasonable precautions should be taken to ensure that only proven technologies are considered. At the same time, reasonable opportunity should be available to the bidders to propose new technology/technologies as deemed relevant for project.

In order to ensure that the technology chosen would work for the project, the successful bidder would be required to operate the entire project for a minimum period of ten years. The tender bids will clearly indicate the operation cost, also providing for a formula for escalation. Department however, would bear only capital cost and no recurring cost would be met out of the scheme. The SPV's role after engaging the contractor will be limited to only release of moneys to the contractor from time to time as per contractual terms. The contractor will be entirely responsible for running the entire project, in case of tanneries right from collection of waste water from tanneries to distributing the recovered clean water to the member units and disposal of recovered/recoverable solid salt to be recovered.

To ensure that the contractor shall have continued commitment, a minimum of 15% of the capital cost will be given to him along with the O&M cost during 10 year period. In the alternative the contractor shall be required to provide a bank guarantee for a like amount from a nationalized or reputed international bank. The tender document along with the techno-commercial offer of the finally selected bidder in the project would form basis for preparation of DPR for the project.

The SPV would submit the DPR for the approval of the DIPP, simultaneously submitting the proposal to the State Government as the State Government would provide assistance @ 15% of the project cost. The proposal would then be examined and appraised by the Department. Project would be approved only after the recommendation of the State Government and its firm commitment to meet their part of the share for the project or else filing of the affidavit by the SPV that in absence of State Government fund SPV would bear the entire balance cost for the project. Thereafter, the proposal would be submitted to the Project Approval Committee (PAC) i.e projects upto Rs. 15 crore would be submitted to the Steering Committee under the chairmanship of JS (Leather). The proposals above Rs. 15 crore would be submitted to the Empowered Committee under the Chairmanship of Secretary (IPP) having representative of Department of Expenditure/Finance Wing of this Department and the Planning Commission. A representative of the concerned State Government i.e. Secretary (industry) / member of state pollution control board would also be the member of the Project Approval Committee. While considering the proposal of any SPV, the PAC / Empowered Committee would interaila appraise the funding/ financial closure of the project to ensure timely project completion.

The Department would appoint a professional agency or an expert in the field as Project Monitoring Consultant (PMC) for monitoring and concurrent evaluation, etc. The PMC would be selected by the Department from

amongst competent organizations, selection of which would be in a fair and competitive manner.

5.1 Special Purpose Vehicle

The entrepreneurs, who intend to take benefit of the scheme, would implement the scheme through the SPV promoted by them. There shall be one nominee each of the Government of India (DIPP) and State Government on the Board of Directors of the SPV. If an existing CETP company proposes to be a SPV for the project under the scheme, it may co-opt a representative each of DIPP and the State Government on its board of directors. The SPV shall be staffed adequately with suitable professionals in order to ensure that the project is executed smoothly.

SPVs would be the focal points for implementation of the Scheme, playing the following role:

- SPV would conceptualize, formulate, implement achieve financial closure, and manage the infrastructure.
- SPV would mobilize funds, other than Government grants to execute the project
- SPV would obtain all necessary statutory clearances, including environmental clearances
- SPV would be responsible for maintaining the utilities and infrastructure created by collecting service / user charges.
- SPV has to be so structured as to be self-sustaining with a positive revenue stream.
- SPV would appoint contractors/consultants in a fair and transparent manner. To ensure timely completion of the project, SPV will obtain appropriate performance guarantee from consultants/contractors.

5.2 Project Monitoring Consultants (PMC)

Recognizing the fact that the projects of the proposed nature would require very extensive project monitoring efforts, Government would

engage the services of a reputed agency or an expert having proven experience in the monitoring of such projects as advisor in monitoring of the scheme.

The PMC will be responsible for the monitoring and evaluation of the project for which fee will be paid to the PMC.

PMC will discharge the following functions:

- Assisting the Government in periodical monitoring / concurrent evaluation of the projects regarding disbursement/utilization of funds to the SPVs
- Ensuring timely completion of project(s) as fixed by the Project Approval Committee
- Providing other need based advisory services to the Government in effective implementation of the scheme.

5.3. Role of State Government

The role of the State Government is envisaged in the following areas:

- Providing all the requisite clearances, wherever needed, for setting up the CETPS and other environmental related projects as well as providing the necessary assistance for land, Power, Water and other utilities to such projects.
- Providing assistance @ 15% of the cost of the project
- Dovetailing of other related schemes for overall effectiveness and efficiency of the project

6. General Principles of Funding

- Recognizing the fact that the projects of the proposed nature would require very extensive project development efforts, SPV would be allowed, if required, to engage the services of an agency that has proven experience in developing, financing and executing the industrial cluster infrastructure projects on PPP basis, as advisor in implementation of the scheme from the stage of conceptualization to

commissioning. The agency would assist SPV preparation of a Preliminary Proposals (PP) and Detailed Project Report (DPR) establishing the contours of the projects: physical, technical, commercial, institutional, financial and O&M aspects ,in mobilizing the balance funds to complete the project and in obtaining all necessary statutory clearances/approvals. The fees paid by SPV for such an agency would be included in the cost of the project as administrative expenses and would be restricted to 3 % of the cost of the project cost

- The cost of hiring engineering and construction, supervision consultants engaged by SPV through a transparent process, for the purpose of undertaking detailed designing, engineering, bid management and construction supervision of the project would be included in the cost of the project as administrative expenses and would be restricted to 5 % of the cost of the project.
- .Implementation charges @ 3% of the total outlay of the scheme would be with the Department. The fee for PMC will be paid out of this.

7. Pattern of Assistance

Central Government would provide assistance to the tune of 50% of the cost of the project subject to the limit of Rs. 50 crore, 15% would be provided by the State Government and 35% would have to be borne by the industry. GOI assistance would be provided as one time grant-in-aid for capital expenditure for the infrastructure. No recurring cost would be provided by the department.

8. Fund Release:

SPV shall maintain an exclusive project specific Trust and Retention Account (TRA) with any nationalized Bank, and the funds from the Government will be released in to that account. After approval the Government would release its share of assistance in 5 phases as per the following schedule:

First Installment: 25 % of the assistance, as advance, on final approval of the project and after the financial closure of the project and award of contracts by the SPV and on producing the statement of project specific TRA reflecting the proportionate contribution (i.e. 25% of the share of SPV) deposited by SPV in the TRA.

Second Installment: 25% of the assistance after the utilization of the previous installment and on producing the statement of project specific TRA reflecting the proportionate contribution (i.e. 25% of the share of SPV and state Government) deposited by SPV in the TRA and atleast 50% of expenditure incurred out of its own fund by the SPV.

Third Installment: 25% of the assistance after the utilization of the previous installments and on producing the statement of project specific TRA reflecting the proportionate contribution deposited by SPV in the TRA (i.e. 25% of the share of SPV and state Government each) and atleast 50% of expenditure incurred out of its own fund by the SPV.

Fourth Installment: 25 % of the assistance after utilization of the previous installments and on producing the statement of project specific TRA reflecting the proportionate contribution deposited by SPV in the TRA (i.e. 25% of the share of SPV and state Government each) and atleast 50% of expenditure incurred out of its own fund by the SPV. In case where 25% of the capital cost is to be released during the 10 year period of operation of the plant, SPV needs to give undertaking that they would release the fund to contractor following the schedule approved at the time of awarding contract. In case where bank guarantee is to be obtained SPV need to give undertaking that they would release money to contractor only after receipt of bank guarantee.

The SPV, with the help of PMC, shall ensure that the funds are utilized in accordance with the relevant norms and procedures, and shall maintain detailed accounts of utilization.

- 9. Project Monitoring and Evaluation:** The Project Approval Committee would be monitoring the progress of implementation once in a quarter. However, the PMC would monitor the project closely and report the progress to the Department.
- 10. Project Completion:** Project would be deemed complete only after filing project commissioning report by SPV and seconded by PMC. A detailed report on the levels of pollution before and after implementing the project should be filed for closing the project file in the Department. Final clearance of the concerned State Pollution Control Board will also be produced.