

Minutes of the Seventh Meeting of the "Group on Financial Aspects under Task Force for Interlinking of Rivers" held on 19.03.2018 in the Committee Room of NWDA, Palika Bhawan, New Delhi.

The seventh meeting of the "Group on Financial Aspects under Task Force for Interlinking of Rivers" was held under the Chairmanship of Dr. Prodipto Ghosh, Former Secretary to Govt. of India and Chairman of the Group on 19.03.2018 (Monday) at 3.00 PM in the Committee Room of NWDA, Palika Bhawan, New Delhi. List of Members and other participants is enclosed as Annex-I.

At the outset, the Chairman welcomed all the Members, Invitees and other participants. He once again expressed concern over absence of Member from NITI Aayog. Member Secretary informed that the Chairman, Task Force has sent a D.O. letter on dated 27.02.2018 to the CEO of NITI Aayog on this matter and expressed hope that the issue would be sorted out shortly. Chairman further informed that in this meeting the Group will be having presentations from Yes Bank and Shri Satish Rao & Dr. Dasgupta. He then requested Member Secretary of the Group to take up the agenda items one by one for discussion.

Item 7.1: Confirmation of the minutes of Sixth Meeting of the Group on Financial Aspect held on 27.02.2018

The Member Secretary informed that the minutes of the sixth meeting of the Group on financial aspects were circulated among the Members/Special Invitee vide letter dated 16th March 2018. Since no comments were received from any of the Members, minutes of the sixth meeting were confirmed as circulated.

Item 7.2.1: Presentation by NITI Aayog on projection of fiscal resources

This item was once again deferred for the next meeting as the representative of NITI Aayog could not attend the meeting. Chairman emphasized that participation of NITI Aayog is very essential to know the extent of Government funding for such infrastructure projects, as well as policy decisions bearing on private sector and external funding. Shri K.P. Gupta informed that a DO letter from the Chairman, Task Force to the CEO, NITI Aayog requesting him to ensure participation of NITI Aayog in the deliberations of the Financial Group has already been sent on dated 27.02.2018.

Item 7.2.2: Presentation by Yes Bank on projections of possible flow of funds for the ILR programme from Indian Banks/ Financial Institutions,

Shri Bhupesh Rathore, President, Strategic Govt. Advisory, Yes Bank, New Delhi (Representing Shri Rana Kapoor, MD & CEO, Yes Bank) informed that they have gone through TERI Report and Mckensy Report but the desired inputs were not available in the said reports. As such they could not modify their presentation as suggested in the meeting. Chairperson assured him that he would try to get the desired inputs from them.

Item 7.2.3: Presentation by Chairman of group & Shri Satish Rao Member on DDRs (Due Diligence Requirements) for ILR & MDBs

Shri Satish Rao, Member has summarized Due Diligence Requirements (DDR) for ILR Financing as follows:

Due Diligence Requirements (DDR) for ILR Financing

1. The Meeting discussed Due Diligence Requirements (DDR) for ILR Financing.
2. Starting with an overview of the promise, benefits, apprehensions and challenges of ILR, it was noted that DDRs to be addressed would need to go beyond those of the MDBs and also cover requirements of other stakeholders. Also, DDRs would need to be addressed at various levels: country, region, state, ILR as a whole and at component, sub-project level. Furthermore, the key to Multilateral Development Banks (MDBs) participation in ILR would be to present ILR as a climate change adaptation project. This may need demonstrating (nationally, regionally and in the project areas), the following:
 - a. current situation of supply, demand and the demand-supply gap/deficit for water
 - b. further worsening of the demand-supply gap/deficit for water due to climate change
 - c. improved demand-supply balance/ reduced deficit through transfer of water from northern rivers to the southern rivers
 - d. In effect, projections are needed for supply of , and demand for, water resources with due consideration to climate change and changes in cropping patterns, one, without ILR and, two, with ILR
3. Following the “overview”, the Meeting moved on to a discussion on MDB-specific DDRs covering (i) likely concerns in respect of ILR that could be the key drivers of the DDRs of the MDBs (ii) key determinants of Coverage and Intensity of DDRs of MDBs, and (iii) typical due DDRs of a MDB based on the illustrative content of a MDB Staff Appraisal Report: Main Text, Annexes and Tables. Some key points emerging from the discussions were:

Likely MDB concerns:

- i. Too big: Large cost, hence are macro economic impacts manageable? Will other sectors/investments not be crowded out?
- ii. Geographically spanning many states/provinces: Is inter-state consensus feasible? Can it be lasting?
- iii. Long implementation period: Political risk from changes in central governance?
- iv. Large-scale water diversion and storage: wide-ranging, unpredictable environmental impacts?
- v. Land acquisition and resettlement: Resettlement Issues? Implementation delays? Compensation and upfront settlement?

- vi. Poor cost recovery: financial sustainability not feasible at current cost recovery levels; major changes needed
- vii. Complex due to interdependencies between sub-projects: Timely implementation across all subprojects may be difficult due to different states/executing agencies, resulting in undue idling of completed subprojects
- viii. Project-affected/NGO/civil society apprehensions: likely to be significant, hence brings added uncertainty to project completion and costs

b. Key determinants of DDR Coverage and Intensity:

- i. Projecting ILR as one-large-regionally-integrated project OR a number of smaller-self-standing-discrete sub-projects
- ii. Loan modality: Project loan/multitranches loan/sector loan/program loan
- iii. MDB's policies, priorities and due diligence focus areas
- iv. Scope and purpose of sub-project proposals
- v. Requirements of various stakeholders going beyond those of MDBs

c. Inferences from illustrative MDB Staff Appraisal Report: It was noted that the typical due diligence areas of MDB are quite comprehensive, with wide coverage of topics and in-depth analysis.

4. Following the above, the Meeting noted that considerable preparation would be needed to meet DDRs of MDBs. Such preparation may require employing the services of institutions that could provide detailed studies on the various DDR areas.

Shri Satish Rao Member also requested to Sri M.K.Sinha Assessor, KWDT and Special invitee of this group to prepare a PPT on the behalf of NWDA on classification of 30 links of Himalayan and Peninsular Components into various groups/sub groups with justification so that they can be prioritized and funding pattern be decided accordingly. Shri Sinha mentioned that he has done this type of exercise for Himalayan links for Sub Committee (I) Report. However for Penninsular component he would require assistance of some NWDA officers. Director (Tech), NWDA assured of necessary assistance in this regard.

Item 7.3.1&7.3.2: Review of progress of work of the Group and to draw up a work programme completion of its tasks.

- (i) Chairman made a review of the work programme at the end of the discussion. The chairman was informed that NWDA contacted Sri Vinayak Chatterjee for presentation on themes like PPP models, due diligence requirements of MDBs, principles of tariff setting for ILR services, etc. However due to his engagement in some other assignment, he expressed his inability to participate in the Finance Group meetings. Regarding cost estimation the Chairman indicated that the task assigned to NWDA has been completed, however, he suggested NWDA to prepare a write-up on the theme in about not more than 1000 words which can be included in the main Report of the

Group and Shri Satish Rao Member to prepare similar write-up on DDRs (Due Diligence Requirements) for ILR and MDBs.

After discussion, the following presentations were agreed for the next meeting:

- (ii) Presentation by NITI Aayog
- (iii) Presentation by Yes Bank
- (iv) Dr. Gosain, Professor of IIT Delhi was identified as additional Resource Persons for making presentation on “Potential for declaration of ILR Project and Climatic change adaptation Mitigation and due different requirements there on”.

Item 7.4 Any other matter(s) with the permission of the Chair.

After discussion with Members and other participants it was decided to convene next meeting of the Group on 10th April, 2018.

The meeting ended with vote of thanks to the Chair.

Annex-I

List of Members, Special Invitees and other participants of the Seventh meeting of the “Group on Financial Aspects under Task Force for Interlinking of Rivers” held on 19th March, 2018 at New Delhi.

1.	Dr. Prodipto Ghosh, Former Secretary to Govt. of India & Member of Task Force for ILR and Distinguished Fellow, TERI, New Delhi	In Chair
2.	Shri H. Satish Rao, (Retd.) Director General, ADB, Bangaluru	Member
3.	Shri M. K. Mittal, Director (Finance),NHPC, Faridabad	Member
4.	Shri Bhupesh Rathore, President, Strategic Govt. Advisory, Yes Bank Ltd., New Delhi	Representing Shri Rana Kapoor, Managing Director and CEO, Yes Bank Ltd., Mumbai
5.	Shri B. P. Panday, Director, ISM, CWC, New Delhi	Representing Chief Engineer (IMO)
6.	Shri K. P. Gupta, Director (Tech.), NWDA, New Delhi	Member-Secretary
7.	Shri Dipak Das Gupta, Former Principal Economic Advisor, Ministry of Finance, New Delhi	Special Invitee
8.	Shri M.K. Sinha, Assessor, Krishna Water Disputes Tribunal & (Retd.) Chief Engineer, CWC, New Delhi	Special Invitee
9.	Shri R. P. S. Verma, Director (NP), CWC, New Delhi	Special Invitee, Representing Chief Engineer (PPO), CWC, New Delhi
	Other Officers	
10.	Shri Anil Kumar Jain, Deputy Director(SCILR), NWDA, New Delhi	
11.	Shri R. K. Agrawal, Consultant, NWDA, New Delhi	
12.	Shri Vaibhav Jain, Sr. Manager-Strategic Govt. Advisory, Yes Bank Ltd., New Delhi	