

# **GUIDELINES FOR CENTRALLY SPONSORED SCHEME FOR INTEGRATED PROCESSING DEVELOPMENT SCHEME (IPDS)**

## **1. INTRODUCTION :**

1.1 Textile processing constitutes a very important component of the textile industry value chain. The competitiveness of Indian Textile industry is contingent on the strength of the textile processing sector.

1.2 In the recent past the textile processing sector has been facing a number of challenges including availability of water, and safe treatment and disposal of effluents and solid wastes generated. The effluent from the dyeing and bleaching units has caused severed environmental issues. In many states, textiles processing activity has been notified as a 'Hazardous Activity' with stringent regulations. There are no common standards for pollution control in textiles industry as a whole, as different parameters prevail in different states. In addition various courts in the country have come down severely on pollution and reaffirmed the need to ensure that discharge standards meet the local guidelines. For eg. Madras High Court has directed that all Textile Industries in Tirupur would need to achieve Zero Liquid Discharge (ZLD) for them to be given approval by the Tamil Nadu Pollution Control Board.

1.3 Further since the processing sector in India has been developed under the small and medium enterprises category, it is not economically feasible for the individual Processing units to install a dedicated pollution control equipment. Consequently the concept of Common Effluent Treatment Plant and Common Water Supply Systems are appropriate for these units.

1.4 The Ministry had in the 11<sup>th</sup> Five year plan launched a scheme for Integrated Textile Parks (ITP). Based on the experience of the above scheme as well as the peculiar challenges faced by the textile processing sector the Ministry has decided to formulate a new program called as Scheme for Integrated Textile Processing Development (IPDS).

## **2. OBJECTIVES OF THE SCHEME:**

2.1 The primary objective of the IPDS is to facilitate the textile industry to become globally competitive using environmentally friendly processing standards and technology. The scheme would facilitate the textile units to meet the required environmental standards. The IPDS would create new processing parks as well as support the upgradation of existing processing clusters specifically in the area of water and waste water management as also to promote research and development for a cleaner technology in the processing sector.

## **3. SCOPE OF SCHEME:**

3.1 IPDS proposes to establish **4-6 Brown field and 3-5 Green field** projects addressing the needs of the existing Textile/Clusters. Eligible projects under the scheme would cover the following:

Group A - Water treatment & effluent treatment plant and technology (including marine, Riverine and ZLD).

Group B – Common infrastructure such as captive power generation plants on technology preferably renewable/green technology,

Group C – Common facilities such as Testing Laboratories and R&D centres.

3.2 Government of India grant will be mandatory for Group A only. The Government of India grant shall not be used for procurement of Land. The land will be purchased/arranged by the SPV. The cost of land will not be part of the total project cost.

3.3 The scheme would also be applicable for Technology upgradation and capacity enhancement of the above mentioned facilities in existing Textile Clusters.

#### **4. IMPLEMENTATION STRUCTURE:**

4.1 The Project would be implemented through formation of a separate Special Purpose Vehicles (SPVs) which will be a Corporate Body registered under the Companies Act. The SPV shall be owned by the members (Industrial Units) of the processing park, Financial Institutions, State and Central Government. The SPV shall have operational autonomy to implement the scheme, within the guidelines as stipulated by Government of India.

4.2 Government of India would appoint a panel of Project Management Consultant(PMC) to assist the Government in evaluation of the proposals regarding viability, disbursement/ utilization of the funds released to the SPV and periodical monitoring of the Project implementation. The PMC also shall provide other need based advisory services to the Government for effective implementation of the scheme. . Government of India would also constitute a Project Scrutiny Committee (PSC) headed by the Joint Secretary-Ministry of Textiles and **Project Approval Committee (PAC) headed by the Secretary (Textiles), in order to provide administrative support to the scheme.**

4.3 The SPV will appoint the Project Management Agency (PMA) for the project. However, the SPVs shall enter into an agreement with the PMA and only after obtaining the approval from the PAC.

4.4 Role of various agencies as well as the SPV is provided in the in Para 12 - Role of Agencies.

#### **5. FUNDING PATTERN:**

5.1 The Special Purpose Vehicle shall fund the project through a mix of equity from members of industry, grant support from Ministry of Textile / State Government, and the loan from Banks and Financial Institutions. The Government of India support under the scheme by the way of grant would be limited to 50% of the project cost, with a ceiling of Rs.75 crores for projects with Zero Liquid Discharge Systems and Rs.10 crores for projects with conventional treatment systems. Support for marine discharge projects would be analysed on a case to case basis with a maximum ceiling of Rs.75 crores.

5.2 The project cost shall be borne by the Center, State, Beneficiary, Bank loan in the ratio of 50:25:15:10 respectively. The release will be made as per the following:

- **Beneficiary contribution through equity of 15 percent of project cost shall be brought up front;**
- **10 percent funding to be arranged through Bank Loans**
- **25 percent contribution of State Government at the time of release of 2<sup>nd</sup> installment of GOI Grant released.**
- **The GOI grant (50% of the total Project cost) shall be released in 3 installments –**
  - **50 percent of the GOI grant to be released initially after beneficiary contribution (1<sup>st</sup> installment)**
  - **30 percent of the GOI grant once the plant is operational (2<sup>nd</sup> installment)**
  - **20 percent GOI grant once the plant has been run for 3 years (3<sup>rd</sup> installment)**

5.3 The financial assistance for the scheme shall also be subject to the following conditions:

- a) The Central assistance will be provided only to meet capital costs towards the items mentioned in section 3. The funds shall not be used to procure the Land for the Project.
- b) No assistance will be provided for meeting recurring or operation and Maintenance costs.
- c) The Central Government shall not have any liability towards time and cost over runs.
- d) There is no provision for retrospective funding.
- e) The land will not be part of the total project cost.

## **6. RELEASE OF FUNDS:**

6.1 The SPV shall maintain an exclusive project specific Trust & Retention Account(TRA) with any Nationalized Bank and the Funds from the Government will be released in that account. After approval, the Government will release its share of assistance in 3 Phases as per the following schedule:

**i) First Installment of 50% of the total Government of India (GOI) share** will be released to the SPV subject to fulfillment of following criteria :-

- a) Establishment of SPV
- b) Inclusion of one representative of Government of India and one representative of the PMC on the Board of Directors
- c) Land to be in the possession of SPV
- d) Issuance of shares by SPV to members in proportion of area/ capacity allocable to them
- e) Execution of share holders agreement
- f) Establishment of TRA account in a nationalized bank. Submission of statement of Project specific TRA reflecting the Proportionate contribution, (ie. 25% of the share of the SPV) deposited by the SPV in the TRA. In case the SPV is contributing only the minimum 15% as equity, the same must be deposited in the TRA and a sanction letter from banks/ financial institutions for the balance 10% loan component shall be submitted by the SPV.
- g) Details of equity contribution
- h) Preparation of a DPR for the project and submission of the same to MoT, GoI.
- i) DPR duly validated by PMC and approval obtained from state pollution control board and Environmental Clearance from MoEF.
- ij) Recommendation of PMC confirming the above points (a) to (h)
- k) Acceptance letter from the state government for release of 25% funds subject to acceptance of the project by the MoT, New Delhi.
- l) DPR approved by Project Approval Committee.

**ii) Second instalment representing 30% of the total GOI share** will be paid to the SPC subject to fulfillment of following criteria:-

- a) Utilisation Certificate duly certified by the Statutory Auditors of the SPC for the First installment received.
- b) Release of State Govt. contribution of 25%
- c) Award of all contracts worth atleast equivalent to the total project cost excluding the land cost.

**(iii)Third Installment representing 20% of the total GOI share** after the utilization of the Second installment and after the proportionate expenditure (i.e. 1.5 times of the GOI share so far released) has been incurred by the SPV will be released 3 years after the operationalization of the project. Utilization Certificate (UC) of the second installment and

the expenditure statement, duly certified by the Statutory Auditors of the SPV shall be submitted by the SPV at the time of making claim for the Third installment.

6.2 The SPVs would submit the initial proposal and claims to the PMC, who shall evaluate and forward the claims to the PSC for appraising and recommending to the EC for approval. The claims shall be supported by documents such as Utilisation Certificate in the format of GFR 19A, Pre-Receipt Bill, Surety Bond etc., as required under the relevant rules. A corpus fund with atleast 6 months O&M expenditure will also be created and documents submitted before this final claim.

6.3 Separate accounts shall be kept by SPV for the funds released by GOI, which shall be subject to audit by the Comptroller & Auditor General of India.

6.4 In the event of an SPV withdrawing from executing a project before utilizing the Government assistance, then the SPV should immediately return the Government assistance together with the interest accrued thereon, if any. Payment of penal interest by the SPV shall be decided by the Empowered Committee (EC) on case to case basis.

6.5 User charges would be fixed for various facilities and services by SPV. There shall be full recovery of Operational & Maintenance (O&M) costs through user charges

## **7. PURCHASE OF LAND:**

**Land for processing Parks shall be purchased / arranged by the SPV. The GOI grant shall not be used for procurement of land. The land will not be part of the total project cost.**

## **8. PROJECT FORMULATION:**

The project proposal shall be formulated with the help of the PMC after conducting a diagnostic study of the requirements of common facility and infrastructure in the specific location and based on demand and potential.

## **9. TECHNOLOGY SELECTION:**

Regulatory norms to be met by the processing Parks would vary according to the location as well as norms that are specified by the respective State Pollution Control Boards. Consequently it is recognized that the requirements for Water Supply and Waste Water Treatment would vary from one location to the other in order to meet local guidelines. For project formulation the following must be kept in mind by the SPV / PMC

- a) Proposed technology should be based on Best Available Technology (BAT) and should have a proven track record
- b) The proposed technology should be approved by an independent agency appointed by the respective Pollution Control Board (such as IITs etc.) or by the Pollution Control Board itself
- c) Reasonable project cost which would be eligible for broadly three types (conventional, marine discharge and ZLD) of effluent treatment systems

All proposals should include a mechanism for managing the waste sludge / salt generated from the system.

#### **10. OPERATION AND MAINTENANCE ARRANGEMENTS :**

A. Each SPV should appoint an independent Operation and Maintenance agency who will be responsible for operation and maintenance of the water treatment as well as wastewater treatment facility. The PMA can continue as the O&M agency for the facility once the Project implementation and commissioning is completed.

A Memorandum of Agreement (MOA) shall be executed between the O&M Agency SPV and the SPCB with the following terms:

- a) CETP shall be managed professionally by the SPV and the O&M operator.
- b) SPCB shall be entitled, in case of repeated violation, to bring in new professional management / SPV.
- c) Environmental audit shall be linked with financial audit (at the commissioning stage) at the cost of the SPV.
- d) The O&M Agency shall be responsible for compliance of inlet quality and flow from the contributing industries and shall provide status of non-complying units to SPCB for action on a monthly basis.
- e) The O&M Agency shall monitor specified quality outlet parameters and flow rate on daily basis and submit the monitoring data to the SPCB on regular basis. Parameters to be specified by SPCB shall be monitored by the O&M Agency online at outlet of CETP and real time online IT based linkage shall be provided to the SPCB. The SPCB shall ensure that continuous 24 hour data is displayed on its website.
- f) A three tier monitoring mechanism viz, at industry level, monitoring by SPCB and third party monitoring shall be undertaken.
- g) A corpus fund with minimum 6 month O&M expenditure shall be maintained at all times by the SPV.

- B)** A legal agreement between the SPV and its member units clearly delineating their relationship and mutual obligations should be executed. The cost recovery formula developed for the CETP project should be ratified by all members.

**11. ADMINISTRATIVE EXPENSES**

Project administration charges will include administrative/concurrent monitoring and other miscellaneous expenses. The administrative expenses shall be 2% of the total outlay of this scheme.

**12. Role of Agencies**

**I PROJECT MANAGEMENT CONSULTANT (PMC) (Appointed by MOT)**

The role of PMC shall be as follows:

- i) Evaluation of the proposals and claims, including disbursements and utilization of funds, submitted by the SPVs and forward the same to PSC for appraisal and recommendation to PAC for final approval.
- ii) Assisting MoT in periodical monitoring of the Project implementation and submit periodical reports to MoT with regard to the progress of the implementation works.
- iii) Provide other need based advisory services to the Government in effective implementation of the scheme.

The MOT shall enter into an agreement with the PMC and the Fee for PMC services shall be paid by MoT directly to the PMC and this will not form part of the Project cost of the SPVs.

**II PROJECT MANAGEMENT AGENCY(PMA) (Appointed by the SPV)**

A PMA will discharge the following functions:

- i) Identifying the locations for setting up the processing park based on a scientific assessment of the demand and potential of the area.
- ii) Facilitating formation of SPV at each project level with the participation of local industry.
- iii) Preparation of Project Plan including the setting of standards for infrastructure.
- iv) Structure the projects and submit the same for evaluation by the PMC and appraisal by Project Scrutiny Committee (PSC).
- v) Preparation of Detailed Project Report (DPR) and getting the same vetted by the Independent Technical Agency recommended by the SPCB. The PMA also to ensure that the

DPR is approved by the SPCB and submitted to PMC for further evaluation and appraised and approved by the PSC and PAC respectively.

vi) Preliminary Design, Engineering and Project Management.

vii) Assist the SPVs in selection of agencies for preparation of bid documents and procurement procedure to appoint various contractors. The Tender transparency Act norms are to be followed in selection of the contractors/vendors.

viii) Assist the SPV in achieving financial closure.

ix) Monitor the implementation and submit periodical progress reports to the PMC, SPCB and MoT.

x) To liaise with the State Governments to resolve state-related problems.

xi) Ensure timely completion of project(s) as fixed by the PAC.

xii) The PMA will not be permitted to work as a contractor in the implementation of the project. However, the PMA can act as the O&M agency after execution of the project by the contractors.

The SPV shall enter into an agreement with the PMA only after obtaining the approval of MOT. The Fee for the PMA services shall be borne by the SPV this will be the part of the Project cost and would be restricted to 5% of the cost of the Project.

### **III SPECIAL PURPOSE VEHICLE (SPV)**

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

i) The SPV would conceptualize, formulate, achieve financial closure, implement and manage the infrastructure.

ii) The SPV would procure land, cost of which would not be built into the project cost.

iii) SPV would also facilitate securing bank finance required for setting up units in ITP.

iv) SPV would be responsible for maintaining the utilities and infrastructure created for processing park by collecting service and user charges.

v) The SPV has to be so structured as to be self-sustaining with a positive revenue stream.



vi) SPV would appoint contractors/PMA/O&M Agency in a fair and transparent manner. In order to ensure timely completion of the project, SPV will obtain appropriate performance guarantee from PMA/contractors.

vii) The SPV will be responsible for obtaining and maintaining statutory licenses and permits required for the various facilities.

#### **IV STATE GOVERNMENT**

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

- i) Providing all the requisite clearances, wherever needed, for setting up the Park and providing the necessary assistance for Power, Water and other utilities to the Park.
- ii) Assist in identification and procurement of suitable land.
- iii) The State Government agencies like Infrastructure/Industry Development Corporations may also participate in the projects by way of subscribing to the equity of SPV or by providing grants for an maximum value of 25% of the Project cost.
- iv) Providing flexible and conducive labour environment and consider special facilities like exemption of stamp duty etc. for the units located in the ITP.
- v) Dovetailing of other related schemes for overall effectiveness and efficiency of the project.

The State Government shall appoint a nodal agency for this purpose.

The project proposal/Detailed Project Report (DPR) must have the recommendation of the State Pollution Control Board / PMC and also the consent to establish and Consent to operate the CETP.

Outlet norms for the industry shall be prescribed by SPCB in Consent as a necessary condition. SPCBs shall also ensure that the outlet parameters for the individual industry and inlet parameters for CETP are in synergy.

#### **V PROJECT SCRUTINY COMMITTEE (PSC):**

**The project proposals as submitted by PMCs shall be considered and appraised by the Project Scrutiny Committee (PSC) headed by the Joint Secretary, Ministry of Textiles. The other members of the Project Scrutiny Committee shall be as follows:**

- (1) Adviser(Industry), Planning Commission or his nominee**
- (2) Joint Secretary(PF-II), Department of Expenditure or his nominee**
- (3) Joint Secretary (Infrastructure), Department of Commerce or his nominee**
- (4) Joint Secretary (IIUS), Department of Industrial Policy & Promotion or his nominee**
- (5) Joint Secretary, Ministry of Environment & Forests or his nominee.**
- (6) Textile Commissioner, Mumbai**
- (7) Economic Advisor, Ministry of Textile**
- (8) Director/Deputy Secretary, IFW, Ministry of Textile**
- (9) Director (SITP/ IPDS), Ministry of Textiles**

Project Scrutiny Committee will appraise all the proposal submitted by PMCs in terms of the project components, viability, feasibility and time lines of each project. The Committee shall look into the utility of the projects in terms of modernization & integration of supply and management chain, and make the final recommendations to Empowered Committee.

## **VI PROJECT APPROVAL COMMITTEE (PAC)**

**There shall be a Project Approval Committee to consider and approve the recommendations of Project Scrutiny Committee headed by Secretary (Textiles), Additional Secretary & Financial Adviser, Ministry of Textiles and Joint Secretary, Ministry of Textiles in charge of IPDS. The PAC will also be vested with discretionary and interpretational powers.**

## **VII O&M AGENCY**

- i. The O&M agency would be responsible for evaluation of performance guarantee runs of the water and effluent treatment plants to be demonstrated by the respective EPC contractors as per their contracts with the SPC and takeover of the facilities thereafter.
- ii. The O&M agency will be responsible right from the commissioning of the facilities to ensure smooth takeover of the facility. The agency will ensure rectification of defects if any by the EPC Contractor before taking over of the facilities.
- iii. The O&M agency will be responsible for O&M for a minimum period of 15 years and shall maintain the assets in a professional manner to ensure optimum performance throughout the O&M period. The agency will be responsible for refurbishments and technology up-gradation, if required, during the O&M tenure.

- iv. The O&M agency shall be responsible for compliance of inlet quality and flow from the contributing industries and shall provide status of non-complying units to SPCB for action on monthly basis.
- v. The O&M agency shall monitor specified quality outlet parameters and flow rate on daily basis and submit the monitoring data to the SPCB on regular basis. Parameters to be specified by SPCB shall be monitored by the agency online at outlet of CETP and IT based linkage shall be provided by to the SPCB. The SPCB shall ensure that continuous 24 hour data is displayed on its website.
- vi. The agency shall maintain necessary operational records/ logs for inspection by statutory authorities.

(Data Source: SITP Section, Website updated on 09-12-2013)