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Bankers want green nod before project bids

The Indian Banks' Association to tell finance ministry how to revive 85 large projects worth Rs 3.5 lakh crore stuck in sectors such as road, power and steel

Anup Roy | Mumbai
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Banks will ask the [finance ministry](#) to ensure environment clearances are provided before projects are put up for bidding, considering a chunk of big-ticket projects are stalled for want of this vital permit.

The Indian Banks' Association (IBA) will in the next fortnight make this as well as several other recommendations impacting six stressed sectors - roads, power, steel, sugar, EPC (engineering, procurement and construction) and electricity distribution companies - to the [finance ministry](#) to speed infrastructure development.

The report is in response to a meeting Hasmukh Adhia, financial services secretary, and R N Choubey, special secretary, power, held with bankers in April to discuss how to revive 85 large projects worth Rs 3.5 lakh crore.

The suggestions are meant as advice and it is left to the government to act upon them. The management committee of IBA authored the report with inputs from all banks, public, private and foreign.

The report suggests [stalled road projects](#) be allowed partial tolling to recover some money and the concession

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period be extended for projects stuck over land acquisition. If a project is cancelled halfway by a state government, a lump-sum termination payment should be made.

The report recommends effective power purchase agreements, where producers can fully pass on costs to buyers. Obstacles to power projects should have time-bound resolution, beyond which the power company should be compensated.

KEY RECOMMENDATIONS



LARGE PROJECTS

- Ensure environment clearances before inviting bids for projects
- Extend concession period for projects stalled due to external reasons



ROADS

- Acquire at least 80 per cent land before seeking bank loans
- Allow partial tolling in stalled road projects
- Make termination payout part of the agreement



POWER

- More efficient and effective power purchase agreement
- Time-bound resolution on issues impacting mega projects
- Make last-mile equipment purchase smoother



EPC FIRMS

- Allow engineering, procurement and construction firms undergoing corporate debt restructuring (CDR) to bid for projects



STEEL

- Make dumping cheap steel costlier by raising tariff sharply



DISCOMS

- Cut down transmission and distribution losses, raise power tariff for consumers
- Bifurcate rural feeder network and modernise equipment



SUGAR

- Lower state-guaranteed prices on sugarcane
- Link sugarcane prices with sugar prices

Bankers want state governments to allow engineering companies that are going through corporate debt restructuring to bid for projects. Many state governments do not permit bids by contractors whose debts are being restructured. "If the contractor does not get a fresh contract, the debt recast exercise is defeated," said a banker.

The report suggests stringent measures, including higher tariffs, against dumping of steel by countries. Banks have also sought lower sugarcane price guarantees by state governments.

They also feel the power ministry's proposals on the [Ujwal Discom Assurance Yojana](#) are in the right direction. In addition, they are seeking immediate reductions in transmission losses, bifurcation of the rural feed and modernisation of the grid.

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