

Model Concession Agreement 2021

By IASToppers | 2021-11-19 17:35:00



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Recently the Union Ministry revised model concession agreement 2021 for public private partnership projects at major ports.



[Ref: Zee Business]

- The new MCA will be applicable to all the **future PPP projects** at major ports.
- **It will include projects** which are already approved by the government but are still under bidding stage.
- It will **bring more developers**, investors and lenders and other stakeholders in the Ports sector and catalyze the investment in the sector.
- There are more than 80 public private partnership (PPP) projects in the sector with investment of over Rs 56,000 crores.

Major provisions of the revised MCA:

- **Provision of change in cargo** has been introduced for the first time.
- Due to external factors, traffic for a particular commodity has dropped during the concession period.
 - It will provide the flexibility to undertake change in cargo in such situation and reduces risk for the concessionaire.
- Provision has been made for **providing flexibility** to the concessionaires to fix their tariff based on market conditions
 - It will allow level playing field for the private terminals at major ports to compete with private ports for cargo.
- **To reduce risk** to the lenders provision of compensation for concessionaire's event of default before Commercial Operations Date (COD) has been added.

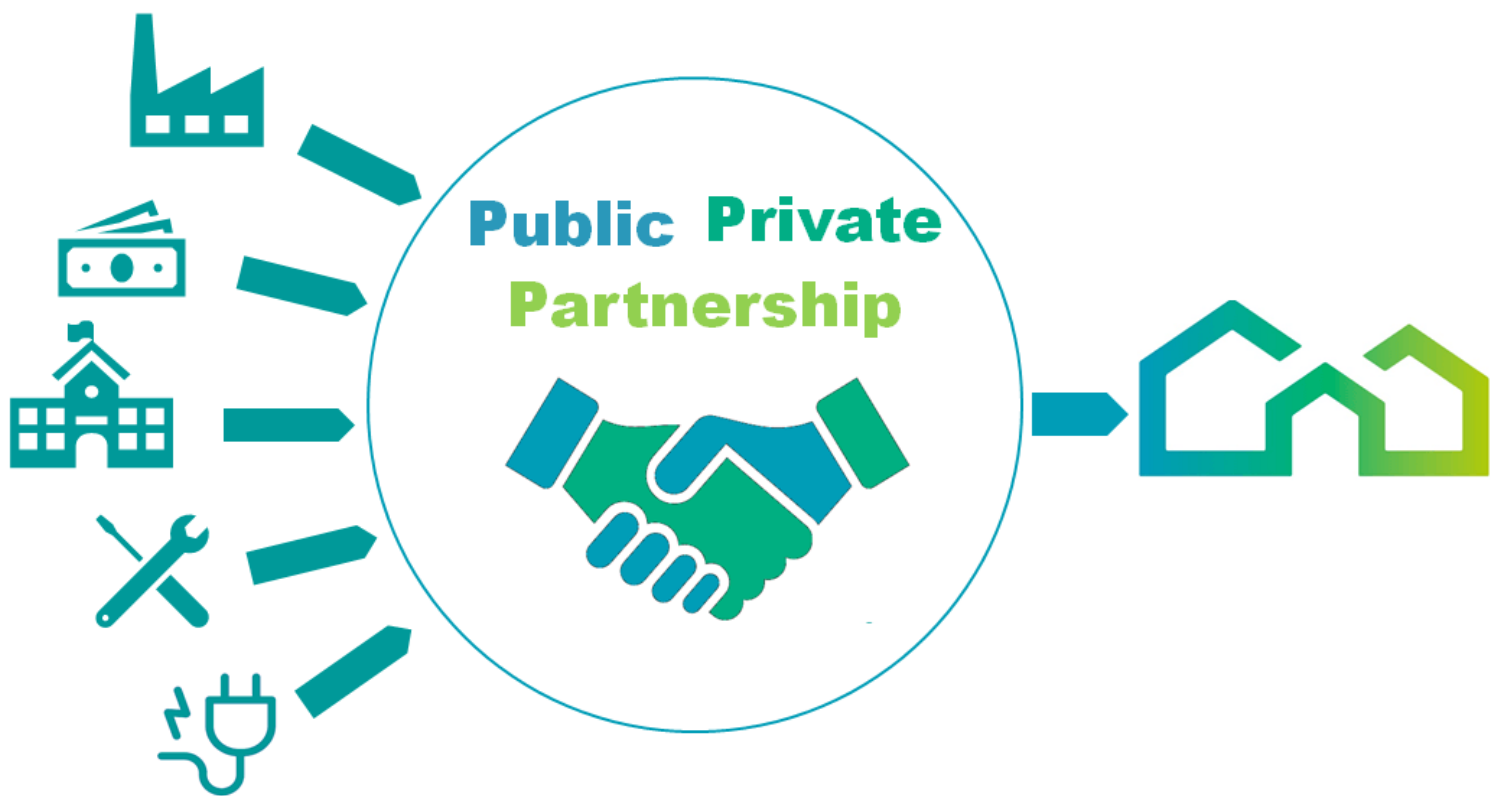
What is Model Concession Agreement?

- **MCA is a legal contract** that forms the basis of public private partnership (PPP) projects in India.
- It **lays down the terms and conditions** for executing a road project till a private firm operates.
- It states the policy and regulatory framework for implementation of a PPP project.

- MCA addresses all issues related to a PPP framework like
 - Mitigation and unbundling of risks
 - Allocation of risks and returns
 - Symmetry of obligations between the principal parties
 - Precision and predictability of costs & obligations
 - Reduction of transaction costs and termination.
- The model is available for various sectors like National Highways, State Highways, Urban Rail Transit System and Ports.

About Public Private Partnership:

- **Public-private partnerships** involve collaboration between a government agency and a private-sector company to finance, and operate projects, like public transportation networks, parks, and convention centers.
- It often involves **concessions of tax**, protection from liability, partial ownership rights over nominally public services and property to private sector, for-profit entities.



[Ref: Blog. Ipleaders]

Merits:

- **Ensure necessary investments** into public sector and effective public resources management.
- Ensure higher quality and timely provision of public services.
- A private entity is granted the opportunity to obtain a long-term remuneration.
- **Private sector expertise** and experience are utilized in PPP projects implementation.
- PPP project risks allocation enables to reduce the risk management expenditures.

Demerits:

- **Infrastructure** or services delivered could be more expensive
- The service procurement procedure is longer and more costly in comparison with traditional public procurement.
- The **project agreements are long-term**, and inflexible because of impossibility to envisage events that could influence the future activity.