be negotiated in the Power Purchase Agreement (PPA). The two parts reflect, respectively, fixed capital costs and operating costs, including cost of fuel. There is also protection against inflation and currency devaluation.

- A five-year full tax holiday is offered, followed by a 30 per cent tax reduction for a further five years.
- Special depreciation rates apply for plant and machinery.
- Free and full repatriation of dividends and interest on foreign equity and loans is assured.
- Import duties on project-related power equipment (including that for plant refurbishment) have been reduced from over 80 per cent to 20 per cent, if it is financed from abroad, and excise taxes (so-called "countervailing" duties) on such equipment have been eliminated.
- Licenses are issued for 30 years, and are to be renewable for 20 years at a time.

Approval procedures have, in principle, been centralized and codified to speed up the processing of proposals. An Investment Promotion Cell has been set up in the Power Ministry to expedite clearances, and a High-Powered Board of Ministries is to streamline decision making. In a bid to kick-start the process and attract foreign investors, the Government put the first eight proposals on "fast track" (see Box 2.2) to speed up clearances, and offered a Central counter-guarantee for individual State obligations arising from SEB contracts.

Box 2.2: The eight "fast track" power projects:

Project	*Developer*	*Fuel*	*Capacity*
Dabhol* (Mah)	Enron/GE/ Bechtel	Distillate/ LNG CC	695 MW/ 1,320 MW
Ib Valley* (Orissa)	AES/GE	Coal	420 MW
Vizakhapatnam (AP)	Hinduja Group, National Power	Coal	1,000 MW
Mangalore (Kar)	Cogentrix/GE	Coal	1,000 MW
Jegurupadu (AP)	GVK, CMS, ABB	Gas CC	235 MW
Kakinada (AP) (*aka* Godavari)	Spectrum Power, Bambino Group	Gas CC	208 MW
Zero Unit/ Neyvili (TN)	ST Power, CMS	Lignite	250 MW
Paguthan (Guj)	Gujarat Torrent Energy	Gas CC	240 MW

** Central counter-guarantee signed*