

Chapter - 8

Conclusion

In order to reduce dependency on its finances, bring in professional project management practices and improved technology for better quality of construction, GoI had decided to involve private sector participation through BOT (Build Operate and Transfer) mode and all projects from Phase-III onwards have been awarded by NHAI in PPP mode. Audit, however, noticed that execution of projects through PPP mode suffered from deficiencies in planning as well as in implementation. In spite of creation of an institutional framework such as CCI/CCEA, PPPAC and NHAI as the single agency vested with requisite legal and financial powers to ensure speedy progress of road projects, the results of the PPP mode of execution were not satisfactory. The process of identifying and prioritising road projects was opaque and road stretches originally selected for development were replaced with other stretches at later stage without justification.

Though one of the objectives of PPP mode of execution was to reduce dependency on Government finances, the same could not be achieved completely. The funds at the disposal of the NHAI were mostly by way of plough back of toll, sanctions from Central Road Fund and issue of tax free bonds, each of which was a drain on Government resources. NHAI had large quantum of funds at the year-end which it was unable to invest in road projects and instead the same were parked in Fixed Deposits with banks. MoRTH/NHAI failed to achieve the target set for development of 20 km per day.

There was scope for increased transparency and competitive bidding as the projects were restructured by making major changes in initial project parameters and TPC during bidding process without inviting fresh RFQ.

Award of projects was delayed after approval by PPPAC/CCEA/CCI due in turn to procedural delays in NHAI in inviting bids, awarding the work and delay on the part of Concessionaires in formation of SPV, achieving Appointed Date, Financial Closure and fulfilment of conditions precedents. One of the main hurdles was failure of NHAI to acquire land and obtain approval from Government agencies in time.

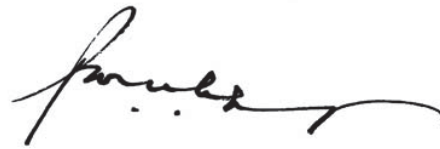
PPP mode was expected to be user friendly and beneficial to users. Though users were required to pay toll from appointed date in 6-laning projects, they were deprived of the benefit of improved road conditions for long periods in some of the projects despite paying toll. The users would also have to bear the burden of toll for longer periods than justified as in a number of cases, the concession period of the projects was longer which, in turn, was due to non adoption of the volume of traffic/carrying capacity for determining the concession period. Inclusion of structures/roads which were not

warranted by the volume to traffic would also result in unwarranted burden on road users by way of higher rate of toll (2-lane projects) and payment of VGF and annuity out of the public exchequer.

Concessionaires were unduly benefitted due to failure of NHAI in levying damages as provided in concession agreement. Monitoring of the PPP projects was deficient as a PPP Performance Review Unit, as approved by CCI was not established in MoRTH.

Audit did not find a robust mechanism to identify stretches that needed widening. In many cases we noticed that stretches had been taken up for 4/6 laning where the traffic in such stretches did not justify such an investment.

Audit also noticed instances where VGF was being provided whereas the norms did not justify such investments.



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Countersigned



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Dated: 02 December, 2014