

HIGHLIGHTS

- On 12 December 2000 Government of India approved Phase-I of National Highways Development Programme (NHDP) upgrading 6359 Km. of roads which included a number of ongoing projects along the Golden Quadrilateral, North-South and East-West corridors. Between March 1998 and April 2003, 930 km. of these road stretches representing 15 *per cent* were sought to be executed through a new mode of delivery plan known as ‘Public Private Partnership’ (PPP). These road projects to be developed under PPP were split into 17 individual projects; nine of which were meant to be delivered through Build Operate and Transfer (BOT)-Toll mode and eight projects *via* BOT-Annuity mode.

(Paras 1.1 to 1.4)

- An overriding consideration for the Government in deciding PPP as an alternative financing and service delivery model was to secure ‘timely’ and ‘cost-effective’ service delivery besides leveraging scarce budgetary resources.

(Para 1.2)

- This report examines various aspects of project implementation and assesses whether these PPP deals have effectively delivered a good value for money, taking into account the Government’s objectives. It concludes that:

Planning

- At the start of NHDP Phase-I, the Authority did not prepare a corporate/strategic plan which indicated the project priorities and scheduling and could be used as a monitoring mechanism. Their informal system of concurrent review could not provide adequate assurance for project monitoring. Even the internal guidelines from the Government to determine the mode of execution could not be issued until March 2006. Consequently, the Authority failed to systematically evaluate the relative merits and its financial implications in executing a project through BOT-Toll or BOT-Annuity.

(Para 2.1)

- Detailed Project Report (DPR) forms the basis of any project implementation. There were no DPRs in two BOT projects and the DPRs in respect of two other projects suffered from deficiencies in design, cost estimates and traffic projections. There was no benchmark IRR in the financial models. As a result, the concession periods in Jaipur-Kishangarh and Delhi-Gurgaon projects were unduly stretched over long periods benefiting the Concessionaires by an estimated Rs.121.63 crore and Rs.187.77 crore, respectively.

(Paras 2.2, 2.2.1, 2.2.2 and 2.3)

- Though the target date for completion of NHDP Phase-I projects was June 2004, the Authority was able to complete only five of the 17 PPP projects. There were inordinate delays in remaining projects ranging between two and 42 months.

(Para 2.4.1)

Project management

- The concession agreements provided for 'acceptable' and 'desirable' levels of roughness measure of the roads to be constructed. The levels of roughness prescribed under the 'acceptable' and 'desirable' levels were uniform only in four of the six projects test-checked. In Jaipur-Kishangarh project, the standards of 'acceptable' and 'desirable' levels were relaxed as compared with the other five projects. As explained by the Authority, two levels were indicated in the concession agreement in order to make an attempt to achieve 'desirable' results. However in all locations test checked, though the 'acceptable' levels had been achieved, only in 37 per cent locations, the levels of roughness met the 'desirable' parameters.
- There were deficiencies in fulfilling technical parameters. For instance, deflection studies carried out in 82 locations on six road projects indicated the need for overlay of bituminous concrete in 28 locations. There was non-compliance of combined thickness of wet mix macadam (WMM) and granular sub-base (GSB) requirement in all the test-pits of one project and a significant non-compliance in other five projects. Inadequacies in the degree of compaction of granular layers were noticed in five projects.

(Paras 3.7, 3.8 and 3.9.1)

Contract and Revenue management

- Escrow account arrangement is an effective tool available with the Authority to monitor funds utilisation meant for a particular project. It establishes a link between the sources and utilisation of funds. Concession agreements also stipulate that the Concessionaires furnish copies of escrow accounts for periodical scrutiny by the Authority. By failing to review this account in three BOT-toll projects and by not appointing an independent auditor in any of the four BOT-toll projects, the Authority has denied itself the benefits of these important control tools.

(Paras 4.1.1 and 4.1.2)

- Although concession agreements provide for levy of penalties for deficient/ non-performance, it failed to impose penalty of Rs.28.23 crore due in three out of eight projects test-checked. Also, the Authority did not incorporate the clause for recovery of penalty towards non-achievement of financial closure and target dates for individual milestones in BOT-Annuity projects.

(Paras 4.2.1, 4.2.2, 4.2.3 and 4.3.1)

- In BOT-annuity projects, the Authority was entitled to collect toll immediately after project completion. There were delays in commencement of toll collection in all the

four projects test-checked resulting in revenue loss of Rs.23.89 crore. The Authority did not index base toll rates with the latest whole-sale price index available at the time of sending draft toll notification to the Ministry which resulted in fixation of lower toll rates and consequential loss of revenue of Rs.22.73 crore in three BOT-annuity projects.

(Paras 4.5.1 and 4.5.2)