

**NATIONAL HIGHWAYS DEVELOPMENT PROJECT  
(NHDP) – AN UPDATE**  
[Excerpts from Economic Survey 2009-10]

Target of awarding projects under various phases of NHDP during 2009-10 = **9,800 km**

Projects awarded for a total length up to Nov.2009 = **1,285 km**

**Reasons for delay in the award of projects under NHDP as identified by Economic Survey included**

- New procedure for approval of PPP projects
- Modifications in the model concession agreements (MCA)
- New request for qualification (RFQ) process and new MCA conditions
- Cap on maximum number of pre-qualified bidders
- Time involved in evaluation of voluminous information
- Shortage of financial consultants due to conflict of interest clause
- Need for evaluation of request for proposal (RFP) documents for individual packages
- Factors that affected the bankability of projects like lenders' perception of high risk due to provision relating to premature termination of concessions, lingering doubts of lenders on interpretation of many provisions of the new MCAs
- Inadequate availability of long term debt funds

**Steps taken to expedite the progress of the NHDP**

- Regular monitoring of contracts and progress reviews
- Appointment of senior officials by State Governments as nodal officers for resolving problems associated with the implementation of the NHDP
- Setting up of a Committee of Secretaries under the Cabinet Secretary to address inter-ministerial and Centre-State issues such as
  - o land acquisition
  - o utility shifting
  - o environment approvals
  - o clearance of ROBs
  - o simplification of the procedure of issue of land acquisition (LA) notifications
  - o posting of Railways officer to the National Highways Authority of India (NHAI) to coordinate with the Ministry of Railways in expediting the construction of ROBs

- Decision to not allow non-performing contractors to bid for future projects unless they improve performance in existing contracts
- Steps to improve cash flow problems of contractors by granting interest-bearing Discretionary advance
  - Release of retention money against bank guarantee of equal amount
  - Deferment of recovery of advances (on interest basis) and relaxation in minimum IPC amount

## **Recent Initiatives**

- Restructuring of projects to reduce total project cost (TPC) to make them financially viable
- Increase of up to 20 per cent in TPC case-of-project costs based on old DPRs
- Release of entire viability gap funding (VGF) (maximum up to 40 per cent) during the construction period
- Removal of provision in RFQs limiting the maximum numbers of pre-qualified bidders
- Urging lenders to resolve issues inhibiting financial closure
- Expeditious land acquisitions and shiting of utilities

## **Target**

The Ministry of Road Transport & Highways has set a target of completion of 20 km of NHs per day, which translates to 35,000 km at the rate of 7,000 km per year during the next five years (2009-14). The NHAI formulated Work Plans (Work Plan I & II) for awarding 12,000 km each during the years 2009-10 and 2010-11. These Plans lay down a specific timeframe for various activities and are being monitored very closely at various levels. Work Plan I (2009-10) covers balance stretches of NHDP Phase II, III & V. So far, 14 projects for a length of about 1,300 km have already been awarded, bids for 20 projects covering a length of about 2,000 km have been received and are under kprocess and are under process and another 23 projects for a length of about 1,700 km are presently on offer.

## **B K Chaturvedi Committee**

After the last review of the Road Sector by the Prime Minister, a Committee (under Shri B K Chaturvedi, Member, Planning Committee), was set up. Based on the recommendations of the Committee, appropriate changes in RFQs, RFPs and MCAs are being considered by the NHAI.

## **Land Acquisition Process**

The NHAI is setting up 192 Special Land Acquisition Units in various States for expediting the LA process, which is identified as major bottleneck in the implementation of the projects. Seventy-two such units have already been set up. The NHAI has also decided to set up six zonal offices headed by Executive Directors to coordinate with State Governments in regard to LA and other pre-construction activities. Further, the NHAI has set up 10 regional offices to be headed by Chief General Managers for improvement in liaison with State Governments and for expediting preconstruction activities. Besides, Chief Ministers have been requested to set up High Level Coordination Committees under Chief Secretaries to sort out issues involving coordination between departments.

## **MEGA PROJECTS**

It has also been decided to take up some mega projects of about 400 km to 500 km each costing up to US \$ 1 billion to attract investment by international companies. Two mega projects would be put up for bidding in the current financial year.

## **FINANCING OF THE NHDP**

A part of the fuel cess is allocated to the NHAI to fund the implementation of the NHDP. The fund allocated from the cess is leveraged to borrow additional funds from the domestic market. The Government of India has also taken loans for financing various projects under the NHDP from the World Bank (US\$ 1,965 million), Asian Development Bank (ADB) (US\$ 1,605 million) and Japan Bank for International Cooperation (32,000 million yen), which are passed on to the NHAI partly in the form of grant and partly as loan. The NHAI has also negotiated a direct loan of US\$ 165 million from the ADB for one of its projects.