

Preface

Infrastructure is considered to be the skeleton on which the society is built and it is vital to the nation's economic growth. The adequacy of infrastructure helps determine one country's success and another's failure – in diversifying production, expanding trade, coping with population growth, reducing poverty, or improving environmental conditions. The immediate need for such projects coupled with chronic budget shortages experienced by public agencies has led Governments to invite private sector entities. It is generally recognised that lack of infrastructure is one of the major constraints on India's ability to sustain a high rate of growth in GDP. The total investment in infrastructure has increased from 5.1% of GDP in Xth Plan to 7.6% of GDP in XIth Plan and projected as 9.6% in XIIth Plan. The private sector investment out of total investment has also increased from 20% in Xth Plan to 30% in XIth Plan and projected as 50% in XIIth Plan. This essentially underlines the importance attached to private investment in infrastructure for rapid economic growth.

The road sector contributes about 70% of transport sector and the investment in road sector is about 15% of total investment in infrastructure. National Highways constitute only about 1.7% of the road network but it carries 40% of the total road traffic. Economic liberalisation in 1990s necessitated development of a world class road network to trigger the economic growth trajectory for India. The Government of India has entrusted National Highways Authority of India with responsibility of implementing a greatly expanded National Highways Development Programme spread over

seven phases with an estimated expenditure of Rs. 2,35,690 crore till 2015. The concept of involving private sector was mooted as the investment requirement was well beyond the budgetary support. The dependence on private sector for financing in road sector is expected to go up sharply from 4.8% in Xth Plan to 40.3% in XIth Plan. Public Private Partnerships (PPP) are increasingly becoming the preferred mode for construction and operation of commercially viable infrastructure projects in sectors such as highways, airports, ports, railways and urban transit systems. The transition from traditional procurement to PPPs involves a change of procedures, perceptions and mind-set. The key to making PPPs acceptable is to create an environment where PPPs are seen as a way of attracting private investment into public projects in a transparent and fair manner with the objective of enhancing welfare.

In the last few years, large numbers of project in PPP mode under BOT (Toll) and BOT (Annuity) have been completed under NHDP. The present study attempts to find out whether the efficiencies which are typically associated with private sector have been obtained in National Highways Development Programme. In spite of all the problems encountered with PPP projects in highways in both developed and developing countries, the performance of India has been really commendable. The palpable benefits have accrued from BOT (toll) projects like reduction in time & cost overrun and reduced litigations etc. A paradigm shift in favour of BOT (Toll) is evident since 2005. This is mainly due to strong framework developed in the form of Model Concession Agreement.

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