Country case study: India

WHY READ THIS CASE STUDY?

- A The country is a good example of major program revamp involving a major shift from public procurement to a predominant focus on successful PPP in Highways within a relatively short period.
- B This shift started about 10 years ago with major political commitment at the highest levels, with strong support from the multilaterals and the creation of PPP focused institutions and systems.
- C India is using a mix of BOT type PPP arrangements and Annuities which also makes it instructive.
- D India is an example where laws, regulations, institutions, modalities, funding, sub national development, expansion into non traditional areas for PPP etc are being developed on a step by step basis. That is, not all that is advised as being required for successful PPP development was initially in place but the country is moving to a comprehensive PPP system.
- E Key considerations are considered to be political commitment, recognition of the role of highways in economic development and severe shortage of funds, initial development of a few successful highway projects through contracts and strong support from the multilaterals and especially the WB and ADB, especially in project preparation, financial support/funding mechanisms, risk management and tendering procedures.

Background

India is now the fourth largest economy in the world and one of the fastest growing. However it faces both a tremendous backlog and a growing demand for infrastructure.

The Indian economy expanded significantly in fiscal year 2006. According to advance estimates released by the Central Statistical Organization, the economy recorded a gross domestic product (GDP) growth rate (at factor cost) of 9.2% at constant prices, compared with 9% in the previous year. The increase in growth rates in recent years is reflected in the 11th (FY 2007–FY 2012) Five-Year Plan average annual growth target of 9% compared with the 10th Plan target of 8%.

High quality infrastructure is essential to harness the growth impulses in the economy. The Planning Commission (equivalent to a Ministry of Planning) has observed that poor infrastructure is India's "Achilles' heel" which is estimated to cost India 3-4% of lost GDP a year. The Planning Commission has estimated that India needs to increase its spending on infrastructure from 4–5% to 9% of GDP if it is to achieve its growth targets.

In the highway sector, 50% of villages do not have all weather road access and only 15% of the strategic national highway system has 4 lanes. In the cities, traffic congestion is

worsening, impacting both public and private transport. Table 1 provides a comparison of India's infrastructure availability.

COMPARISON OF INFRASTRUCTURE AVAILABILITY IN INDIA		
	Population (million)	National Expressways ('000 miles)
India	1,100	3.7
China	1,300	25
United States	300	47

Sources: ADB, International Monetary Fund, National Development and Reform Commission.

Lack of infrastructure also undermines the competitiveness of the economy and poor infrastructure hinders FDI in non infrastructure businesses. Poor infrastructure also impedes inclusive growth and poverty reduction.

In the highway sector the GOI (Government of India) has established its National Highway Development Program (NHDP) and the Prime Minister's Rural Road program. However, available funding has been providing less than 50% of needs.

Following many years of hesitation with PPPs, India has made great strides in its PPP program and especially in the highway sector. India now sees PPPs as a necessity to mobilize sufficient resources for its infrastructure needs.

India has been actively engaged in recent years in finding the appropriate policy framework to make public private partnership for infrastructure financing a viable option. The country is seeking a comprehensive policy framework which gives the private sector adequate confidence and incentives to invest on a massive scale, while simultaneously providing adequate checks and balances through transparency, competition and regulation.

The PPP Process in India

Recent trends in the PPP Framework for Highways

Policy

All contracts whether for construction or BOT are awarded through competitive bidding.

Private sector involvement is currently through:

- Public Construction contracts
- Concessions for some stretches – based on either the lowest annuity or the lowest lump sum payment from the Government
- Concession contracts permit tolling on those stretches of the NHDP (see table below for breakdown)

Incentives:

- 100% FDI under the automatic route is permitted for all road development projects;
- Incentives include a 100% income tax exemption for a period of 10 years;
- NHAI agreeable to provide grants/viability gap funding for marginal projects, as well as traffic support/guarantees, on a case by case basis;
- NHAI possible equity participation of up to 30% of the SPV established to develop a road project;
- Private investors' protection against force majeure type situations including political, non political and legislative changes;
- Land required for highway construction can be leased to private operator under a PPP (but remains in the ownership of the State).

A Model Concession Agreement has been formulated and provided to bidders. A large pipeline of projects is being developed, amounting to the USD 50–60 billion investment that is estimated by NHAI will be required over the next 5 years to improve road infrastructure.

Legal and Regulatory

The National Highways Act, 1956, has been amended to attract private investment in road development, maintenance, and operation.

In order to specify the policy and regulatory framework on a fair and transparent basis, a Model Concession Agreement (MCA) for PPPs in national highways has been introduced. The government also approved a new Model Concession Agreement (MCA), which, some have considered is "a very attractive document as far as lenders are concerned", as it allows for grant funding and government guarantees, is high on transparency, and addresses principal concerns of lenders, such as land acquisition and protection in the event of default.

Dispute resolution will be governed by the 1996 Indian Arbitration and Conciliation Act, which incorporates the UNCITRAL provisions.

Institutions: Organizing the Government for PPPs

Steps are being taken for restructuring and strengthening of National Highways Authority of India (NHAI), which is the implementing agency for the National Highways program.

Institutional mechanisms have been established to address bottlenecks arising from delays in environmental clearance, land acquisition etc. A special focus is being provided for traffic management and **safety**[1] related issues through the proposed Directorate of Safety and Traffic Management.

1 Highway related deaths are estimated to be around 100,000 per year in India. China has a similar absolute level.

It was noted that a key part of the growth of PPPs in India represents a paradigm shift, with line agencies initially reluctant to embrace the concept. Successful pilots and a major emphasis on PPPs, from the Prime Minister's Committee on Infrastructure with Empowered Sub-Committees, have provided both overall leadership as well as strategic direction. PPPs have now become integrated in the planning process, and in some cases PPPs are now the default option, for example national highways.

The Government is undertaking an active program of capacity building, including support to PPP nodal cells at the state government level and in central government line agencies, and supported by the World Bank; and capacity building visits of PPP-related officials to countries with successful PPP programs under an Asian Development Bank Technical Assistance facility.

State governments are needed to work more on establishing robust PPP units, and that they are required to develop clear procedures for dealing with potentially contentious issues such as unsolicited proposals.

It is expected that this common framework, based on international best practices, will significantly increase the pace of project awards as well as ensure an optimal balance of risk and reward among all project participants.

The Cabinet Secretary of the Government of India noted at a recent conference the steps that the GOI has taken recently to develop the framework for PPPs and build up capacities.

These measures included:

- Establishing PPP as the preferred mode in sectors such as national highways;
- Strengthening the regulatory and policy framework, including the expansion of user fees;
- Providing fiscal incentives in terms of "tax holiday" to infrastructure projects and tax incentives to investors providing long-term finance or investing in equity capital;
- Permitting FDI up to 100% on the automatic route in several infrastructure sectors;
- The creation of PPP Cells in all central ministries and state governments;
- The creation of the Public Private Partnership Appraisal Committee (PPPAC) at the national level;
- Preparation of standard documents such as Model Concession Agreements, pre-bid qualification methodology and procurement processes.

Financial, Modalities and Risk

The Viability Gap Fund (VGF) was introduced with Guidelines and appears to be working reasonably well.

The provision of longer term funding to match the long concession periods involved in PPPs is under preparation with the development of a USD 6 billion fund under the IIFCL.

In 19 projects, private operators offered to pay upfront for the road **concessions**[2]. Even among the projects which opted for support under the VGF, the grant component, on average, accounted for only 8% of the total project cost (as against the cap of 40%). A number of modalities are being used. Reference above has been to BOOT. However, the annuity model is increasingly popular in India.

For high density corridors where the potential for direct tolling of road users exists the GOI has successfully used BOOT toll road concessions as a way of mobilizing private financing. Under this model the private sector builds, operates and maintains the road for the period of the contract (usually up to 30 years), after which the road is transferred back to the Government. The private operator is remunerated through the collection of tolls charged for use of the road, and, in some cases, in part by payment directly from the Government. To date approximately 500km of national highways are privately managed as toll roads, raising around 10.5 billion rupees per year (USD 224 million).

This model has been used primarily for port connectivity projects, the least risky of the NHDP programs. Under this model, the Government and the private sector join forces in establishing a Special Purpose Vehicle (SPV) for financing and implementing the PPP project. Because user entities generally can contribute to part of project financing, these projects have been able to achieve investment grade ratings from at least one credit rating agency and thereby attract long term financing from such risk averse sources as insurance companies, pension funds, and other institutional investors.

Where revenues from tolling are uncertain or will be insufficient to attract BOT operators, the GOI had to employ Engineering, Procurement and Construction (EPC) contracts which entail little or no risk on the part of the private sector. To fill this gap, NHAI has developed the Annuity Concession model. To date, approximately 8% of the length of roadways subject to NHDP funding has been commissioned using the Annuity Concession model.

Annuity Concessions are a variant of the BOT/BOOT model in which the private operator is remunerated via a fixed, periodical payment ("annuity") from NHAI rather than through toll proceeds. Under these contracts, the private operator is responsible both for constructing the road, as well as for operating and maintaining it for a fixed period of time (typically 10 years). Because the break-even point for the private operator does not occur until late in the contract (typically around the seventh year in a ten year contract), this form of PPP transfers both responsibility for bridge financing and performance risks to the private sector. In addition, because the annuity payment are not indexed, the private sector retains any risk associated with higher than anticipated operations and maintenance (O&M) costs.

Although Annuity Concessions do transfer certain key risks to the private sector, they keep revenue risk with Government which retain the right to set and collect tolls). This makes Annuity Concessions attractive to private operators where a BOT type arrangement

2 In fact, in one particular stretch between Mumbai and Vadodara, the government received a negative grant of Rs. 900 crore.

would be considered too risky, because although total costs of construction and maintenance are provided by the private sector they are guaranteed by the public sector and repaid as an annuity and only after the construction is completed which makes it attractive to the Government; their incentive being faster and quality construction and also better maintenance (the amount of annuities would be reduced in case of failure of implementing specific performance requirements).

Annuity Concessions do not require any advance payment to the private operator. Instead, NHAI does not begin paying the annuity until the road is constructed in accordance with the quality standards set out in the contract. This model rewards early completion and provides the private operator with a built- in incentive to ensure that the road is constructed in a way that minimizes long term O&M costs while meeting quality standards. This focus on performance has reduced the amount (and cost) of monitoring and oversight required of Governments during the construction period. It has also resulted in construction costs that are on average 12 to 25% lower than NHAI's estimates.

In addition to the transfer of the initial financing, construction, O&M and project completion risks to the private sector, a construction faster and less expensive than under traditional EPC contract, the GOI has seen other advantages to Annuity concessions including:

- A payment structure allowing a firm calculation of NHAI's financial exposure under the contract;
- A reduction in the risk of contract renegotiation with the private contractor resulting from the fixed nature of the annuity payments, and
- A substantial growth of domestic private sector capacity (not just in construction, but in operations and maintenance as well) in the roads sector.

Two toll based annuity schemes are possible:

- Toll to be collected by the public sector; or
- Toll to be collected by the concessionaires.

TOTAL ALLOCATION OF MODALITY TYPES NHDP I-VII (ONGOING AND PLANNED)						
	Km		Cost in Rs Crores		Cost in USD million (approx)	
BOT type	23.8	52%	148,000	67%	32,889	67%
Annuity Mode	15.9	35%	31,400	14%	6,978	14%
Traditional Public Tender	6.3	14%	40,200	18%	8,933	18%
Total	46.0	1.00	219,600	1.00	48,800	1.00

Source: NHAI, 2006

The response from the private sector to these initiatives has apparently been encouraging. However, while the annuity model has considerable advantages in many situations, it is not being applied universally in India, with the 'traditional' BOT still preferred for

many PPPs. Maximum practical risk transfer and cost recovery from the users are still objectives to be aimed at if possible.

The Recent PPP Framework

Three significant improvements have recently been made in the PPP enabling environment. Two initiatives relate to funding needs. The increasing growth in the key infrastructure sectors requires huge finance, which cannot be met fully from the budgetary resources of the Government of India.

These three measures comprise;

- **India Infrastructure Financing Company Limited (IIFCL)**

  The infrastructure finance market in India is largely characterized with inadequate flow of long-term funds despite a large and diversified financial sector. The tenor of available funds from the domestic market is typically 10 years or less with a 2–3 year re-set clause, effectively making such funding short-term.

  This typically leads to higher than desirable tariffs during the initial years of the project cycle which adversely affects affordability of the services for the low-income end-users. Since user tariffs are required to provide for debt repayments, return on equity, and depreciation costs, tariff affordability depends on amortizing debt through smaller repayments over a longer period of time. In the absence of long-term fixed rate financing, stability of cashflows are difficult to achieve.

  Despite initiatives by the Government for improving the availability of long-term funds, policy, institutional, and market gaps remain. The impact of the ongoing reforms in the real and financial sectors will only be felt over the medium- to long-term and as a result, the already significant gap in infrastructure financing will further increase.

  IIFCL was set up in 2006 and is expected to catalyze and promote PPPs by leveraging market-based project development skills and providing much needed long-term debt for financing infrastructure projects. This includes;

  1. extending support to infrastructure projects in partnership with institutions like IL&FS, IDFC, and National Highway Authority of India;
  2. considering PPP projects at the state and municipal levels e.g., roads, urban development, ports, tourism related infrastructure;
  3. providing financial instruments for enhancing investments in infrastructure, e.g., such as guarantees, debt, and equity; and (iv) establishing market benchmarks.

  Accordingly, the Government has also designated IIFCL as the debt manager of a USD 3 billion debt fund of the USD 6 billion India Infrastructure Financing Initiative.

- **Viability Gap Funds**

  In order to remove project financial shortcomings, the Government of India is also promoting PPP development through a special facility envisaging support to PPP projects through 'viability gap funding'

  The prime objective of this facility is to reduce the capital cost of the projects by credit enhancement, and to make them viable and attractive for private investments through targeted supplementary grant funding. Provisions for this facility is made on a year-to-year basis

  The criteria of eligibility for funding are;

  - The project must be implemented, i.e. constructed, maintained and operated during the project term, by an entity with at least 40 per cent private equity
  - The projects should have been vetted/endorsed by the concerned line ministries in the Government India All central projects should have received requisite Government approval at the appropriate level
  - The total Government support required by the project, including support from the Government of India under this facility, or any other sources of the Government of India and its agencies, must not exceed 20 per cent of the total project cost as estimated in the preliminary project appraisal, or the actual project cost, whichever is lower
  - The implementing agency must be selected through a transparent and open competitive process
  - Project proposals must be accompanied by a preliminary project appraisal covering

    1. techno-economic viability of the project,
    2. financial appraisal and project financing arrangements,
    3. extent, nature and target of the viability gap funding proposed and
    4. a commitment letter on behalf of the lending institutions

  An Empowered Committee has been set up in the Department of Economic Affairs under the Additional Secretary (EA) to consider and authorize sanction of funds up to Rs.50 crore (USD 15m) beyond which approval of the Finance Minster will be required

- **Infrastructure of Contract Enforcement**

  Modern concepts of regulation of contracts involved in infrastructure require a sound framework of law and enforcement. India started out with an English "common law" tradition, where laws were written in terms of general principles, and courts played a major role in interpreting principles in the light of contemporary issues.

  Over time, this common law heritage has become less important, and the structure of Indian law has moved closer to "civil law", where legislation contains explicit

detail and extensive codification. This is more rigid, and gives courts less room to interpret general principles to reflect evolving conditions

Financing

The early stages of the NHDP were funded traditionally from a variety of sources (See also Annex 1 Central Road Fund) including budgetary support, multilateral/bilateral loans, fuel cess, tolls and private sector. Increasingly, the NHDP will be funded by the fuel cess, through PPPs, tolls, and budgetary support where necessary. Loans from multilateral agencies will be increasingly devoted to project preparation, viability gap funding, long term financing of PPP projects and guarantee funds.

From the private sector perspective in India, the following were seen as key priorities for their equity participation:

- PPPs are viewed as representing an enormous long term opportunity for the private sector which will grow as projects expand significantly.
- Government initiatives to develop the framework for PPPs are welcomed especially streamlining the PPP process and providing VGF and IIFCL funds. Also welcomed are the various PPP cells and also the encouragement of PPPs at the state level.
- Reforms and Capacity building at state and federal level are still required.
- There is still more need for information and publicity on PPP opportunities.
- The creation of a pipeline of credible and well structured projects is very important to sustain private sector interest
- The policy and regulatory framework needs strengthening to ensure transparency and confidence. Transparency is paramount.
- Tender procedures need standardization.
- Land acquisition and environmental approvals are best done by government; projects should build in the cost of land and mitigation/safeguards as part of project preparation.
- Risk and perceived risk as well as return on investment need better understanding and treatment by the public sector to attract investors.
- The private sector wants to build genuine long term partnerships with the public sector which should recognize this and act accordingly.
- Foreign investors could be attracted by large, complex projects with market driven fundamentals within medium term programs and with projects that could be funded by new types of finance to augment domestic capital.

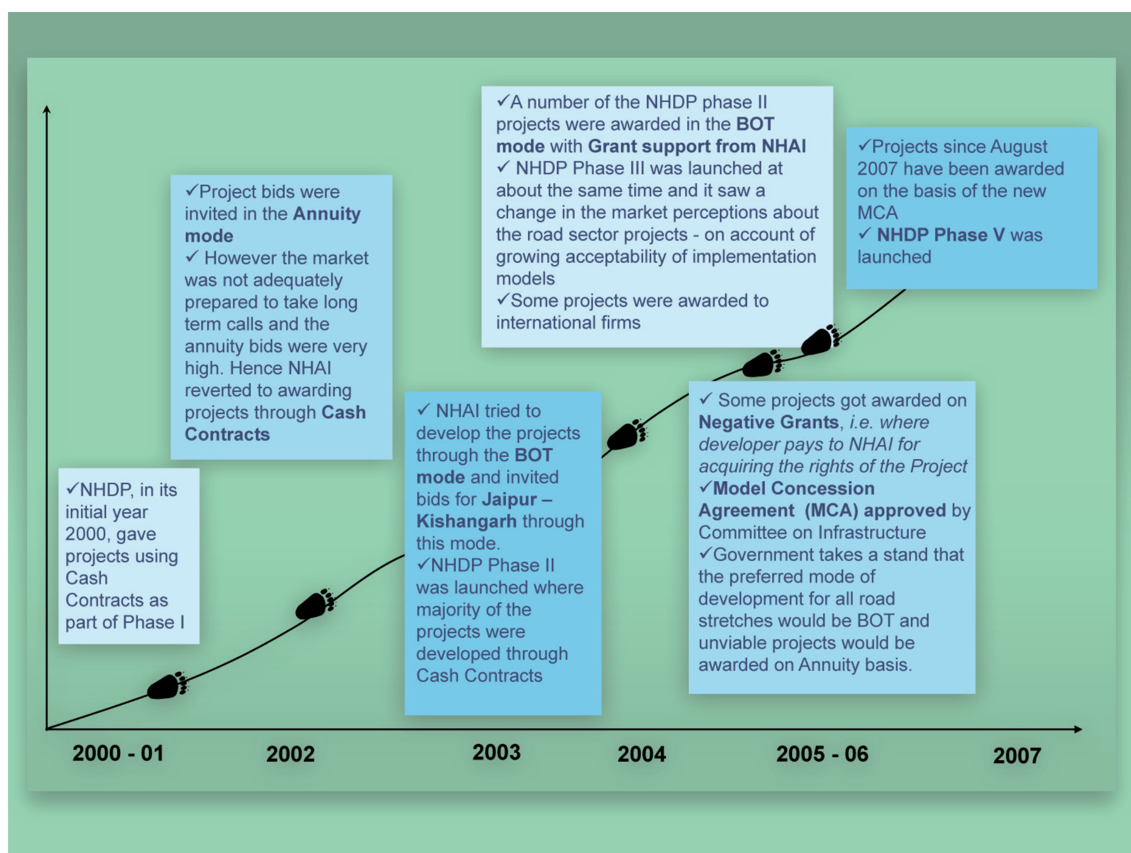
Role of multilaterals

In India, the government has had substantial support from multilaterals such as WB and ADB in PPP development. Such support has included:

- TAs to help design and implement the appropriate institutional and enabling environment for PPPs including capacity building.
- TAs to help design the appropriate guidelines for PPP development.

- Provision of funds to support PPP development including for project preparation, viability gaps funds, longer term funding not available in the commercial market place, guarantee funds, etc.
- Support to maximize private sector interest including transparency, competition, incentives and dispute resolution.
- Other critically important issues such as land acquisition and environmental impacts and mitigation as well as ensuring pro poor dimensions are included in planning and implementation.

The following figure shows the graphical development of PPP over recent years.



Overview of highway development and PPP

India has an extensive road network of 3.3 million km – the second largest in the world and an annual growth of 12-15% and 15-18% for passenger and freight traffic respectively has been projected. Roads carry about 61% of the freight and 85% of the passenger traffic. Highways/Expressways constitute about 66,000 km (2% of all roads) and carry 40% of the road traffic. The Government of India until recently had been spending about Rs.18,000 **crores**[3] (US $ 4 billion) annually on road development.

3 A crore is a unit of 10 million; a lakh is 100,000. USD 1.0=Rs45

India believes that an efficient road network is necessary both for national integration as well as for socio-economic development. The National Highways (NH) system, with a total length of 65,569 km, serves as the arterial network across the country.

The current 10 year planning program of the government is the National Highway Development Project (NHDP) and is at an advanced stage of implementation. The NHDP involves a total investment of Rs.220,000 crore (USD 50 b) up to 2012. Under the National Highways Development Project (NHDP) - the largest highway project ever undertaken by the country and with the shortest time span for completion - 14,279 kilometer of National Highways are to be converted to 4/6-lanes, at a total estimated cost of Rs.65,000 crore (USD14+ billion at 2004 prices).

Since the opening up of the economy in 1991, initially there have been several cautious attempts at PPP in India with most PPPs being in the road sector. However, the last 5 years has seen an acceleration of PPPs and the USD 100 m Delhi Noida bridge being a successfully completed BOOT project. Other PPPs have been in water and sewage, ports and telecommunications.

Some of these projects took a considerable time to implement but the lessons on how not to handle PPPs has been well learnt it seems.

Up to 2004, some 86 PPP projects had been awarded with a value of about USD 7 billion, a relatively small amount over that period and for the whole country. Most of these projects are roads and bridges. However, this amount is now accelerating markedly.

Between 2000 and 2006 India's investment in PPP in highways represented 19% of all worldwide highway concessions which jumped to 40% in 2006 amounting in that year to USD 4.0 billion.

Institutionally, there are marked differences across the state/federal administrations with regard to PPP. No clear link between institutions and PPP frameworks and successful PPPs was evident in 2004 although this may be changing.

In 2004 a Committee on Infrastructure was set up under the Prime Minister and supported by various high powered committees. A number of key PPP guideline documents have been published, as well as consultation papers and conferences and workshops.

Department of Road Transport and Highways, Ministry of Shipping, Road Transport and Highways (http://morth.nic.in), National Highways Authority of India (http://www.nhai.org)

www.infrastructure.gov.in

Challenges

The infrastructure needs of India are very substantial and will be difficult to achieve under any circumstances.

The Government of India also has a policy to make infrastructure services available to those who need them but cannot afford to pay the full cost of service provision. Here, too, the government sees a substantive scope for leveraging its support through engaging the private sector as a partner in its development agenda.

It was also said that, in order to be able to attract private sector players, the government would have to improve a number of areas such as credible dispute resolution mechanisms, and satisfactorily resolve sensitive and contentious issues like land acquisition.

Although the government is committed to relying on PPPs significantly in the provision of infrastructure services, it is facing a variety of large and small challenges in translating its intent into action. It is noted that, in trying to scale up its program, India was facing the same challenges that other countries also face, namely:

- The huge scale of infrastructure needs whether funded with private sector assistance or not.
- How to marry private sector motivation for profit with public sector concern for public service (and the need for inclusiveness).
- How to apportion risk in a manner that is fair, rational and sustainable.
- How to manage the partnership through tightly-framed concession agreements over 20–30 year periods, in a rapidly changing environment.
- How to develop capacities in the concerned financial institutions so that they are able to appraise projects which have a life span of 20 and more years, since effective due diligence by these institutions will be critical for proper screening of PPP proposals brought to them by bidders.
- Weakness in enabling policy and regulatory framework. Without the active and effective participation of the States it would not be possible to achieve satisfactory results.
- The financial markets presently do not have the adequate instruments and capacity to meet the long-term equity and debt financing needed by infrastructure projects.
- There is also a lack of a pipeline of credible, bankable infrastructure projects. Initiatives taken both at the central as well as the states' level tend to be isolated cases and have demonstrated a lack of consistency.

There is also lack of capacity in public institutions and officials to manage the PPP process.

NHAI's experience with different PPP approaches to date, for example toll BOTs and annuities, should be analyzed in more detail to guide the states and the center on future approaches towards PPPs, particularly in less-trafficked segments of the network.

Across the states, there are significant differences in capacity for undertaking PPP projects. Expeditious action to remove these asymmetries and, also, to replicate the best practices achieved under the NHDP and successful PPP programs in selected states, would not only help the states to better manage their own road services, but also play an active role in the implementation of the National Highway PPPs in some of the remaining phases of the NHDP.

Many countries have, or are, turning to PPPs to finance much-needed infrastructure, in particular, roads. To attract global investment funds for infrastructure, India's PPPs need to offer returns comparable to those in other markets.

Conclusions and Lessons Learned

India is a country that less than ten years ago had barely dabbled in PPP. However, at the beginning of that period it came to the policy conclusion that its infrastructure needs are huge and cannot be met without PPP development. This conclusion is being increasingly reinforced over time.

Given its successful use in the road sector in India, the Annuity Concession model of PPP holds the potential to attract private finance in other sectors which often do not generate sufficient revenue to support BOT or concession type models, and provides valuable lessons to other governments looking for PPP solutions that leverage private finance without necessitating dramatic increases in tariffs or user fees.

From an initial start and with multilateral assistance, the Government and its Highway agency, the NHAI, prepared an ambitious strategic highway development plan covering the whole country and which is dependent on private financing. This plan is regularly updated.

The government at the outset seems to have taken a bold policy decision, that PPP will be its financial cornerstone and that even though not all elements were either in place at all or fully in place, the country will pursue a policy that it hopes will provide it with the highway infrastructure it needs with acceptable risks and at an accelerating pace.

As that pace accelerates, it recognizes the need is for:

- Continuing to improve its human resource capacity.
- Continuing to improve its PPP frameworks-legal, regulatory, financial, risk, etc.
- Proper monitoring of ongoing projects (lessons learned).
- Dissemination of knowledge and capacity to states and local levels.
- Extension of the program to rural roads, PBC etc and other parts of PPP that have not been the easiest to initially develop
- Consideration of road safety.

It seems to show that while not every piece of the recommended frameworks for PPP need be in place at first, key elements are necessary. Political commitment and support to government civil servants with assistance from the IFIs and well experienced advisors to assist in the preparation of solid preparatory studies are the barest minimum at the outset.

Experience has shown that governments should not;

- Offer projects before proper studies are completed
- Make commitments that cannot be kept
- Change the rules after award of concession
- Revisit project design

- Superimpose public processes on private initiatives
- Not recognize the business nature of PPPs

Experience has shown that governments should;

- Try to align the economic interests of all parties
- Define PPPs on a package basis not just sum of different parts
- Induct private sector as partners
- Encourage initiative of officers
- Encourage plurality of approaches

Further information

India: Public Private Partnerships in Highways Sector

International Conference on Meeting India's Infrastructure Needs with Public Private Partnerships
The International Experience and Perspective February 2007
http://www.pppinindia.com/events-details.asp?id=3

Multitranche Financing Facility India: India Infrastructure Project Financing Facility. Report and Recommendation of the President to the Board of Directors, Project Number: 40655 November 2007
http://www.adb.org/projects/project.asp?id=40655

The World Bank Group, Highway Sector Financing In India, Volume I/II 2004
www.worldbank.org/in

www.vishwabank.org

Transport and Communications Bulletin For Asia And The Pacific No. 72
http://www.unescap.org/ttdw/Publications/TPTS_pubs/bulletin72/bulletin72_fulltext.pdf

Private Sector Participation in The Transport Sector: Policy Measures And Experiences In Selected Countries
United Nations, New York, 2003
http://www.unescap.org/ttdw/Publications/TPTS_pubs/bulletin73/bulletin73_fulltext.pdf

Annex 1 Central Road Fund

The Central Government has created a dedicated fund, called Central Road Fund from collection of cess from petrol and diesel. Presently, Rs. 2 per litre is collected as cess on petrol and High Speed Diesel (HSD) Oil. The fund is distributed for development and maintenance of National Highways, State roads, rural roads and for provision of road

overbridges/underbridges and other safety features at unmanned railway crossings as provided in Central Road Fund Act, 2000.

Out of the cess of Rs. 2 per litre levied, Rs. 1.5 is being allocated in the following manner:

1. 50% of the cess on high speed diesel (HSD) oil for development of rural roads.
2. 50% of cess on HSD and the entire cess collected on petrol are allocated thereafter as follows:
   - A. An amount equal to 57.5% of such sum for the development and maintenance of National Highways;
   - B. An amount equal to 12.5% for construction of road under or over bridges and safety works at unmanned railway crossings; and
   - C. An amount equal to 30% on development and maintenance of State Roads. Out of this amount, 10% shall be kept as reserved by the Central Govt. for allocation to States for implementation of State road schemes of inter-state connectivity and economic importance to be approved by the Central Government.
3. Balance cess of Rs. 0.5 per litre is entirely allocated for development and maintenance of National Highways. An allocation of Rs.12,830 crores has been made under the CRF for 2007-08 with the following break-up:

National Highways	6541.06 Cr.
Rural Roads	3825.00 Cr.
Railways	724.69 Cr.
Grant to State Governments and UTs for State roads	1565.32 Cr.
Grant to States & UTs for Roads of Inter-State Connectivity and Economic Importance	173.93 Cr.
Total Rs.	**12830.00 Cr.**

Source: National Portal of India/Sectors/Transport/Roads/PPP (2007) http://india.gov.in/sectors/transport/public_private.php

- the approach to PPP-type projects proposed for implementation by the SOEs
- the process and mechanism of public consultations,
- the provision of government support for PPP projects of local governments,
- the definition of financial closure, and the re-bidding process.

There should be various possibilities to compromise between implementation procedures that enforce international best practice and other proposed practices that might inadvertently weaken the whole process to the point of eliminating transparency, competition and accountability so vital to PPP.

Additional information

Progress on Public Private Partnership Program for Toll Road in the Ministry of Public Works,
H.E. Joko Kirmanto, Minister of Public Works.