

Revival of Build Operate Transfer (BOT) model

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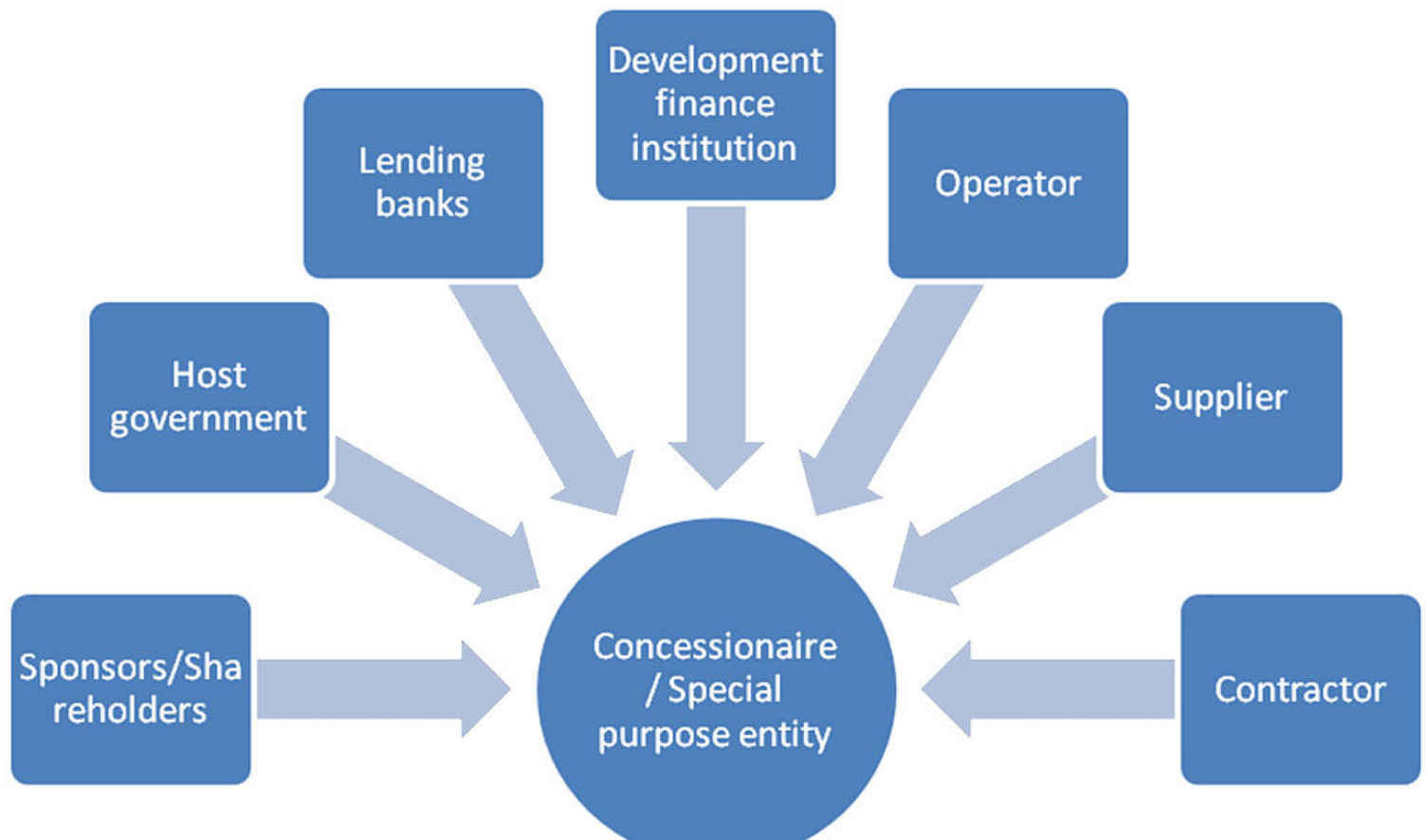
The Minister of **Road Transport and Highways** recently highlighted the need to **revive [Build Operate Transfer \(BOT\)](#)** through **smaller highway projects**.



[Ref- Mint]

What is Build Operate Transfer (BOT) model?

- BOT is a form of **project delivery method** wherein a **private entity receives a concession** from the **public sector** to **finance, design, construct, own, and operate** a facility stated in the concession contract (20-30 years).
 - It is also known as **Build–Own–Operate–Transfer (BOOT)**.
- The private entity has the **right to operate** it for a set period of time.
- This enables the proponent to **recover investment**, operating, and maintenance **expenses** through **user charges or tolls**.
- BOT projects are one of the best **road-building technologies** with **highest efficiency**.
- It plays a **critical role** in enhancing the nation's **infrastructure quality, economy, and employment prospects**.



[Ref- Wikipedia]

Other similar models:

Engineering, Procurement and Construction (EPC) Model:

- The cost is **completely borne** by the **government**, but it **invites bids** for **engineering** knowledge from the **private players**.
- Procurement of **raw material** and **construction costs** are met by government.
- The private sector's **participation** is **minimal** but leads to a **high financial burden** for the government.

Hybrid-Annuity Model (HAM):

- HAM combines the **EPC model (40%)** and **BOT (60%)**.
- The **National Highways Authority of India (NHAI)** pays **40%** of the total project expenditure and the **rest** is **borne** by **developer**.
 - Payment is **released** in **equal installments** based on the completion of targeted project.

Need for revival of BoT:

- The **prolonged dearth** of **private investments** in the sector caused strain on the exchequer.
 - The financing problems potentially impact the pace of highway construction.
- The **contractors** faced **delays** and their **debts piled up** as projects could **not** be completed on

time.

- BOT was used for building highways during **2007-2014**, but **no road concessions** were awarded in **2018-2020**.
- Almost **entire cost** of highway construction has been borne by the government through **HAM** and **EPC model**.
- EPC accounted for **46.9%**, **HAM 51.7%**, and **BOT 1.4%** awards under [Bharatmala Project](#).

Opportunity for BOT:

- Most roads built through EPC led to **bad quality** of construction because the contractor's work ends with the completion of the projects.
- The health of **road sector** has **improved** and **banks** are **willing to lend** to the sector.
- The BOT model can help in doing **quality** and **maximum work** in less time.
- By enhancing **Public Private Partnership (PPP)** in the sector the projects can be completed earlier than stipulated time.
- Out of **Rs 10 trillion** worth of road projects in coming years, **Rs 3.5-4 trillion** can be **done** through **BOT** and **Rs 2-3 trillion** through **HAM**.
- The government set an **interim target** of **10% share** of BOT in road projects.

Suggestions:

- The NHAI and other road-building agencies should use BOT model for projects **costing less than Rs 1,000 crore**.
- There would be **greater competition** for projects and bidding under BOT.
- **Innovative models** should be introduced for **multiplying economy**, **reducing logistics costs**, **employment** generation, and better **public service**.