

Primus Partner Report

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India's Rs 5 Lakh Cr Infra Burden Needs Concession Agreement Reforms



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Article Content:

Overcoming India's infrastructure challenges requires a joint effort between the government, private sector players, and financial institutions

India's infrastructure sector is facing a significant challenge. More than 40 per cent of major projects across the country are delayed, resulting in a staggering Rs 5 lakh crore cost overrun, said Primus Partners in a report. A major contributor to these setbacks is the outdated Public-Private Partnership (PPP) concession agreements, which often fail to keep pace with today's complex regulatory environment and evolving project needs.

Data from the Ministry of Statistics and Programme Implementation (MoSPI) indicates that as of April 2024, about 800 out of more than 1800 ongoing Union government projects valued at over ₹150 crore each are behind schedule. These figures point to a pressing need to revisit and reform concession agreements, which currently fall short in handling regulatory challenges, cost escalation, and fair risk allocation.

Why Reform Is Essential

Experts and stakeholders across the industry concur that concession agreements—the foundation of public-private collaboration in large-scale infrastructure—need to evolve. To address the challenges, key areas for reform include clearer regulatory guidelines, flexible financial models, and balanced risk-sharing.

Agreements should explicitly define who is responsible for securing regulatory approvals and environmental clearances, with clear timelines and fair compensation for delays caused by regulatory hurdles. Revenue-sharing frameworks must be adaptable to reflect changing market conditions while safeguarding the financial sustainability of projects.

Both public and private parties should have a fair and transparent mechanism to share risks arising from unforeseen circumstances. Modern infrastructure projects require greater

adaptability to changing technological, environmental, and market conditions, necessitating more dynamic agreement structures.

Learning From Experience

Real-world examples show how rigid and outdated agreements can derail projects—while more flexible frameworks can help steer them back on track. The Rural Electrification Project case highlights the risks of inadequate regulatory clearances in concession agreements. It underscores the need to move beyond standard provisions and incorporate clear mechanisms for regulatory uncertainties, especially in developing economies. Strengthening agreements with balanced risk allocation and flexibility can enhance project resilience, protecting both authorities and concessionaires while ensuring successful infrastructure development.

Another case involves an The Urban Finance Infrastructure Development Corporation project faced setbacks due to rigid contract terms and external interference, emphasizing the need for stakeholder engagement and flexibility. Early collaboration during the Request for Proposal (RFP) phase could have mitigated risks, avoiding delays and cost escalations. Proactive workshops and feedback sessions would have ensured practical, market-aligned terms. The case also highlights the necessity of seamless coordination in bundling strategies and adapting tariff and structural terms to market realities for attracting concessionaires and ensuring project success.

The Path Ahead: Working Together

Overcoming India's infrastructure challenges requires a joint effort between the government, private sector players, and financial institutions. Open communication and a willingness to update outdated concession agreements are vital for ensuring that large-scale projects are completed efficiently and on time.

"If India is serious about achieving its ambitious infrastructure goals, we need to rethink how these agreements are structured. By adopting a consultative approach, flexible concession frameworks, we can reduce delays, manage costs effectively, and create a stable environment for all stakeholders," said a senior industry expert.

As India pushes forward with its ambitious infrastructure plans, embracing these reforms is essential—not only to prevent future delays and cost overruns but also to lay the foundation for sustainable, long-term economic growth.