



## **TALK TO EXPERTS – SERIES-8**

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This week let us see what annuity project is and what toll project is. We know that both of them are two forms of BOT (Build, Operate and Transfer) projects.

In the Annuity and Toll projects, first a road developer is awarded the projects.

Let us see what are the basic facts involved when we say a project is awarded to a road developer by the government, both the State and the Central.

The most exacting ethical obligation of any government directs it to provide amenities, simple like roads and complex like heavy industries, to the citizens without wasting their money. The government has to

safeguard the money of the public against corruption, favoritism and unjustifiable expenditure, meaning spending public money more than what is necessarily needed. With this burden of protecting the public money while providing amenities to the public, it is constrained to choose a developer, be it an individual or a consortium, that is, a group of individuals who have a fair record of competent achievements. To select such a developer, the government floats bidding or invites expression of interest. From among those who have responded, a proper and competent developer is chosen by a panel of experts representing various areas related to road laying and development.

This selection and giving the work of developing the specific road with necessary details like the length of the road and the cost of laying the road to the developer is popularly known as awarding the project.

The awardee, that is the one who receives the award, has to complete the project within the time frame allowed and the money permitted. If for some reasons, the awardee does not complete the project either within the time allotted or the money sanctioned or in both the areas, then, the project is said to be languishing, awaiting completion.

An award is a legal contract and it is generally governed by all the rules and regulations of contract which we need not go into them for the present context. An award-failure can have some fairly reasonable arguments and here we are not concerned with the problems and issues of the contract failure.

Now, it is clear that a languishing project is an expression of failure to fulfill the

obligation to the public, denying them the advantages of the amenities and indirectly imposing extra-cost on the people.

With this background, it will be easy to understand the significance of Annuity and Toll projects which we will take up next.

