



# भारतीय राष्ट्रीय राजमार्ग प्राधिकरण

(सड़क परिवहन और राजमार्ग मंत्रालय)

## National Highways Authority of India

(Ministry of Road Transport and Highways)

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### NHAI/Policy Guidelines/Land acquisition/VCF/2021 Policy Circular No.7.1.72/2021, Dated 18<sup>th</sup> March, 2021 (Decision taken on e-file Comp. No.33190)

#### **Sub: Value Capture Finance (VCF) in NH development.**

Value Capture Finance (VCF) is a tool to capture part of the value enhanced due to construction of Greenfield Highways including bypasses & Ring Roads and Capacity Augmentation of Brownfield Highways in the States in the form of increase in land value and associated additional revenues. These guidelines seek to devise a mechanism to implement VCF, jointly by the States and NHAI, to part finance the cost of highway construction in order to make them viable.

2. Bharatmala Pariyojana provides for Grand Challenge Mechanism to take up the projects on fast track where sufficient and timely land is made available by the State Govt. In addition, if the State Govt. provides atleast 25% of LA Cost for Ring Road/ Bypass Projects, then such projects will be taken up on priority.

3. In recent times, the cost of construction of highways has gone up primarily due to increase in cost of land acquisition. In order to make these Greenfield/ Brownfield Projects viable, it is proposed to share the cost with respective State Governments or Union Territories through Value Capture Finance:

4. The details of Value Capture Finance Policy are as given below. State Government can contribute through any or all of the following options:

#### **4.1 Project Facilitation by State/ UT Government :**

(i) Expeditious land acquisition & handing over of encumbrance free land for the projects.

To achieve this, State/ UT Govt. to ensure:

- Appointment of adequate number of Competent Authority for Land Acquisition (CALA) & Arbitrator(s) for Land Acquisition under NH Act;
- Providing land record (preferably digitized) promptly and free of cost; and
- To set-up a high powered monitoring Committee under Chief Secretary and complete the Land Acquisition in the minimum possible time;

(ii) Give preferential mining rights to NHAI/Concessionaires/Contractors for incorporating in bidding documents so that the project costs come down due to mitigated risks in quarrying.

#### **4.2 Contribution through land:**

- Share Land Acquisition Cost.
- Contribute by either acquiring & giving land to NHAI or giving already acquired land to NHAI.
- Provide Land of State/ UT Government to NHAI having potential to Generate Revenue:
  - to provide State/ UT Government land abutting the highways to construct wayside amenities;
  - to provide State/ UT Government lands which are not abutting the highway but which can be monetized to part finance the road projects to make it viable.

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**4.3 Waiving/ refunding of Royalty/ Taxes etc:**

- (i) Waive Royalty on earth, sand, aggregates/ stones, etc.;
- (ii) Agree to refund GST on construction material like cement, steel, bitumen, etc.; and
- (iii) Agree to waive/ refund other applicable State/ local taxes.

4.4 State Government may agree to share the enhanced value of land in the project impact area or 1km on either side of the Greenfield/ Brownfield highway by the following methods and deposit the proceeds into an Escrow Account to be operated by NHAI:

- i. To share upto 20% of the Stamp Duty;
- ii. To share minimum 10% of fee for Change in Land Use (CLU) or equivalent fee;
- iii. To share minimum 10% of development or equivalent charges;
- iv. To share minimum 10% of premium received on allowing additional FSI/FAR; and
- v. To share minimum 10% of charges on building rights/ land use readjustment like Town Planning Scheme.

4.5 The State/UT/DA/ULB may explore the possibility of development of residential/ commercial real estate in the project impact zone for which connectivity to main highway/ service road may be given by NHAI.

5. NHAI and State/UT Governments can develop suitable VCF proposal/s out of the options suggested above or suitably modify the proposal of VCF depending upon the local conditions, as may be mutually agreed. An MoU (specific to the project) in this regard may be entered between State Government/ UT and NHAI/ MoRTH.

6. NHAI shall set-up 'VCF Implementation Cell' comprising of Transport Planners, Transport Economists, Urban Economists and Land Property Valuation Experts for analysing VCF opportunities in all its projects and coordinate with private sector and State Governments to leverage VCF mechanism.

7. NHAI may form SPV with State/ UT Governments/ DAs & ULBs delineating responsibilities of development as mandated by prescribed laws. For example; while NHAI shall focus on development of highways, the State/ UT Government/ DAs & ULB can develop and capture value enhanced by the development of real estate projects and share their revenues with NHAI.

8. This issues with the approval of Competent Authority in supersession of Policy Circular No. 7.1.59/ 2019 dated 24.09.2019.

*11/03/2021*  
*18.03.2021*  
(Sheo Shankar Jha)  
CGM (Coord.)

To:

All officers of NHAI/HQ/ROs/PIUs/CMUs/Site Offices

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