

No. NHIII/Coord/86/84

*Dated the 18th March, 1985*

To

**All States/Union Territories  
Chief Engineers**

Subject : Economic Analysis for major highway projects

Economic analysis of projects are carried out with a view to examining their viability in terms of returns for the investment proposed. Such a study also helps us to choose the most economical alternative amongst various options and to priorities the same. Most of the highway projects formulated in the past were justified from technical considerations like traffic intensity, capacity, bottlenecks in smooth flow, incidence of accidents etc. and the economic analysis was made only on certain specific projects. One of the reasons for fewer economic studies on highway projects was the lack of adequate data on basic operation costs under Indian conditions.

The Road User Cost Study completed in 1983 under the aegis of the World Bank and Ministry of Shipping & Transport has filled the long-felt gap in vehicle operation data. On this basis, the IRC has published a Manual for Economic Evaluation of Highway Projects which would serve as a useful guide in carrying out economic analysis. It has now been decided that in the case of highway projects costing more than Rs 1 crore, economic analysis may be carried out and the same should form part of all such future proposals forwarded to this Ministry for approval. Action taken in this regard may please be intimated.

The Economic Analysis of certain types of schemes can also be done on the basis of a computer-based model as intimated in the Ministry's letter of even number dated 17th September, 1984.