

Government of India Announces Cost Escalation Compensation Mechanism to Mitigate Impact of Global Scenario on National Highway Projects

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In view of the prevailing global scenario and the consequent rise in prices of fuel, construction materials, and related logistics, the Government of India has announced a set of measures to address the impact on National Highway projects. These measures are aimed at providing relief to contractors and concessionaires while ensuring uninterrupted construction and maintenance of National Highway projects across the country. These measures will be applicable for a period of three months, from 1st April till 30th June 2026, or until further review based on the global economic situation.

As part of the measures, provisions for EPC projects and HAM projects have been relaxed to enable monthly payments to contractors and concessionaires for work executed in compliance with prescribed quality standards and specifications.

Further, the mechanism for price adjustment under EPC contracts has been modified to reflect prevailing market conditions. The Wholesale Price Index (WPI) for key components such as construction machinery, Ordinary Portland Cement, mild steel, and other commodities shall now be taken for one month prior to the relevant Interim Payment Certificate (IPC) month, in place of three months prior to the relevant IPC month.

Similarly, for bitumen, the official retail price applicable as on the first day of the month, one month prior to the IPC month, will be considered for price adjustment, replacing the earlier three-month reference period.

Additionally, price adjustment payments under EPC contracts shall be released along with monthly payments. In HAM projects, price escalation calculated using the Price Index Multiple (PIM) can also be released on a monthly basis, thereby improving liquidity and cash flow for the contractors and concessionaires involved in the construction and maintenance of National Highway projects.

The initiative reflects the Government's proactive approach to address sectoral challenges and its commitment to maintaining momentum in infrastructure development by ensuring financial stability and operational continuity in National Highway projects.

GDH/HJ

