

ROLE OF PUBLIC-PRIVATE PARTNERSHIP IN INFRASTRUCTURAL DEVELOPMENT PROJECTS: AN INDIAN PERSPECTIVE

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Abstract

Infrastructure is an important sector wherein all the countries need to work a lot to achieve overall development. India being developing country is working rigorously in the field of infrastructural advancement. However, lots of recourses are required to full fill the wants of individuals residing in any country and due to inadequate way outs sometimes targets are not achieved by the governments. To resort this setback various countries are adopting the innovative practices by adopting Public - Private Partnerships which is also called as PPP model or P3 model. Public - Private Partnerships is a novel idea through which public and private come together to develop infrastructural projects. Private sectors not only contribute their skills and experience but also finance the public sectors in infrastructural development projects. India has also followed this practice and adopted PPP model in sectors like road, transports, logistics hubs, Health Care and Education Sector. This research paper will focus on the study the role of Public-Private Partnership in Infrastructure Projects in India. Further, the study will also focus on advantages and disadvantages PPP model in infrastructural development projects.

Keywords: *Infrastructure, Public - Private Partnerships, Economic Growth etc.*

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INTRODUCTION

Infrastructure is an important sector wherein all the countries need to work a lot to achieve overall development. India being developing country is working rigorously in the field of infrastructural advancement. However, lots of recourses are required to full fill the wants of individuals residing in any country and due to inadequate way outs sometimes targets are not achieved by the governments. To resort this setback various countries are adopting the innovative practices by adopting Public - Private Partnerships which is also called as PPP model or 3P model. Public - Private Partnerships is a novel idea through which public and private come together to develop infrastructural projects. A well-established PPP model may become one of the most efficient tools for Governments to ease private sector in infrastructure development. PPP models are durable association between a private entity and the government which may provide financial assistance, knowledge sharing and manpower under a single roof. Private sectors not only contribute their skills and experience but also finance the public sectors in infrastructural development projects. For large scale projects it always advised to adopt PPP model to decrease the burden of government. The arrival of PPP model can be seen in early 1980s, when the governments of developed nations like England and America achieved great success through privatization in sectors like power, telecom and sanitation, transportation, education and health.

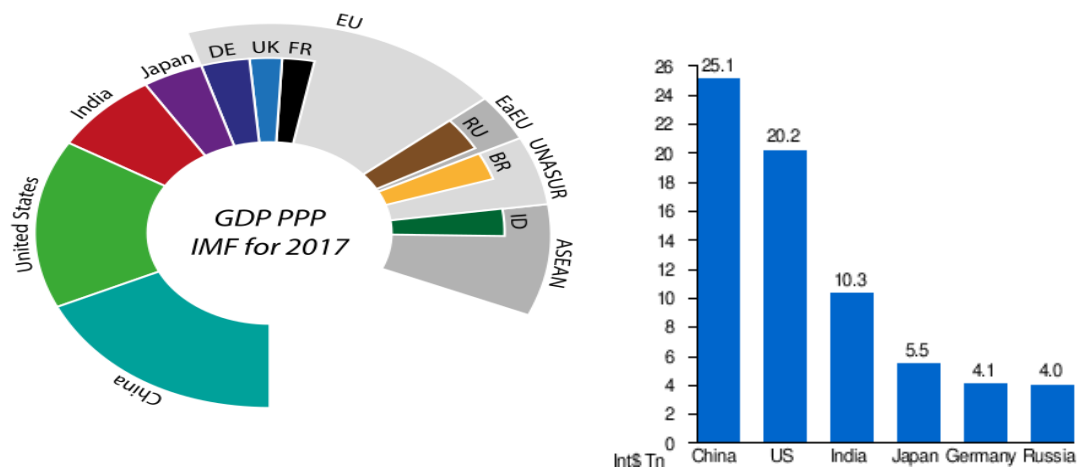
Though the glimpse public - private partnerships can be seen in post-independence period but the actual PPP campaign can be adjudged in 90s. Government had allowed public - private partnerships in various sectors of economy like power generation, telecom sector, road transport and education. The mid phase from 1990s to 2004 noticed the beginning of PPP model which initially focused on transport and power sectors. However, the success rate was low due to dearth of an effective 3P policy. Learning from past experiences during 2004-12 government framed an efficient policy on PPP model by setting guidelines and standardized document for 3P projects by which Indian infrastructural sector experienced boom in of PPP projects.

As per the recent data of Ministry of Finance, 1,529 PPP projects [Total project cost (in Rs Crore): 1,048,641.22] have been awarded so far in India¹. Out of these, about 50% are currently in operational stage, while others are either scrapped or are under different stages of implementation. Sector-wise break-up shows that transport sector accounts for 58% of the these projects, followed by energy sector with 24%, while social and commercial infrastructure sector accounts for 9% and water & sanitation for the balance 8%². Largest economies by PPP GDP in 2018 according to International Monetary Fund estimates are described in below figures:

¹ Available at:

[https://www.pppinindia.gov.in/infrastructureindia/projectlist?id=1&searchType=Government%20Infrastructure%20Projects%20\(PPP\)](https://www.pppinindia.gov.in/infrastructureindia/projectlist?id=1&searchType=Government%20Infrastructure%20Projects%20(PPP))

² Available at: <http://www.niti.gov.in/content/rebooting-public-private-partnership-india>



Source: IMF

However, large number of infrastructural projects failed in India to start during aforesaid period due to deficient PPP favorable environment, scarcity of credit from unconventional sources, paucity of effective dispute resolution system. Moreover, due to federal structure of governance and nonexistence of uniform National policy and legal framework PPP in India remains diverse. As per Indian scenario the researcher has found that the only about 32% of the infra structural projects are implemented by the Government of India or its entities, whereas the rest are implemented by the State governments. Therefore, the success of PPP model rest on efficient State level policy and governance framework.

ADVANTAGES AND DISADVANTAGES OF PUBLIC - PRIVATE PARTNERSHIPS

A Public-Private Partnership is a pact between governmental entities and private sector units. Though, this is an agreement, but it had developed a platform wherein Government and private sector can come together to build up nation. It not only shares financial assistance but also knowledge and manpower under a single roof to develop infrastructural projects. In addition to this each of them shares the impending risks and plunder in the release of the public service or facility. The success of PPP model can only be adjudged by the achieved targets, greater benefits by using optimal resources and on road results. The researcher had gone through various PPP policies and adjudges its advantages and disadvantages which are recited below:

ADVANTAGES

- Sharing the risk
- Minimizing the governmental role
- Decrease of the political influence in economy
- Comprehensive problem solving
- Sharing of funds.
- Faster completion of huge projects
- Reallocating funds
- Constant cash flow

- Quicker execution of a project
- Possibility for multiple uses of the facilities.
- Possibility for smaller investments
- Possibility for conducting other public
- Large investments
- Savings to the budget
- Transfer of new technologies between both
- More competition on market
- Guarantee of the services for a longer
- More transparency in the economy

DISADVANTAGES

- Limited influence of public authority over the investment
- Increase of the prices charged to the users of the
- infrastructure
- Reduction of bargaining position of public authorities
- High transaction costs
- Poorer quality of the services
- Limited accessibility to services
- Decrease of employment in the public sector
- Financial risk for public partner
- Opportunity risk for public partner
- Political risk for private partner
- Higher transaction cost
- Lack of coordination
- Inefficiencies due to lack of contestability and competition
- Culture Gap between both the entities
- Corruption may increase
- Political and Legal Problems

SUGGESTIONS AND RECOMMENDATIONS

India has adopted PPP model to boost up infrastructural growth. As the system was new, initially there were few lurches, however, slowly when the model got adapted with the Indian scenario, it enhanced the infrastructural development. The success rate of PPP model majorly depends upon the optimal use of resources, sustainable development, risk allocation, sharing of trust environment among public private partners and effective legal framework. There are few suggestions which are recommended by the researcher pertinent to his research.

- Transfer of risk is an important feature of PPP model, however, it is suggested that the risk should be transferred among those entities that came best tackle it.
- The government should be clear with its goals and perspectives to avoid damage.

- Government should adopt such a system wherein there is lack of political interference.
- There should be a healthy competition among the stakeholder.
- Government should set up a nodal agency to adopt best practices in PPP model.
- There should be an effective Legal framework to resolve the dispute among stakeholders.

CONCLUSION

Infrastructural development is a need of growing economy. To boost up the economy PPP model is not only a want but has become a need. There may be a number of risks in 3P model but it had tried to achieve the pinnacle in infrastructural growth. India being mixed economy required a system of partnership between public and private sector. It is not only cost effective but also shares the risks. For a long term investment, PPP model can help a lot. The desired level of growth can be achieved through PPPs. The same was said by our Prime Minister, Shri Narendra Modi, *"The Government has no business to do business"* and thereby promote private sector investments and participation towards the nation building. To make PPP model more effective, government should undertake to implement Kelkar Committee's Report³ to set-up of national level PPP institution, a dedicated PPP tribunal, and a formal framework for post award contract renegotiation. Following these recommendations PPP Model can achieve its success.

³ Available at:

http://www.prsindia.org/administrator/uploads/general/1451885505_Report%20Summary%20%20Kelkar%20Committee%20PPP.pdf