International Journal of Enhanced Research in Science, Technology & Engineering
ISSN: 2319-7463, Vol. 10 Issue 2, February-2021, Impact Factor: 7.957

Rethinking Public-Private Partnerships: An Unbundling Approach

Dr. A. K Math

Associate Professor, Dept of Economics, KLE's Society's Arts and Commerce College, Gadag, Karnataka

ABSTRACT

The paper focuses public partners in a (PPP) are government entities, including ministries, departments, municipalities, or state-owned enterprises. The private partners can be local or international and may include businesses or investors with technical or financial expertise relevant to the project. A public partner may be a central government or a state government or a local body. Direct public contribution at various points in the PPP process can improve project design. PPP involve a proper contractual relationship between the government of India and a private company. The concept of PPP is being regularly challenged. Academicians recognize the problems in defining accurately what PPPS are, debates upon theories to be used to govern PPPS and PPP implementations lacking a robust governance framework. The media and practitioner writings are galore with the PPP failure stories and at least in the developing world context (especially India), experts have already written an obituary of PPPS in India. "A public–private partnership (PPP, 3P, or P3) is a long-term arrangement between a government and private sector institutions" (Hodge, G. A and Greve, C. (2007) Many high profile Indian transport sector PPPS have witnessed ugly private-government contests in courts, bureaucratic offices, political debates, and media circles. However, the story is not unique only to India. The world over, the PPP concept has come in for some serious criticism.

Keywords: Public, Partnership, Government, Private, Framework, Government and Enterprise

INTRODUCTION

Public-private partnerships Rethinking Public-private Partnerships which involve relationship between a government agency and a private-sector company that can be used to finance, build, and operate projects, such as public transportation network, parks, and convention centers. PPPs can take a wide range of forms varying in the degree of purpose, participation of the private body, legal organization and risk sharing. PPP involves both parties invest in the project. In a financial sense, it is a manpower, resources budget and in an expertise-related. The parties contribute to a societal and often also commercial purpose.

Origin of the PPP: The PPPS have come a long way since they were first conceived. Some trace its origin back to 1438, when a concession was awarded to a French nobleman Luis de Bernam to charge the fees for goods transported on the Rhine, or to the early 1600s, when the British crown allowed the East Indian company, a private enterprise to explore the east and exploit what it finds there in return for a fixed share. "Infrastructure in India is poor when compared to similarly developed nations. The Government of India identified public–private partnerships (PPP) as a way of developing the country's infrastructure. In the 1990s, during India's first liberalization wave, there were various attempts to promote PPPs.

However, in some sectors – such as water and sanitation – it failed. I (Raju S. 2011)

The PPP means an arrangement between a government or statutory entity or government- owned entity on one side and a private sector entity on the other, for the provision of public assets and related services for public benefit, through investments being made by the private sector entity for a specified time period, where there is a substantial risk sharing with the private sector and the private sector receives performance-linked payments that conform (or are benchmarked) to specified, pre-determined and measurable performance standards.

Recent failure of Water PPPs to deliver, is now putting the model into question. 1) First, the local community was never consulted on the project, and a public outcry ensued when information was finally shared 2) Second, there have been serious delays in the construction and operation of water provision. And third, the public purse has been and could in future be hit hard. "Recent failure of Water PPPs to deliver, is now putting the model into question. First, the local community was never consulted on the project, and a public outcry ensued when information was finally shared.[12] Second, there have been serious delays in the construction and operation of water provision. And third, the public purse has been and could in future be — hit hard. (Gaurav Dwivedi, 2015)

Problems with Defining the PPP: Across the numerous definitions, there is a universal emphasis that PPPS involve both public and private parties, they involve delivery of a service or asset that has some public goods characteristics, they involve a transfer of a significant amount of project risk to the private parties and private parties seek some performance-based returns from them. Besides these common elements, academicians, governments, and multilateral agencies tend to further specify and restrict what will get categorized y them as a PPP and such restrictions, in effect, lead to corruption of the PPP concept and many he problems in current age of PPPS can be traced to this overloading of the PPP concept with these evolved understandings.

Problems with the Bundling of PPP: PPPs often get described in terms of the bundling of the project activities that they involve and the en-block transfer of the risks associated with this bundle to the private sector. For instance, the various kinds of PPP projects i.e., BOT, BOLT, DBFOT, have progressively sought to add more and more project activities to the PPP. Bundling makes the PPP grow in size to such a level that they become virtual monopolies and with the inherent transfer of risks to private agencies involved in PPPS, these monopolies get transferred to the private domain. Examples lie in the Indian highway PPP projects of Yamuna and KMP expressway, The problems in the project have been traced to the bundling of the land parcels with the highway project. Infrastructure in India is poor when compared to similarly developed nations. The Government of India identified public–private partnerships (PPP) as a way of developing the country's infrastructure. "India was perceived as too risky and there was significant opposition to private sector involvement. It is only in the first half of the 2000s that the first PPPs were signed and implemented. Construction of infrastructure in India requires large capital outlays and there is a deficit in supply. Over fifty percent of major infrastructure development projects in Maharashtra state are based on 3P. Projects using the 3P model have also proceeded in Karnataka, Madhya Pradesh, Gujarat, and Tamil Nadu state". (Raju S, 2011)

Long-Term Contracts: The term of a PPP is another of its non-core aspect. Some definitions, like that proposed for GOI, while preventing PPP contracts from running into perpetuity, also mandate them to extend to more than three years. At the same time, PPPS in infrastructure often get labeled as Long term infrastructure contracts. While in the shorter term, risk can be forecasted and risk mitigation can be done, as the time span increases the risks tend to become uncertainties.

Consequently, PPP projects get exposed to aspects for which no strategy for mitigation exists. The longer term nature of PPPS increases their exposure to environmental uncertainty, and even minor errors in the initial assumptions, have adverse large bearings on the project.

Legally Binding Contractual Nature: More often than naught, PPPS are specified to constitute legally bound and rigid contractual agreements, as one party, is the government and for it only formally signed understandings are necessary. Such contractual agreements, while serving to protect the interests of the parties in the contract, severely restrain the flexibility in the project itself and significantly limit its capacity to adapt to changing circumstances. Rigid and legally bound contracts adversely affect the outcome of the project and severely limit its deliverability.

Simultaneous Impact: The extension of the basic PPP concept to large scale bundling of activities, long term, and rigid contracting, all together, converts PPP projects into monolithic giants and coupled with the fact that they are for delivery of public services they acquire the status of monopolies in private hands.

The Indian Context: The Jaipur Metro's inability to land a domestic private partner is bizarre in a country billed as the world's largest PPP market, with 900-odd projects under various stages of execution. The halcyon period seems long ago now. The PPP tale has since taken a harsh twist. In the last five years or so, the PPP model across sectors has been beset with troubles, raising fundamental questions on the existing framework.

Examples are legion: ADAG-led ? 5,800 crore airport metro link in Delhi, GMRs Re 7,790 crore Kishangarh-Udaipur-Ahmadabad highway projects, Emaar-MGFS Commonwealths Games Village project. The ominous signs are already palpable. In 2014-15, for example, there was no bidder in a many as 16 PPP road projects advertised by the NHAI

What can be Done? The Vijay Kelkar Panel recommended various measures for the revival of the PP? Model recommended for the strengthening of three main pillars of the PPP framework viz. Governance, Institutions and Capacity.

The report endorsed setting up of a 3PI (a PPP institute of excellence for supporting institutional capacity building activities. The Prevention of corruption Act 1988, should be amended at the earliest to punish corrupt practices while saving those who made genuine mistakes in decision-making. Swiss Challenge Method of awarding contracts should be avoided 2s it discourages transparency.

Unsolicited Proposals encourages unequal treatment of potential bidders in the procurement process, so they should be discouraged. For sourcing long-term apical at low-cost, banks and financial institutions should be encouraged to issue deep discount bonds. After successful completion of the projects, equity in the project may be offered to long m investors including overseas institutional buyers. Independent sectoral regulators should be set up as and when a new sector is declared to adopt the PPP model. For rational allocation of risks among various stakeholders, the Model Concession Agreement should be revisited. The One-sine-fis-all approach should be avoided and project-specific risk assessment should be undertaken. The private sector should be protected against any abrupt changes in the economic or policy environment. "The Government of India promoted PPPs in the water sector in the 1990s. However, this attempt failed as the Government did not manage to create a good enabling environment for private investment and poor project preparation.

Furthermore, there was important opposition to private sector involvement in water delivery." (Ramanujam, 2014) However, this attempt failed as the Government did not manage to create a good enabling environment for private investment and poor project preparation. Furthermore, there was important opposition to private sector involvement in water delivery.

The government may develop a PPP law with an endorsement from Parliament. I gives an authoritative framework to implementing executives along with oversight responsibility to the Legislature and regulatory agencies. Infrastructure PPP Project Review Committee should be as for evaluating and sending recommendations in a time-bound manner for stress in projects under the PPP model. An Infrastructure PPP Adjudication Tribunal should be set up. The state owned enterprises and public sector undertakings should not be allowed to bid for the PPP projects. A dispute resolution mechanism is needed to allow restructuring within the commercial and financial boundaries of the project. PPP model is not recommended for small scale projects in view of the transaction costs involved.

CONCLUSION

Public-private partnership is a supportive agreement between two or more public and private sectors, typically of a long-term nature. The Government of India identifies numerous types of PPPs, including User-fee based BOT model, Performance-based administration, preservation, agreement, and Modified design-build. Financing a project through a public-private partnership can allow a project to be completed sooner or make it a possibility in the first place. Financial and managerial wealth are significantly required for flourishing achievement and more so, the sustainability of e-Governance initiatives.

REFERENCES

[1]. Hodge, G. A and Greve, C. (2007), Public–Private Partnerships: An International Performance Review, Public Administration Review, 2007, Vol. 67
[2]. Gaurav Dwivedi, Rehmat, Manthan Adhyayan Kendra, Badwani (2015), 'Private Water Supply Augmentation Project in Khandwa: A Study of Impacts of the Project'.
[3]. Raju S (2011). A successful Indian model The Hindu, Survey of Indian Industry 2011.
[4]. Ramanujam SR, Miller,Tracey, Osborne; Dasappa, Kacker, Suneetha (2014). "Running water in India's cities: a review of five recent public–private partnership initiatives.