PUBLIC PRIVATE PARTNERSHIP AND ECONOMIC GROWTH WITH SPECIAL REFERENCE TO INDIA – AN OVERVIEW

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ABSTRACT

In this era of globalization, public private partnership acts as an instrument for meeting the ever increasing demands with the resources as well as meeting quality with accessibility. In an economy where there is a mix of daunting challenges and opportunities PPP would definitely lay a solid foundation for economic growth and development and would help India become a major player in the global economy. A couple of evidence shows that PPP has a far reaching significance for rapidly advancing countries. The reason is that the development in all spheres has become a prime agenda. PPP is an approach if the government adopts and implement would facilitate the improvement of public services in a situation where the public sectors are facing budgetary constraints and again there is a scope of private investments in varied sectors. It is a PPP that allows an effective utilization of resources by the government facilitating greater economic activities and enabling more benefit to the public. In order to drive economic growth it is essential to welcome PPP with right set of policies that would create economic prosperity and expansion. The paper tries to highlight this significant factor and shows that a couple of PPP based projects in varied sector has enormously acted as a modern mechanism for faster economic growth in India. It was through PPP based projects that it is possible to increase the volume of investment in public services and increase level of operational efficiency throughout the length and breadth of the country. Today PPPs are gaining ground due to skill development, corporate challenges and exercises, delivery of services and goods, logistical support in spite of highest complexity thus creating a radical change in the economic scenario of India, ensuring a better government and a better society.

Key words: Public Private Partnership (PPP), Economic Growth, Modern Mechanism
1. INTRODUCTION
Financial markets globally have undergone a sea change in the last few decades. Investment strategies and proforma have significantly become diversified and complex. With economic liberalization, the process of globalization has opened the gates of global market where ‘capital’ can be searched for. Again the pace and race of globalization has given rise to developments both financially and intellectually along with ever increasing demands from financial and social communities made on state as a whole. A lot of developmental as well as basic civic services which a government provides often have to meet acute crisis due to paucity of funds and thereby the state is always in search for private sector to supplement public investments and provide public services through a unique partnership referred as ‘Public Private Partnership’ (Datta, Roy & Datta, 2011) or PPP. This partnership essentially is needed for the purpose of improving efficiency, productivity and quality of services as well as to bring in the competitiveness that would help reducing the ‘gestation period’ for providing and setting new facilities and amenities for the general public along with an expertise management technique. Particularly in India, when the growth rate suddenly rose to 9%, it was an alarm to the government, that in order to hold to this joyous position the country need to have more investments in key infrastructure sectors like power, transport and communication. Then it became the strategy of the government to invite private investment which could only bring notable success. As time passed, the state started realizing that for sustaining the pace of socio economic development the role of PPP have become not only vibrant and intense but has proved to be successful. Thus PPP’s increasingly became a derivative of privatization movement and government rethinks (Gosh & Gope, 2011). Thus PPPs with its stupendous combination of government sector expertise and strength of private sector in terms of technical competence, innovation, investment and risk taking abilities are uplifting an economic condition as well as boosting shared prosperity and sustainability.

2. OBJECTIVES OF A PUBLIC PRIVATE PARTNERSHIP
The objectives of a PPP are to increase the availability of services and to do so with greater efficiency than could be achieved using the traditional public sector approach. These objectives can be achieved as:

- PPPs allow access to the substantial financial resources of the private sector.
- PPPs enable the public sector to benefit from private sector technical expertise and efficiency.
- PPPs enable the public sector to transfer project related risks to the private sector.

3. PUBLIC PRIVATE PARTNERSHIP - THE NEED

- Public Private Partnership or PPP provides a way to increase the volume of investment throughout the country as a whole and increasing the operational efficiency as well as rendering quality public services.
- PPP initiates the implementation of infrastructure and urban development projects.
PPP is in particular need due to inefficiency, overstaffing and low productivity in govt. services and govt. owned enterprises.

The projects under PPP go through competitive pricing process which clearly shows that the cost of public services is ‘bench marked’ against market standards.

The payments which are made to private sector under PPP projects usually are determined by how the private sector perform thus creating efficiency and thereby incentives.

In these PPP projects, there is cross transfer of ideas, skills, knowledge, knowhow, expertise which creates an innovative effect as well as advances their efficiency.

In case of infrastructure sector, govt. may often face not only a challenge but a difficulty in fulfilling infrastructure demand and its services. PPP comes here to play the role to increase as well as improve the infrastructure facilities. Thus PPP can promise a better design, technology, construction, operation and service delivery.

PPP plays a major tool for creating employment opportunities by developing the services sector.

PPP helps to transfer the risk to private sector which can reduce the potential for government cost overruns from unforeseen circumstances during project development or service delivery. As per the contracts the services are provided at a foreseeable cost.

4. FRAMEWORK OF PUBLIC PRIVATE PARTNERSHIP

5. PPP PROJECTS IN CENTRAL & STATES/UTS SECTORS

Source: www.http://planningcommission.gov.in

5.1. PPPs in Railways

Indian Railways is one of the largest networks running across the length and breadth of the country providing the solid base for transport. In order to meet the freight and passenger traffic challenges, Indian railways had to go for PPP in order to build, redevelop, improve and boost the rail infrastructure thus providing smooth and comfortable transportation. Rail Vikas Nigam was set up in January, 2003 to supervise the implementation of National Rail Vikas Yojna. A thorough up gradation and expansion of Indian railways was essentially required as it is through railways that inclusive growth of economy can take place. For such a purpose Indian Railways have taken up four projects on PPP mode through SPVs namely, Pipav Rail Corporation (PRCL), Viramgam Mehesana Private Limited (VMPL), Hassan Mangalore Rail Development (HMRD) and Kutch Railway Company Limited (KRCL). The Mumbai Metro which is operated by Mumbai Metro One Pvt. Ltd. (MMOPL), a PPP between RIL and Mumbai Metropolitan Region Development Authority (MMDA), the Hyderabad Metro Rail Project, Bangalore High speed rail project, east west Metro railway project in Kolkata are also being structured on PPP mode. This year, railway minister, has announced to set up 400 model stations across the country under PPP mode.

The World Bank and the Dedicated Freight Corridor Corporation (DFCC) announced in December, 2014 that it had signed a USD 1.1 billion loan agreement...
which will finance the 393 km second phase in Uttar Pradesh, part of the 1800 km eastern dedicated freight corridor from Ludhiana (Punjab) to Dankuni (near Kolkata), (the Eastern Corridor). The DFCC is a special purpose vehicle incorporated for the planning, construction, operation and maintenance of the Eastern Corridor and the 1500 km western dedicated freight corridor from Dadri (near Delhi) to Jawaharlal Nehru Port (near Mumbai), (the Western Corridor).

5.2. PPPs in Road Transport
Roads are one of the most essential parts of infrastructure connecting industry, agriculture and market resulting in overall growth of economy. The 12th five year plan called for an active participation through PPP as much as possible for betterment of public services. India’s roadways cover approximately 4.1 million networks consisting of highways, major district roads, expressways and other roads. The 12th five year plan called for an active participation through PPP as much as possible for betterment of public services. The government has realized that an active PPP in roadways and highway sector can accelerate infrastructure development. PPPs in states of India have started quite late but still Indian states have adopted the PPP model in the highway sector. The National Highway Development Programme (NHDP) have actively sought PPP model. It was in this context that the necessity for exploring the innovative means of financing the highly capital intensive road transport and highway project was felt (Sen & Garani, 2011).

5.3. Models of PPP adopted in India
The two models of PPP adopted in India for development of National Highway are BOT (Toll) and BOT (Annuity).

(a) BOT (Toll) Model:
In the BOT (Toll) model, the Concessionaire recovers his investment by charging toll from the users of the toll facility. This model reduces the fiscal burden on the government while also allocating the traffic risk to the Concessionaire. This is the model used for the most of the projects and can be regarded as the default model for highway projects.

(b) BOT (Annuity) Model:
Under a BOT Annuity model, the Concessionaire is assured of a minimum return on his investment in the form of annuity payments. The Concessionaire does not bear the traffic risk and the government bears the entire risk with respect to toll income.

(Source: Public Private Partnership in National Highways: Indian Perspective, Discussion Paper, Gajendra Haldea, Planning Commission, April, 2013)

- The NHDP has been extended to seven phases, from previous two phases.
- Bharat Joro projects (Golden Quadrilateral Projects) for development of 10,000 kms of roads connecting state capitals with National Highways - launched in collaboration with private construction firms, both domestic and foreign.
5.4. PPP in Health Care Sector

There has immense change in the healthcare requirements along with the growth of Indian economy and changing demographics. With ever increasing population in India, a pressure as well as challenge has been faced by government to provide better quality service and access to the people of the country. It is quite obvious that government alone cannot reach out to every corner of the country. Associated efforts of both public and private healthcare sector can only provide a better healthcare system in the country. It is the initiative of CII National Committee on Healthcare which constituted Healthcare subcommittee which brought forward the PPP in Indian healthcare industry. The government has surely diagnosed the significance of PPP in healthcare sector as it is of such a partnership that ‘both social objectives of universal healthcare access and the business objective of running a profitable healthcare facility’ (Policy paper prepared by CII in collaboration with KPMG) can be achieved. The following are the key on the basis of which PPP in healthcare is of urgent requirement:

- a) Infrastructure development
- b) Management and operations
- c) Financing Mechanism
- d) Capacity building & training
- e) IT Infrastructure
- f) Materials management

The following medical projects show the PPP in India:

- **Yeshavini Health Scheme in Karnataka** – Initiated by Narayana Hrudalaya, a super speciality heart hospital in Bangalore and by the department of cooperatives of the Govt. of Karnataka. It is targeted to benefit the poor farmer.
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- **Arogya Raksha Scheme** – Initiated by Govt. of Andhra Pradesh with New Assurance Company and private clinics. It provides hospitalization and personal accident benefits to the people under poverty line.

- **Telemedicine initiative by Narayana Hrudayalaya in Karnataka** - It was an initiative by the Govt. of Karnataka, Narayana Hrudayalaya hospital in Bangalore and The Indian Space Research Organization that the telemedicine project called ‘Karnataka Integrated Telemedicine & Tele health Project’ (KITTH) came up online. With connections by satellite, this project functions in the coronary care units of selected district hospitals that are linked with Narayana Hrudayalaya Hospitals.

- **The Uttaranchal Mobile Hospital & Research Centre (UMHRC)** - It is a three way partnership between technology information, forecasting and Assessment Council (TIFAC), The Govt. of Uttaranchal and the Birla Institute of Scientific Research (BISR). This partnership was promoted to provide healthcare and diagnostic facilities to poor and rural people at their doorstep.

- **Rajiv Gandhi Super specialty Hospital, Raichur, Karnataka** - It is a joint venture of the Govt. of Karnataka and the Apollo hospitals Group, with financial support from OPEC. The reason of the hospital is to give a super specialty health care treatment at a low cost to people living below poverty line.

- **Community Health Insurance Scheme in Karnataka** – The Karuna Trust in collaboration with the National Health Insurance Company and the Govt. of Karnataka has launched a community health insurance scheme in 2001 to improve access to and utilization of health services to establish insurance coverage for the outpatient care by the people themselves.

5.5. **PPP in Power Sector**

The power sector has also showed great achievements with public private partnerships. PPP in power sector has improved the ground situation and has produced excellent results. The Ministry of Power (MoP) has developed a framework even for promoting private sector participation to develop transmission infrastructure.

- Tata Power entered into a 51:49 joint venture company with Power Grid Corporation of India for 1200 km Tata Transmission project.

- Maithon Power Limited is a joint venture company formed between Tata Power and Damodar Valley Corporation (DVC) and is executing 1050 (2 x 525) MW Maithon Right Bank Thermal Power Plant.

- Ultra Mega Power Projects (UMPP) is another PPP project at Mundra being set up by Tata Power and is progressing well.

- A PPP policy framework is being devised with Coal India Limited to increase coal production and to reduce dependency on imported coal.

- Hydel stations of Himachal Pradesh Koldam, Tehri Dam, Sewa Li, North Karanpura 500 mw, Kahalgaon, Barh, Unchahar, Dulhasti Tehri Pump Storage 904 mw, Dadri, Tala (Bhutan), Badarpur and joint project in Haryana – 4870 mw generation projects.

- MOU has been signed with Petronet LNG Ltd. for supply of 7.3 mmscmd gas for the following new power projects: 350 mw combined cycle Pragati Phase – II gas – based power station near existing Pragati power station and 100 mw combined cycle gas turbine Pragti Phase (III) power project at Bawana.

- Many other private sector companies like CESC, KEC International, Lanco Infrastructure, Kalpataru power are also working with public sector companies for generation and transmission of power.
6. CONCLUSION

In view of the current state in our economy, it is very important to go for such public private partnership that would enhance our economic development. Even some noteworthy evidence shows that more the PPP projects launched in a country higher is the rate of GDP growth. It is through PPP that key sectors in our economy have shown improvement and innovation thus contributing immensely to the public benefit. PPP are becoming private finance initiative where the government avails advantage of the skills, expertise, ideas and knowledge of private sector management by giving long term franchises which clearly mention the responsibility and accountability of private sector partner. History itself has frequently shown that PPP can improve urban living though collaboration that combine innovative efforts from the private sector, forward thinking policies from government and support from nonprofit organization (Witters, Marom & Steinert). Where government today are operating on razor thin budgets, PPP with its capital, technology and expertise to finance, develop and manage public sector infrastructure projects can become catalyst for economic growth. Thus a good deal of examples has shown that PPP s are one of the greatest solutions for strengthening infrastructure, securing public support and generating economic gain making it attractive for policy makers.

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