


Chapter 2

Public Private Partnership Model as Accelerator for Social Infrastructure Initiatives

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ABSTRACT

A well-developed social infrastructure can make a country a better place for everyone. It promotes high productivity and inclusive growth within society. A proper social infrastructure helps in eradicating deep-rooted inequalities associated with wealth, health, and living standards. Public private partnership (PPP) model is gaining worldwide popularity for building and financing infrastructure projects. In a fast growing but capital scarce economy, PPP is a viable alternative to public funding, by harnessing private sector efficiencies for infrastructure development which traditionally has been the government domain. Objectives of PPPs in very broad terms can be achieved through privatization, a practice more commonly followed in Latin American economies—with the government selling the assets or its controlling stake in its various development programs. In emerging Asian economies, a common practice has been allowing ‘market access’ to private players to enter into hitherto closed markets.

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INTRODUCTION

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Public private partnership (PPP) model is gaining worldwide popularity for building and financing infrastructure projects. In a fast growing but capital scarce economy, PPP is a viable alternative to public funding, by harnessing private sector efficiencies for infrastructure development which traditionally has been the government domain. Objectives of PPPs in very broad terms can be achieved through privatization, a practice more commonly followed in Latin American economies—with the government selling the assets or its controlling stake in its various development programmes. In emerging Asian economies, a common practice has been allowing ‘market accesses to private players to enter into hitherto closed markets. The PPP as it is largely understood is a cooperative venture between the public and private sectors in which several options are possible. It is built on the expertise of each partner that best meets clearly defined public needs through the appropriate location of resources, risks and rewards. A number of models have emerged ranging from contracting for limited period to complete privatization. This includes: build-operate-transfer (BOT), build-own-operate-transfer (BOOT), build-own-operate (BOO), build-transfer-operate (BTO), lease-develop-operate (LDO), rehabilitate-operate-transfer (ROT), design-build-finance-operate, management contract, service contract, and asset sale.

Unlike product-market economies, most public utilities and core infrastructure services in India are governed by ultimate sovereign ownership of the underlying assets including monopolistic operating conditions by the government. Given this scenario, there is a need to make structural change in PPP model in order to facilitate flow of private capital for infrastructure development. Provisions of such models can be further modified according to the needs of different sectors such as roads, airports, ports, metro, bridges, hospitals, institutions, etc. PPP not merely means bringing private capital, but it also aims bringing private sector efficiencies and best practices in infrastructure management, a requirement which can be easily met by linking operating contracts with service-delivery standards.

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