Study on Challenges and Developing a Successful PPP Scenario in India

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***Abstract* - India is a developed world with rapidly developing infrastructure. The infrastructure has to be established, which necessitates an injection of funds. The government is short of funds for long-term growth. Public-private partnerships are exploding all over the place. According to the Government of India, a Public Private Partnership (PPP) project is one that is focused on a long-term arrangement or concession deal between a government or regulatory authority on the one hand and a private sector corporation on the other, for the delivery of infrastructure services in exchange for user fees. In a Public-Private Partnership, the public entity identifies the results it requires from the initiative. The private sector is in charge of the project's planning, construction, execution, and maintenance, as well as meeting the public agency's production requirements. The challenges of designing a competitive PPP scenario in India are examined in this article.**

***Index Terms* - Public-Private Partnerships, Challenges, Socio-economic impact, India, etc.**

I.INTRODUCTION

A public–private partnership (PPP) is a government service or private company enterprise that is financed and managed through a joint venture between the government and one or more private corporations. PPP, P3, and P3 are some of the terms used to describe these plans. Thus, a public-private partnership (PPP) is a long-term arrangement between public and private sector institutions with the aim of funding, planning, implementing, and running infrastructure facilities and services in the state. This PPPs are designed to meet the twin goals of high growth and equity on a long-term basis. The basic elements deciding the performance of PPP ventures are the project's suitability for PPPs, careful assessment, and case-by-case selection of the appropriate PPP type. Prior to participating in PPPs, public authorities must determine and validate the value, performance, and potential treats of the foreseeable PPP form by economic calculations.

The majority of PPPs have been limited to the road market. And the sector still has a lot of room for development, with PPPs playing a role in achieving it. To close the infrastructure deficit, ambitious project proposals have been built for different transportation sectors. The industries are booming, but there are already roadblocks and constraints in the way of the seamless construction of world-class infrastructure. This is because the commercial sectors participating with PPPs are only interested in generating a profit rather than performing some social work. Companies with strong links to political parties can even embark on a project with the aim of raising a lot of money. If the proposal falls into the wrong hands, or if the tender is given to the wrong individual, he can trigger serious issues. However, the government is keeping a tight grip on all of these stumbling blocks in order to set a good example in PPP and help the nation progress economically. It took a number of efforts to make the ventures a success.

II. INDIAN PPP SCENARIO

In the last decade and a half, India has seen a significant increase in PPPs. Due to many policy and structural steps taken by the central as well as several state governments, it has emerged as one of the world's leading PPP markets. To streamline the assessment and acceptance of ventures, the Indian government established the Public Private Partnership Appraisal Committee. Bidding mechanisms that are transparent and competitive have been developed. PPPs also received substantial cross-sectoral assistance in the form of project growth grants, feasibility gap finance, usage fee reforms, long-term capital and refinancing, as well as institutional and person capacity building. "In several industries, such as highways, ports, and airports, PPPs are now seen as the chosen execution style. PPPs are becoming increasingly common in the urban and social fields.'' Institutions, developers, financiers, equity suppliers, strategies, and protocols have all evolved into a complex eco-system for PPPs over time.

India has a significant infrastructure deficit, as well as a funding gap. PPPs may help satisfy a requirement while still filling a funding void. In several PPP ventures, the private sector arranges and finances the project. This eliminates the need for the government to fulfill its financial needs from its own receipts (taxes) or borrowing. This is a benefit in situations where the public sector's ability to raise capital is restricted, such as in India. PPPs will allow further capital spending and greater access to infrastructure resources by taking financial burden away from the public sector.

III. DISADVANTAGES AND ADVANTAGES OF PPP

Disadvantages

- If the expertise in the partnership lies heavily on the private side, the government is at an inherent disadvantage. For example, it might be unable to accurately assess the proposed costs.
- Finance is one of the major problems for any project. Public sector projects require a large amount of funds. Sometimes government can't arrange for the required amount of funds. It is private organisations who arranges all the finances & undertakes the whole risk.
- Under these partnerships, the government is required to share return from projects with private organisations. Private sector invests in public sector projects in return for income from these projects. After completion of the project, private companies charge high prices for providing services.
- Every public-private partnership involves risks for the private participant, who reasonably expects to be compensated for accepting those risks. This can increase government costs.
- PPP project agreements are long-term, complicated and comparatively inflexible because of impossibility to envisage and evaluate all particular events that could influence the future activity.
- Changing Governments and major changes in law has sometimes a very bad impact on PPP projects.
- This partnership decreases the roles & responsibilities of public sector organisations. Most of the work is done by the private sector decreasing the government role. This decreases the employment opportunities in the public sector.
- PPP projects are always behind the risk of corruption as there are too many people and processes involved in the completion of the project.

Advantages

- They result in faster project completion and reduced delays on infrastructure projects by including time-to-completion as a measure of performance and therefore of profit.
- PPP leads to cost efficiencies which are as a result of increased competition, increased proportion of risk transfer, and closer integration of various aspects.
- Ensure the necessary investments into public sector and more effective public resources management.
- PPP projects can be delivered quicker than under conventional procurement because of better project management, better management of project risks and because the service provider is not paid until the project is completed.
- Public-Private Partnership is formed for large infrastructural projects. These projects require large finance & risk. When public & private organisations join together, this risk is diversified among two.
- Public-private partnership makes it possible to utilize funds in different projects. Government can utilize its funds elsewhere in more important projects. As projects are funded under this partnership by private corporations.

- For the public sector, one of the greatest advantages of a PPP is the access it provides to modern technology, management and skills from the private sector. For the private sector, it is an opportunity for increased innovation. With a PPP, the private sector can own and operate the facility to deliver a service to the government, says Banks. It can build in synergies and innovative ways of delivering the infrastructure required to meet the service outcomes.

IV. CHALLENGES FOR PPP IN INDIA

A PPP is not a panacea for all the public sector's funding and infrastructure problems and PPPs are not always the most appropriate procurement option. The following are noted complexities in PPPs. Most of these can be minimized under certain circumstances and through careful management of the PPP design by the Sponsoring Authority. This requires public sector capacity (experience and expertise) to manage the PPP process.

- Lack of information-The PPP program lacks of comprehensive data base regarding the projects, studies to be awarded under PPP
- Regulatory environment-In order to attract more domestic and international funding of infrastructure, a more robust regularity environment with an independent regulator is essential in India.
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- Project Development-The project development activities such as detail feasibility study must require for the private executors.
- Financing availability-Private sectors depend on commercial banks. Sometime funding for projects become difficult because delay in rise of debt in commercial banks in India. Sources of fund is biggest difficulty in success of projects by PPP.
- Difficulty in demonstrating value for money in advance: Ideally, a project should be procured as a PPP on the basis of a clear demonstration that it provides value for money (VFM) compared with public sector procurement. However, it is difficult to demonstrate VFM in advance due to uncertainties in predicting what will happen over the life of the project and due to a lack of information about comparable previous projects.
- Contract uncertainties: PPPs often cover a long-term period of service provision (eg. 15-30 years, or life of the asset). Any agreement covering such a long period into the future is naturally subject to uncertainty. If the requirements of the public sponsor or the conditions facing the private sector change during the lifetime of the PPP the contract may need to be modified to reflect the changes. This can entail large costs to the public sector and the benefit of competitive tendering to determine these costs is usually not available.

V. DEVELOPING A SUCCESSFUL PPP SCENARIO

The PPP would be developed keeping in mind the following broad principles:

- Ensure that the projects are planned, prioritized and managed to benefit the users and maximize stakeholders' economic returns.
- Provide a fair and transparent framework to facilitate and encourage PPP mode of implementation for provision of public assets and/or related services.
- Protect the interests of end users, project affected persons, private and public sector entities and other stakeholders.
- Adopt an efficient, equitable, consistent, transparent and competitive process for selection of private partners, and ensure efficient governance over the project life cycle.
- Provide requisite provision in budgets for contingent liabilities for the sponsoring government, in various forms, such as, liabilities towards lenders in case of contract termination or minimum revenue guarantees.
- Achieve increased efficiency in the deployment of investments by setting out enabling frameworks for greater private sector participation in building future public assets and ensuring their long-term maintenance.

- Encourage efficient delivery of public services by engaging proficient and innovative practices with the utilization of best available skills, knowledge & resources in the private sector.

VI. CONCLUSION

Infrastructure funding and growth are top targets around the world, but public-private partnerships are growing at a fast pace. Infrastructure growth, in fact, contributes to economic development. The public-private partnership (PPP) is a method for the public sector to conclude development programs by using the private sector's expertise and experience. ‘‘The government's finances are often insufficient, and private corporations may help.” The government plays a key position in PPP projects and must devise plans to improve as a collaborator. Since the primary outcome of PPPs is the emphasis on efficiency and long-term success, both the public and private sectors should collaborate to expand the reach of PPPs in India.

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