UNIT 3 - Public Private Partnership- All You Need To Know

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PUBLIC PRIVATE PARTNERSHIP (PPP)

A public-private partnership also referred to as PPP or 3P is defined by the government of India in 2011 as a business venture which is owned by the government (public sector) on one side and a private sector venture on the other side. The operations and funding of a project under the PPP model is done under the partnership of government and one or more private sector companies. It was
introduced for projects related to public assets and public services. The private sector undertakes the management and investments of the project, for a specified amount of time and receives payments upon reaching a benchmark based on analysis measured by the public sector entity. There is an equal allocation of risks and returns by both the parties. This approach of developing projects which are for the public with the contractual partnership of government and private sector is called PPP.

KELKAR COMMITTEE:

A committee was set up to evaluate PPP in India, headed by Vijay Kelkar. The committee was set up following 2015 Union budget of India by the then the then finance minister of India Arun Jaitley. It comprised 10 members. The committee constituted of representatives from department of Economics, - Director General of National Council of Applied Economic Research (NCAER), Union transport ministry representative, Managing

Director of corporate banking group of State Bank of India.

Types of PPP:

There are different models of PPP to allow different levels of private sector participation.

1. The private sector builds, develops, operates and manages an asset and does not transfer the ownership to the government. The schemes are referred as:
Build – own – operate (BOO)
Design – construct- manage – finance (DCMF)
Build – Develop – Operate (BDO)

2. The private sector buys an existing asset from the government and renovates, expands, and then operates the asset without transferring ownership to the government. The variants under this model are:
Buy- Build- Operate (BBO)
Lease – Develop – Operate (LDO)
Wrap – Around – Addition (WAA)

3. The private sector designs and builds an asset operates it and then transfers it to the government after the contract period ends. The asset is rented or leased to the private sector by the government. The variants include:

- Build- Operate- Transfer (BOT)
- Build – Rent – Own – Transfer (BROT)
- Build – Own – Operate – Transfer (BOOT)
- Build –Transfer- Operate (BTO)
- Build – lease – operate – transfer (BLOT)

Some successful PPP project:

Karnataka: Bangalore International Airport is the first airport in the country being executed through the PPP route.
Andhra Pradesh: The Hyderabad International Airport is executed under the build own operate (BOO) format. Other such projects are the

Kakinada Deep Water Port, developed on the operate- maintain- share-and-transfer (OMST) format; the Gangavaram Port comes under build own operate and transfer (BOOT) mode, Hyderabad Outer Ring Road.
Gujarat: The concept of PPP was introduced with the construction of Pipavav port by Gujarat Maritime Board.

Risks associated:

- There have been a number of critics associated with Public Private Partnerships in India, in particular related to the risks that come with such partnerships.
- Cost attached
- Social and political consequences such as transfer of a civil servant into private sector
- Renegotiation of the assets due to long term nature of the projects.
- Lack of managerial experience
- Political interference
- Inadequate resources
- Lack of transparency.
- Inexperienced personnel for project appraisal.