

SYBA Paper III **Public Administration**

4. Contemporary Techniques and Practices in Administration

प्रशासनातील प्रचलित तंत्रे आणि पद्धती

4.1 Good Governance - Concept, Characteristics, Challenges

सुशासन

4.2 E-Governance - Meaning, SMART governance, benefits ,

E-governance initiatives in India

ई-शासन

4.3. **Public-Private Partnership (PPP) - Concept, Modules of PPP, benefits and limitations**

सार्वजनिक आणि खाजगी भागीदारी

Public-Private PARTNERSHIP



**Public-private
partnership**

PUBLIC-PRIVATE PARTNERSHIP

- A public-private partnership is typically a partnership between the public and private sector for the purpose of delivering a project or service traditionally provided by the public sector.
- It is a different method of procuring public service and infrastructure by **combining the best of the public and private sectors with an emphasis on value for money and delivering quality services.**
- A public-private partnership recognizes that both the public and the private partnership sectors have certain advantages
- **The government's goal is to encourage and promote local entrepreneurship by providing small scale investment opportunity.**

PUBLIC-PRIVATE PARTNERSHIP

- PPPs broadly refers to long term, the contractual partnership between the public and private sector agencies specially targeted towards financing, designing, implementing and operating infrastructure facilities and services that were traditionally provided by the government or its agencies.
- These collaboration ventures are built around the expertise and capacity of the project planners and are based on a contractual agreement, which ensures appropriate mutually agreed allocation of resources, risks, and returns. This approach and developing public utilities and infrastructure by the private sector under terms and conditions agreeable to both the government and the private sector is called **PPP**.

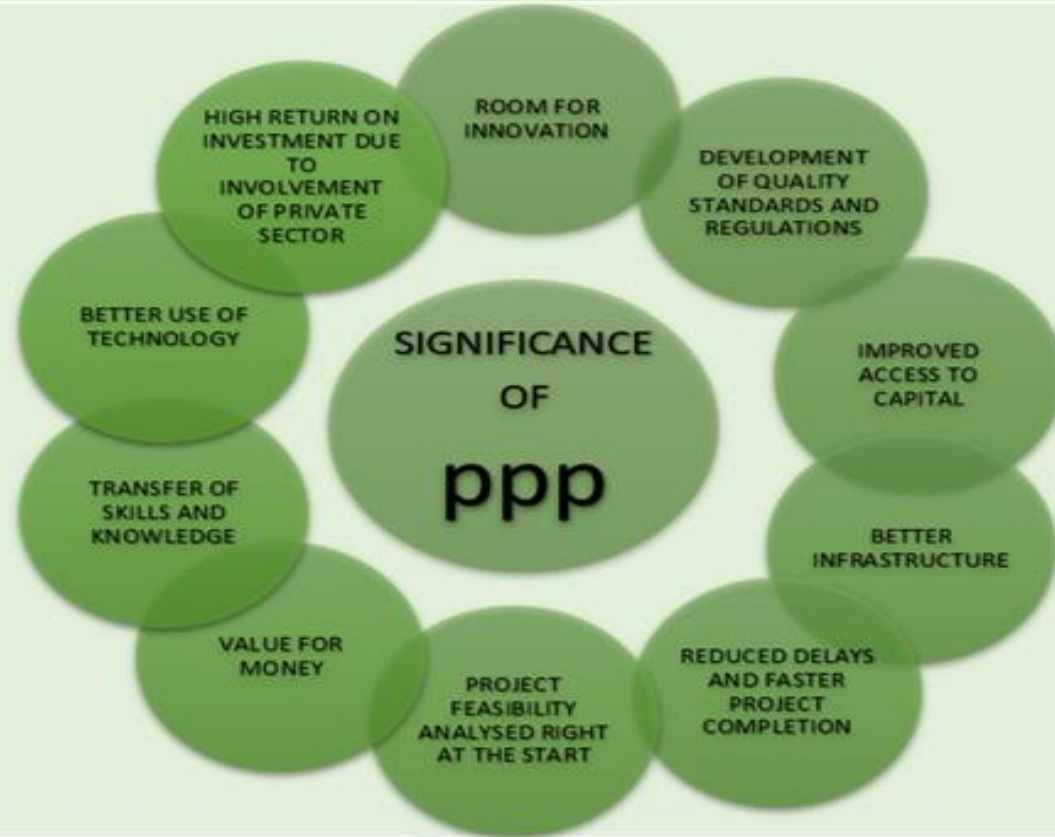
Characteristics of Public-Private Partnership

- Arrangement with private sector entity
The asset or service under the contractual the arrangement will be provided by the private sector entity to the users
- Public asset or service for public benefit
The facilities/services being provided are traditionally provided by the government as a sovereign function to the people
- Operations and management for a specified period
The arrangement cannot be in perpetuity. After a pre-determined time period the arrangement with the private sector entity comes to a closure
- Risk-sharing with the private sector
Mere outsourcing contracts are not PPPs
- Performed linked payments
The central focus is on performance and not merely provision of facility or service
- Conformance to performance standard
The focus is on a strong element of service delivery aspect and compliance to pre-determined and measurable standards to be specified by the sponsoring authority

Advantages of PPP

- Access to private sector finance
- Efficiency advantages from using private sector skills and from transferring risk to the private sector
- Potentially increased transparency
- Enlargement of focus from only creating an asset to delivery of a service, including maintenance of the infrastructure asset during its operating lifetime
- This broadened focus creates incentives to reduce the full life-cycle costs (ie, construction costs and operating costs)

Advantages of PPP



Types of PPP

- Public-private partnerships (PPPs) take a wide range of forms varying in the extent of involvement of and risk taken by the private party.
- The terms of a PPP are typically set out in a contract or agreement to outline the responsibilities of each party and clearly allocate risk.
- Different types of PPP are Concessions, Build-Operate-Transfer (BOT), Design-Build-Operate (DBO); Leases / Affermage, Full Divestiture, Contract Plans, and Performance Contracts.

EXAMPLES

National Skill Development Corporation (NSDC) is a not-for-profit –the company set up by the Ministry of Finance under section 25 of Companies Act. The National Skill Development Corporation (NSDC) is a first of its kind, PPP in India set up to facilitate the development and upgrading of the skills of the growing Indian workforce through skill training programs.

Public-Private Partnerships (PPP) – Recent Developments

- **Health Sector** – NITI (National Institution for Transforming India) Aayog has come out with Public-Private Partnership (PPP) Model to bring changes in the Health Sector. As per this PPP model developed by NITI (National Institution for Transforming India) Aayog, the gap in medical education will be addressed and the shortage of qualified doctors will be addressed. As per this model, existing or new private medical colleges will be linked with functional district hospitals.

Public-Private Partnerships (PPP) – Recent Developments

- **Power Sector** – Government of India is planning to launch the Atal Distribution Transformation Yojana (ADITYA) Scheme. As per this scheme, if states will involve private sectors to improve the efficiency of state distribution companies (discoms), then the Central Government will provide incentives to the States. Such a scheme did not exist earlier. If Indian needs to become a \$ 5 trillion economy then it requires a healthy power sector. The 3 important segments of the power sector are distribution, transmission and power generation. If progress needs to be done in desired pace and direction, then the distribution segment needs to be established as the strongest link hence the Central Government is focussing on increasing efficiency of the Distribution segment through ADITYA Scheme. Most of the developed countries have privatised their power distribution segment. The Public-Private Partnership model in Delhi was introduced in 2002, has proven to be a success. Delhi Vidyut Board was privatised by selling its majority stake (51%).

Public-Private Partnerships (PPP) – Recent Developments

- **Railways** – Tejas Express is the 1st private train in India. Under the Public-Private Partnership (PPP) model, the services in the Tejas Express will be provided by private players. Services will include housekeeping, catering, ticketing, refunds, parcels. The Physical infrastructure for the Tejas Express will be Indian Railways. It includes coaches, locomotives, guards, loco pilots, guards.
- **Urban Housing** – Through Public-Private Partnerships (PPP), Government-funded housing in cities or urban areas will be converted into Affordable Rental Housing Complexes (ARHC). This will be done so that migrants can avail housing at concessional rates in cities or urban areas.

Examples

- **Mumbai Metro** One Private Ltd (MMOPL) is a subsidiary of Reliance Infrastructure. It is a SPV created to develop, implement and operate **Mumbai's** first **Metro** Line, on a **public-private partnership (PPP)** model.
- A Special Purpose Vehicle (**SPV**) is a separate legal entity created by an organization. The **SPV** is a distinct company with its own assets
- Navi Mumbai International Airport
- Bandra Worli Sea Link
- The Mumbai Coastal Road