

THE INFRASTRUCTURE SECTOR IN INDIA AND PUBLIC PRIVATE PARTNERSHIP (PPP)

Research Scholar Anjali*

Guide Dr. Neelam**

Abstract

To fulfill India's aspirations to generate significant increases in infrastructure spending in the years to come, it will have to rely heavily on private investors as opposed to earlier policies of state-run agencies building roads, airports, and power projects. The government has been keen to involve the private sector in the delivery of infrastructure but it is complicated for the private sector to work out service standards while maintaining social responsibility and keeping the enterprise financially viable. Failure to devise financially viable models for rural roads, power plants, or mass transit systems in the last fifteen years can be attributed to the opacity of public-private transactions related to the infrastructure sector. This report provides a short tour of various models which can be used in infrastructure and social sectors by gaining a better understanding of the social requirements of infrastructure, the government's public obligations to provide infrastructure services and the private sector's need to maintain financial viability. The notion that only the government can and should provide all public infrastructure service has been gradually abandoned in India over the course of the past decade. With private sector participation—in telecoms, roads, ports, civil aviation, and airports—leading to visible improvements in service quality, time, and cost there is growing acknowledgement of the benefits that the private sector brings to the infrastructure sector. In its Eleventh Five Year Plan the Government hopes to harness the private sector's efficiencies in delivery of infrastructure projects to a much greater extent in meeting India's infrastructure needs, either through fully

* Asst. Prof. Govt. College Jhajjar.

** Department of Commerce, KUK

private ventures or through public private partnerships (PPP). The *paper* is aptly 'Business Models of the Future'. The research will be considers various models of PPP and covers issues in their design. It will also explore different forms of partnerships between government, NGOs, private sector, and users in the delivery of infrastructure services. What is exciting is that new vistas are opening up.

There is a range of models that can be used to extend services in a sustainable manner for rural and social infrastructure. Minimum subsidy bidding, franchises, and the use of vouchers are just some of the means by which the private sector can be profitably and competitively involved and more users provided with access and choice. Surveys have shown that the poor are willing to pay for quality public services. At present, they often end up paying more than the rich for access to basic services that are sub-standard. The report presents scalable case studies of quality service provision at low cost, suited to meet the needs of the poor in areas such as drinking water, primary health care, and education. Indeed, there is a real opportunity for business to innovate and play a constructive role in inclusive growth by providing services adapted for the 'bottom of the pyramid'. The attention to vocational training in the report is pertinent because India is facing constraints of trained manpower in almost all sectors. Provision of quality education—elementary and secondary—to our young population remains a challenge that can be effectively addressed through PPP endeavors. I am pleased to note that the research will come up with some innovative models to deliver these in the country.

INTRODUCTION

An average economic growth of 8 per cent over the past three years has India bursting at the seams, so to speak, with its infrastructure sector stretched way beyond capacity. Spiralling demand for air travel, reliable power supply, and efficient ports, roads, and railways has not been matched by a proportionate increase in supply. It is widely acknowledged that severe supply-side bottlenecks can retard the economy's potential rate of growth. There is a palpable urgency and competition among states to provide better infrastructure to users but most infrastructure projects are facing serious land constraints as well as the ire of those displaced by expansion of infrastructure facilities. Rural as well as urban land holders are now increasingly aware of their rights, demanding sufficient compensation to form a source of livelihood over a long period of

time. For example Land acquisition for highways, power projects, pipelines and so on has always been an elaborate process. Singur, about 50 kilometres north-west of Kolkata, was identified for acquisition for Tata Industries to set up their small car project. The slew of protests and political upheaval that Singur brought in its wake has brought the land acquisition issues into recent limelight. Incidentally, Bengal government had agreed to pay compensation to farmers at a generous rate—almost 150 per cent more than the prevailing market price. National Policy on Resettlement and Rehabilitation Policy is being piloted by the Ministry of Rural Development under Article 73 of the Constitution which will give it the status of an Act till the whole policy is enacted. The resettlement and rehabilitation of people affected by projects will have three components—the policy, the National Rehabilitation and Resettlement Bill and the amendments to the Land Acquisition Act

Vision 2020

The government is planning to come up with a new civil aviation policy. A draft of the policy put forward by the Civil Aviation Ministry to the Cabinet was referred to a Group of Ministers (GoM) after some Cabinet Ministers raised questions about certain proposals mooted in the policy—allowing more domestic airlines abroad, creation of merchant airports, and plans to corporatize the air traffic control system. The civil aviation ministry had earlier proposed the promotion of fully private airports with no equity participation by the government through this policy. These airports are developed and operated fully by private companies, which can use them for commercial (passenger as well as freight) and private use (*Financial Express*, September 2010). The 10-member GoM, will frame a new civil aviation policy and suggest changes to the ideas put forward by the Ministry of Civil Aviation in its Vision 2020. However, all airports will not be modernized on the lines of PPP due to lack of political consensus. Some of the modernization work will be done by the Airport Authority of India (AAI). The AAI has been given the task to develop the Kolkata Airport (*Financial Express*, September 2010).

CONCLUSION

This paper outlines a structure for public private partnership (PPP) for situations where the entrepreneur, the government, and the local community which has access to the forest, need to come together in a common mutually agreed framework for regeneration and maintenance of wildlife habitat or other activities such as commercial forestry. Usually, in such situations, there is considerable friction between the various stakeholders, especially the local community. The structured approach outlined here makes a special effort to involve the community in the process and share the benefits with them in a manner designed to enhance community social and physical capital. Thampi (2005) describes how some of these principles have been used with success in local initiatives in places such as the Periyar sanctuary. As shown here, the model can be adapted for use in various other similar situations where environmental and community considerations are significant. This is especially significant given the current drive for biofuel plantations, industrial pulpwood, etc. In all these cases, there is considerable scope to leverage the private sector's managerial efficiency without jeopardizing the physical or social environment.

References

- *India Infrastructure Report: Urban Infrastructure*, Oxford University Press, New Delhi.
- Thampi, Josh, Ecotourism in Kerala, India: Lessons from the Eco-Development Project in Periyar Tiger Reserve, Nr.13, June 2005. *ECOCLUB.com* E-Paper Series, Nr. 13, June 2005.
- Chowdhury, Sadia (2001). Educating for Health: Using Incentive-based Salaries to Teach Oral Rehydration Therapy. *Public Policy for the Private Sector*.
- Ke et al. (2007). *Protecting Households From Catastrophic Health Spending*. Health Affairs, Vol. 26, No. 4, July/August, pp. 972–83.
- *Financial Express*, New Delhi
- Aggarwal, A. (2005). 'Performance of Export Processing Zones: A Comparative Analysis of India, Sri Lanka and Bangladesh', Working paper no. 155, Indian Council for Research on International Economic Relations, New Delhi

- Background Note on Special Economic Zones in India', <http://www.sezindia.nic.in/>, accessed August, 2009
- Gazette of India (2009). 'The Special Economic Zones Act 2005', Ministry of Law and Justice, Government of India, New Delhi.
- *Questions and Challenges*, The World Bank, Washington DC. Conner, P. and Y. Liang (2009). 'The Expanding Frontier of Institutional Real Estate', *Pramerica Real Estate Investor*, Pramerica Financial.
- Kumar, A., R.D. Gray, M. Hoskote, S. von Klaudy, and J. Ruster (2007). 'Mobilizing Domestic Capital Markets for Infrastructure Financing: International Experience and Lessons for China', World Bank Discussion Paper No. 377, The World Bank, Washington, D.C.
- 'Flow Securitization', *The Financier*, Vol. 11/12, pp. 29–42. (2001). 'Securitization of Future Flow Receivables: A useful tool for developing countries.' *Finance and Development* 39(1). Accessed from <http://www.imf.org/external/pubs/ft/fandd/2001/03/ketkar.htm#author> in August 2007.