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# PUBLIC-PRIVATE PARTNERSHIP IN NEW PUBLIC MANAGEMENT: LOCATING PERFORMANCE GAPS

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***Abstract***

*The Public-Private Partnership (PPP) the new buzzword in many developing countries, has attracted the attentions of Indian academia, as it unfolds a new discourse to address developmental challenges. It engages a feasible, viable and growing model of sustainable development where the private and public organisations intersect and interact to act for the larger public good. Though the public sector would continue to play a key role in service delivery, the private sector may be comprehended as an agency to promote infrastructure through participating all inputs including financial. The pressure exerted on the public sector to leverage financial dispensability appears to be limited, as it is bestowed with several unpredictable responsibilities. These responsibilities are becoming unequivocally stringent, as the basket of financial inputs is scarce. As such, the developmental tasks cannot be left scot-free. Moreover, financial inputs and a smart system of management to ensure market-oriented actions can well be mobilized from the private sector though the PPP. The PPP projects in India are unevenly distributed. More focus has been laid down on south Indian states as compared to the rest of it. The investment of PPP projects has been found more in hard infrastructure sectors. However, its inflow should have also scaled up to the soft infrastructures to ensure inclusive growth and social justice. The major project areas where PPP works were executed are roads, ports, eco-tourism, silos, petroleum reserves, ropeway, telecom, railway stations, railway passenger trains, and metros. Looking at the fast track of service delivery and the PPP being an engine to accentuate outcomes, scholars are viewing PPP as a possible tool to accelerate the interventions. PPP has also been granted the opportunity to receive a long-term remuneration for the private sector. The micro-economic gains in the PPP ventures are incentivized through the application of expertise and experience of the private sector for the public services. Though quality feasibility studies conducted by the private sector minimize the degree of risks involved in the projects, an iota of incurring risks are shared equally by the private players. However, services delivered through PPP projects are expensive. It is more vivid when the procurement procedure is conducted which generally excludes the time-induced costs. The future activity under PPP projects is limited to the extent that it is implicitly built with complicated inflexibility.*

(**Keywords**: PPP, Infrastructure, Developmental projects, Hard and soft projects, Ethical Governance)

## INTRODUCTION

Privatisation of public services has gained ground across the board to implement the maximum fruits of government interventions. Most of the project executions have been found in infrastructure, health, and other trend-setting sectors. The public-private blend has aptly showcased the privatised management of public sector ventures. Though the success of public-private partnership goes limitless in the larger rubric of governance, it has opened up a new discourse on the least reflective connotations of access, equity and inclusiveness. However, the concept of Public-Private Partnership (PPP) has gained currency over the years in the wider realm of infrastructure development by acting as an engine of economic growth.

Strikingly, there is increasing evidence to conclude that privatisation of public services has led to the exclusion of the poor and has had severe ramifications on issues in equity and access (Datta, A., 2009). The role played by PPP is mostly triggered in those areas where social development and economic growth are already in place. The developed pockets where PPP-led ventures have been performing well with time-based completion are launched in delivery-friendly places and locations. As such, the PPP has started performing well due to reasons prevailing in modern governance to ensure quick outcomes. Many developing countries also started replicating the projects on PPP mode to ensure quick results. The reasons for adopting the PPP model vary in different countries. To meet the urge for large infrastructure and plug-in funding gaps, the PPP model appears as one of the alternative solutions.

The demand for money in developing countries has been growing at a faster pace as a result of large infrastructure projects, social sector schemes and large subsidies igniting inclusive growth. On the other hand, sources of funding have remained almost constant, creating a huge gap in the budget. The private capital for public projects has also been galvanized through the PPP model. Moreover, the usefulness of PPP has largely been acknowledged for reasons owing to resource deficit and state business being incompetent in providing power and ports, dams and roads in the past experiences. However, PPP has been an important thread in history, and there has always been some degree of public-sector and private sector cooperation (Wettenhall, 2003). The PPP is considered to be one of the preferred modes for the implementation of infrastructure-related development projects. The intent of PPP is also to create time-bound world-class infrastructure and attract private sector and institutional capital in infrastructure (https://www.niti.gov.in/verticals/ppp). In India, the PPP model has been adopted in implementing schemes in various sectors of the government, particularly infrastructure.

PPP has also been granted the opportunity to receive a long-term remuneration for the private sector. The micro-economic gains in the PPP ventures are incentivized through the application of expertise and experience of the private sector for the public services. Though quality feasibility studies conducted by the private sector minimize the degree of risks involved in the projects, an iota of incurring risks are shared equally by the private players. However, services delivered through PPP projects are expensive. It is more vivid when the procurement procedure is procrastinated covering time-induced costs. The future activity under PPP projects is limited to the extent that it is implicitly built up with complicated inflexibility.

## THE CONCEPT AND FRAMEWORK

Different countries attribute different meanings to the term “Public-Private Partnership (PPP)” PPP lacks a universal definition.. The definition of PPP is developed in accordance with its requirement, functioning, ruling and processing. Brazil government defines PPP contracts as agreements entered into between government or public and private entities that establish a legally binding obligation to manage services, undertakings and activities in the public interest, where the private sector is responsible for financing investment and management (Tabassum, S. 2013, p. 480). In South Africa, PPP is defined law as a contract between an institution and a private property where the latter performs an institution function and uses state property and where substantial project risks are passed to the third party (Ibid., 480). The Government of India purports that PPP is a project based on a contract or statutory entity on the one side and a private sector entity on the other side for delivering infrastructure service on payment of user charges. It entails a working arrangement between the public sector and sectors outside of the same. The PPP is interpreted as financing, designing, implementing, and operating infrastructure facilities that were conventionally owned and controlled by public sectors alone. It entails collaborative arrangements build around expertise and capacity to invest in various projects to be undertaken. After the 1990s and since the implementation of liberalization, privatization and globalization (LPG), the concept of public-private partnership gained reasonable grounds all around the academic discourse. The concept, thereafter, provides the turn of the private sector in infrastructure provisioning.

**STATUS OF PPP IN INDIA**

From April 1, 2020 to March 31, 2021, a total of 125 projects have been undertaken under PPP for Rs. 1, 72314 crores. Out of the 125 projects, 123 projects were of Central Government, whereas 2 of the State governments. The major project areas where PPP works carried out were roads, ports, eco-tourism, silos, petroleum reserves, ropeway, telecom, railway stations, railway passenger trains, and metros. Looking at the fast track of service delivery and the PPP being an engine to accentuate outcomes, scholars are viewing PPP as a possible tool to accelerate the interventions. Two important dimensions are relevant for consideration. First, the financial arrangement of public and private sectors and second, the tightness of organic linkages between them (Hodge and Greve, 2007). In most cases, the private sector appears to be accumulating incentives, most often than not, on the cost of the public sector. This unequal match is propelled in the absence of a transparent and ethical system of governance. In fact, most of the pioneering scholars of the public and private sector express that under the PPP arrangements, cooperative durability and joint development of products and services are the common thread-bearers consisting of risk, costs and resources. The equal sharing of risks and rewards gives rise to build-own-transfer (BOT) and build-own-operate-transfer (BOOT) in a cogent manner (Hodge, G and Carsten Grave, 2007, p. 94). The recent Covid pandemic has shown that widespread consensus in PPP as an unfettered private agenda of economic reform where the interest of public gets compromised. This compromise is value-neutral in the sense that the chain of command and control rest beyond the human interventions. However, Indian Railways has considered PPP operation as a good solution, bolstering effective governance. "Indian Railways shall provide efficient, affordable, customer-focused and environmentally sustainable integrated transportation solutions. It shall be a vehicle of inclusive growth, connecting regions, communities, ports and centres of industry, commerce, tourism and pilgrimage across the country. The reach and access of its services will be continuously expanded and improved by its integrated team of committed, empowered and satisfied employees and by use of cutting-edge technology (Vision 2020, Indian Railways)". It is worth mentioning that the private sector exists only in a small fraction of private infrastructure projects before the contract ends (Pratap, K. V. 2016, p. 29). The increasing incidence of PPP project cancellations in India has also been witnessed. The cancellations of PPP projects may have a sustained impact on the country's PPP programme, reducing the private sector's confidence in the government commitment as well as the government's confidence in the robustness and value for money of such cases (Ibid., p. 29). As such, private players are reluctant to perform in the given public space. Though cancellation of projects is routed through renegotiations to sweeten the deal, the cancellation is an apt panacea to elicit more realistic bidding from the private players. As such, cancellation of project taxes a heavy toll to both public and private players to resurrect the intent in the ever-flexible contents.

## SECTOR WISE PPP OPERATION

PPP appears as the new face of development where public and private sectors tend to work in collaboration. They tend to further their aims and objectives to incentivize in a market-led situation. The dictum of 'think global and act local' promotes and fosters the common agenda for the public and private sectors to deliver fast-track results. The collaboration is not only restricted to private players alone but also extends to civil society organisations and multilateral agencies. The fanning out of the state, the spanning out of the state, the privatization of state and para-state institutions, and subcontracting of state functions, are what governance is about (Datta, A. 2009, p.73). The true spirit of PPP can go well with the time provided it is promoted by the state's political will that can change the ecosystem into a healthy investment climate. This requires the investment under PPP projects to be attractive to investors and fair to consumers. It can be obtained through competition in services, realistic tariff in user charges, institutional capacity, robust regulatory mechanism and dispute resolutions. Private sector orientation is that of achieving returns on invested funds, daring to take business risks, having to anticipate market and competitive development and realizing corporate goals, whereas the public sector orientation reflects political opinions and political influence, formulation of legislation, regulations and authorities, democratic decision-making process, the minimization of risks and realisation of social goals (Reijniers, 1994, p.13).

In India, PPP projects are on the rise. This is particularly distinct for roads and railways. The figure below gives the trend of one year which is plotted as under:

**Figure 1: PPP Projects from April 1, 2020, to March 31, 2021**

(Source: https://www.niti.gov.in/verticals/ppp accessed on 21.01.2022)

The above figure reveals that out of 10 identified major sectors, the maximum share of roads (36.72%) has been recognized, followed by railway passenger train (17.47%), telecom (16.95%), petroleum reserves (16.09%), railway stations (4.41%), metro ( 4.31%), ports (1.95%), eco-tourism (1.30%), ropeway (0.58%) and silos (0.23%). The sectors where maximum PPP has been undertaken receive maximum public interface. If the railway-related projects are clubbed, it comes to the second highest (20.5%) after the road. When the transportation sectors are joined, it becomes an astounding figure (65.41%) where PPP has been found to have circumscribed the most. The fact that public perception of transportation is yet to be brought to a satisfactory level in India. It is good that PPP has done remarkably in terms of time bound outreach so far as completion of the work is concerned. However, the quality and durability of assets are yet to be brought to an impactful benchmark.

The infrastructure development through PPP across the country is uneven. It is concentrated more in some states, whereas shallower in some other. The tabular information gives the details of PPP projects by states:

**Table 1: State-wise PPP projects in India (2005-2021)**

| S.No. | State | Number of Projects Approved | Total Project Cost (In Rs. Crore) |
|---|---|---|---|
| 1 | Meghalaya | 1 | 536 |
| 2 | Uttarakhand | 2 | 1021.61 |
| 3 | Lakshadweep | 2 | 604 |
| 4 | Andaman and Nicobar Islands | 3 | 1161 |
| 5 | Chhattisgarh | 4 | 3466.07 |
| 6 | Assam | 5 | 4078.53 |
| 7 | Goa | 5 | 4936.3 |
| 8 | Jharkhand | 5 | 11862.88 |
| 9 | Himachal Pradesh | 5 | 6419.73 |
| 10 | Jammu & Kashmir | 8 | 20927.55 |
| 11 | Delhi | 9 | 14417.58 |
| 12 | Kerala | 12 | 10869.44 |
| 13 | Haryana | 12 | 16046.2 |
| 14 | Punjab | 12 | 10981.37 |
| 15 | Bihar | 13 | 12262.44 |
| 16 | West Bengal | 13 | 14072.41 |
| 17 | Gujarat | 17 | 22928.01 |
| 18 | Multiple State | 17 | 88782.76 |
| 19 | Madhya Pradesh | 20 | 20758.9 |
| 20 | Rajasthan | 21 | 18839.77 |
| 21 | Odisha | 21 | 25436.82 |
| 22 | Andhra Pradesh | 22 | 21220.48 |
| 23 | Karnataka | 23 | 20501.62 |

| | | | |
|---|---|---|---|
| 24 | Uttar Pradesh | 25 | 31248.81 |
| 25 | Tamil Nadu | 26 | 21879.95 |
| 26 | Maharashtra | 30 | 52818.94 |
| **Total** | | **333** | **458079.17** |

(Source: Department of Economic Affairs, Projects recommended by PPPAC during December 20, 2005 to August 10, 2021)

From the above table, we can see from December 20, 2005 to August 10, 2021, a total of 333 projects are being undertaken in our country. The state of Maharashtra is leading with the maximum number of 30 PPP projects followed by Tamil Nadu 26, Uttar Pradesh 25, Karnataka 23, and Andhra Pradesh 22. On the whole south Indian states have undertaken more PPP projects than other regions of India. The housing of PPP projects in south India has set a trend where other regions have not been allocated a similar share. One of the reasons for the preponderance of PPP projects in southern India may be attributed to its friendliness with the vital indicators for conducive and healthy climate for project implementation.

With regard to the value of contracts, it is Maharashtra after the multiple states having the highest amount of contracts, followed by Uttar Pradesh, Odisha, Gujarat, Tamil Nadu and Andhra Pradesh. The number of projects undertaken and the amount allotted, there exists almost a symmetry. The sector-wise PPP projects are as under:

**Table 2: Sector-wise PPP Projects in India**

| **S.No.** | **Sector** | **Number of Projects Approved** | **Total Project Cost (In Rs. Crore)** |
|---|---|---|---|
| 1 | Sports | 5 | 0 |
| 2 | Tourism | 6 | 1913.87 |
| 3 | Housing | 9 | 7633.55 |
| 4 | Airport | 10 | 9017 |
| 5 | Others | 1 | 29432 |
| 6 | Railways | 6 | 47698 |
| 7 | Ports | 39 | 59996.75 |
| 8 | Roads | 257 | 302388 |
| **Total** | | **333** | **458079.17** |

(Source: Department of Economic Affairs, Projects recommended by PPPAC during December 20, 2005 to August 10, 2021)

The sector-wise figures of PPP projects inform that the maximum projects is in the road construction sector (72.2%) followed by port (11.7%), airport (3%), housing (2.7%), tourism (1.8%), sports (1.5%) and others (0.3%). However, the financial allocation is almost similar barring some sectors. The maximum financial allocation has been done in Roads (66%), followed by Ports (13.1%), Railways (10.4%), others (6.4%), Airport (2.0%), and Housing (1.7%). It is evident from the tabular information that the PPP sector in India is on a healthy move with skewed outreach. The success of the sectors is also simplified by the interest taken by the government to boost such partnerships. To mitigate the financial crisis that the public sector faces, it is the need of the hour for the private sector to open its financial inflows to complete the projects and win the confidence they are dealing with.

## CHALLENGES IN PPPs

The PPP sector in India is still in its nascent phase. To assess the impact, more time bound execution is required to arrive at a conclusive take. The accentuated speed of its expansion has adversely been affected by the Covid pandemic. The private sector is susceptible to invest considering the consequent lockdown affecting work completion and increasing reduction in return on investment (RoI). The failure of feasibility study on the one hand and poor connection between per capita benefit and cost have retarded the growth, arresting the new dimensions of expansion and innovation in PPP. However, the success story of PPP has informed that PPPs are doing incredibly astounding to meet the deadlines, particularly in infrastructure. Even if the state and central governments have created a conducive environment for the PPP to expand, the anthropogenic factors are adversely affecting its manifold growth. Besides, the major problems have emanated from standardization, PPP regulation and the issue of transparency. Land acquisition and other mandatory clearances, causing cost and time overrun, vested interest and non-compromising attitudes of bureaucrats, administrators and local politicians and asset-liability mismatch are some of the issues that are hounding harder.

Urban renewal and downturn economic development, civil society and community-led development, long-term infrastructure contracts and non-dispensability towards risk-taking are equally responsible to create a conducive environment for the growth of PPP in our country. The government policy regarding regulatory, legal and institutional framework is yet to take its final shape.

## CONCLUSIONS

The paper has presented the implications of Public-private partnership in new public management. It has elicited the meaning of Public-Private Partnership (PPP) taking into account its practice, sustainability and circumscription across the key sectors. It has also explained its connotations by drawing conceptual framework. The spread of PPP has been examined by sectors and its present status in states by taking into account figures available in public domain. Apart from a multidimensional analysis of PPP, its unevenness by the state has also been navigated. There has been asymmetry of fund allocation in undertaking PPP projects across the country. The paper has also established that PPP has led overarching emphasis on hard infrastructure sectors viz. roads and transports. In fact, the PPP projects should have been taken with equal rigor in soft sectors like education, health, etc. To ensure quality execution of PPP projects, it may be rolled out in association with civil society organisations. This is particularly required when PPPs are entrusted with the task to provide public services. Active and cogent consultation with stakeholders can boost the PPP to be environment, minority and vulnerable friendly. The active involvement of PRIs can make the operation of PPP more democratic and inclusive. Independent public oversight of PPP implementation can promote public sector innovation with better outcomes for society as a whole through accountability and formal and informal stipulations of social control. The PPP needs to be revamped by taking the best of the private and public sectors. However, the government of our country has become relatively active in taking stock of investment in the infrastructure by mobilizing support from the private and multilateral organisations. The need of the hour is to pay focused attention to more transparency, accountability and usefulness of the assets created under PPP. It would herald a new era of social productivity and cultural rejuvenation bringing a transformative change through real alternative.

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