GOVERNMENT DEGREE COLLEGE KUKATPALLY, MEDCHAL DISTRICT, T.S. -500072

DEPARTMENT OF PUBLIC ADMINISTRATION

Student study project on

PUBLIC PRIVATE PARTNERSHIP (PPP)

Name of the Supervisor:

G. Ravi Kumar

Assistant Professor of Public Administration

Name of the Students: B.A., I-Semester

- M. Latha
- G. Sai Priya
- M. Mounika
- Md. Sameena

Introduction:

Public-private partnerships involve collaboration between a government agency and a private-sector company that can be used to finance, build, and operate projects, such as public transportation networks, parks, and convention centers.

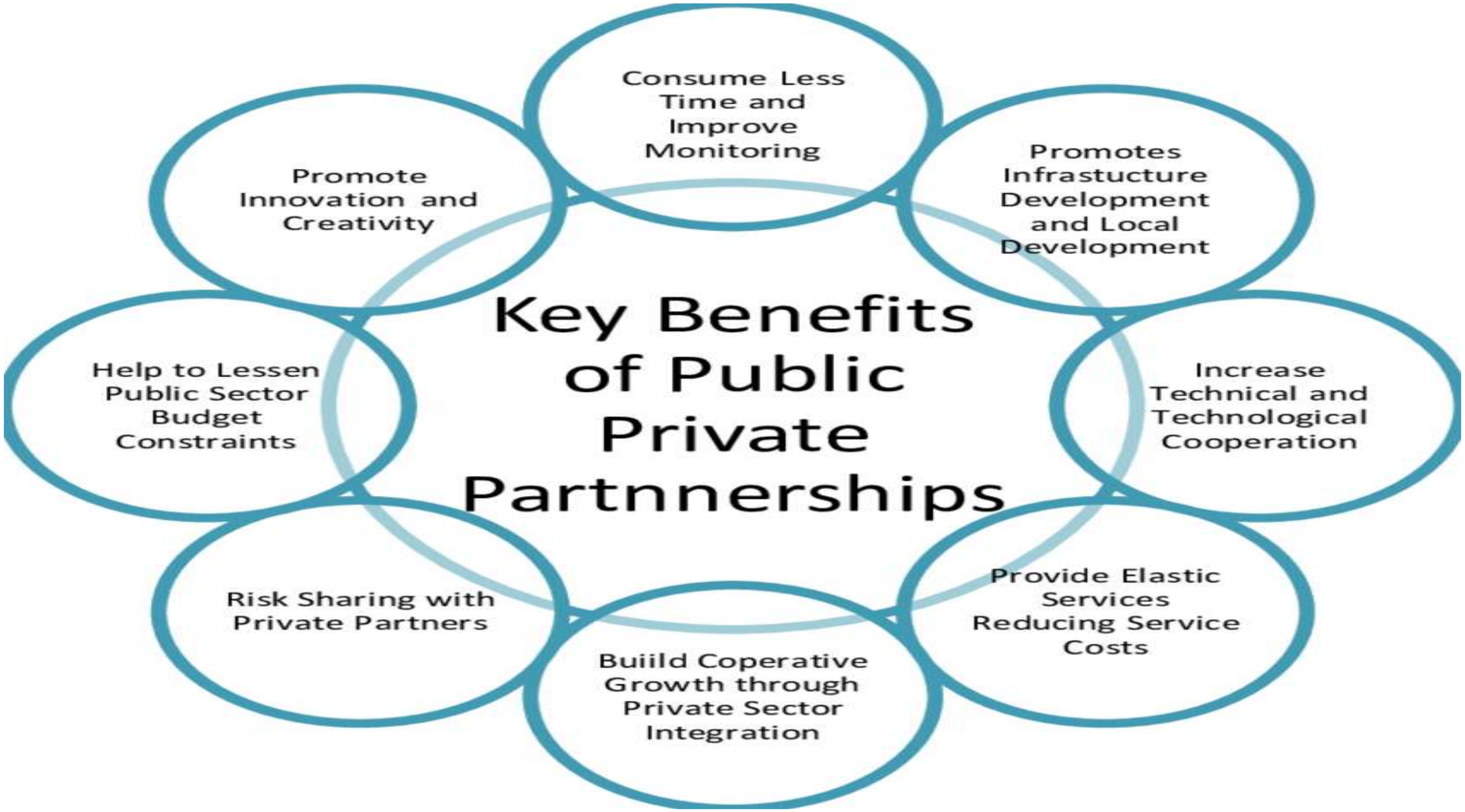
Financing a project through a public-private partnership can allow a project to be completed sooner or make it a possibility in the first place.

Why in News?

- In recent years, Indian government has given a greater impetus to metro rail expansion. In 2018 itself, 6 new metro rail projects have been sanctioned.
- In recent policy regime change there is a greater involvement of private sector in financing and developing these projects.

Background:

- Metro rail projects in India, until 2017, were broadly guided by a consolidated framework decided by the Ministry of Urban Development.
- On 16 August 2017, the Union Cabinet approved a **new Metro Rail Policy** which opens a big window for **private investments in metro operations by making PPP component mandatory** for availing central assistance on metro projects.
- **Key Benefits PPP:**



Types of Investment Models:

- **Public Investment Model:** In this model Government requires revenue for investment that mainly comes through taxes.

  i) As the world is facing the prospect of an extended period of weak economic growth, by enhancing public-sector investment large pools of savings can be channelized into productivity.

  ii) Properly targeted public investment can do much to boost economic performance, generating aggregate demand quickly, fueling productivity growth by improving human capital, encouraging technological innovation, and spurring private-sector investment by increasing returns.

  iii) Though public investment cannot fix a large demand shortfall overnight, it can accelerate the recovery and establish more sustainable growth patterns.

- **Private Investment Model:** For a country to grow and increase its production investment is required. Presently tax revenue of India is not adequate to meet this demand so government requires private investment.

  i) Private investment can be source from domestic or international market.

  ii) From abroad private investment comes in the form of FDI or FPI.

  iii) Private investment can generate more efficiency by creating more competition, realization of economies of scale and greater flexibility than is available to the public sector.

- **Public-Private Partnership Model:** PPP is an arrangement between government and private sector for the provision of public assets and/or public services. Public-private partnerships allow large-scale government projects, such as roads, bridges, or hospitals, to be completed with private funding.

  i) In this type of partnership, investments are undertaken by the private sector entity, for a specified period of time.

  ii) These partnerships work well when private sector technology and innovation combine with public sector incentives to complete work on time and within budget.

  iii) There is a well defined allocation of risk between the private sector and the public entity.

  iv) Private entity is chosen on the basis of open competitive bidding and receives performance linked payments.

  v) PPP route can be alternative in developing countries where governments face various constraints on borrowing money for important projects.

  vi) It can also give required expertise in planning or executing large projects.

- **Models of Public Private Partnership (PPP):**Commonly adopted model of PPPs include Build-Operate-Transfer (BOT), Build-Own-Operate (BOO), Build-Operate-Lease-Transfer (BOLT), Design-Build-Operate-Transfer (DBFOT), Lease-Develop-Operate (LDO), Operate-Maintain-Transfer (OMT), etc.
- These models are different on level of investment, ownership control, risk sharing, technical collaboration, duration, financing etc.
- **BOT:** It is **conventional PPP model** in which private partner is responsible to design, build, operate (during the contracted period) and transfer back the facility to the public sector. The national highway projects contracted out by NHAI under PPP mode is a major example for the BOT model.
- **BOO:** In this model ownership of the newly built facility will rest with the private party.
- **BOT:** In this variant of BOT, after the negotiated period of time, project is ransferred to the government or to the private operator. BOT model is used for the development of highways and ports.
- **BOLT:** In this approach, the government gives a concession to a private entity to build a facility (and possibly design it as well), own the facility, lease the facility to the public sector and then at the end of the lease period transfer the ownership of the facility to the government.
- **DBFO:** In this model, entire responsibility for the Design, Built (construction), Finance, and Operation of the project for the period of concession lies with the private party.
- **LDO:** In this type of investment model either the government or the public sector entity retains ownership of the newly created infrastructure facility and receives payments in terms of a lease agreement with the private promoter. It is mostly followed in the development of airport facilities.