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Delivering Infrastructure Projects: What Makes Ppp The Preferred Method?

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ABSTRACT
In the developing world, India is the largest market for private infrastructure investment as a result of policies and programs implemented by the Central and State governments. According to the World Bank's report on private infrastructure investment, India has been the top receiver of PPI (private sector participation in infrastructure) since 2006. There were 1,065 public-private partnership (PPP) projects funded by the central government in February 2018, worth INR 2,55,116 crore. Given that public-private partnerships (PPPs) are now the most popular way to build infrastructure, it's vital to investigate what makes PPPs superior to other approaches and what the most notable advantages of PPPs are. Research is now being done to assess the advantages and disadvantages of participating in a public-private partnership (PPP).

Keywords: private infrastructure investment, private participation in infrastructure, public private partnership, World Bank, benefits of PPP, India.

1. INTRODUCTION

India is regarded as the most lucrative market in the developing world for private infrastructure investment due to the policies and initiatives implemented by its central and state governments (Mishra, Narendra and Kar, 2013). According to a report put out by the World Bank in 2006, India has been the primary beneficiary of private participation in infrastructure (PPI) funding. In 2010, India was responsible for 43 percent of all infrastructure projects with private sector participation in developing nations. This equated to a total investment of $71.9 billion and the completion of 94 projects. This represents an increase of 85 percent when compared to the year 2009 and the quickest growth rate of any emerging economy over the course of the last two decades (Mishra, Narendra and Kar, 2013). India was responsible for almost 98 percent of the investments made in the region during the first half of 2011, accounting for 43 newly attracted projects and the implementation of 43 of the region's 44 projects.

As of the end of February 2018, there were 1,065 public-private partnership (PPP) projects in India with a combined investment of 2,55,116 crore (The World Bank, 2019). The 496 projects that are part of the transportation sector have a combined cost of 1,03,545.37 crores (The World Bank, 2019). Only 87.70 percent of all transportation projects are concentrated on the building of national highways. Ports are only involved in 8.50% of projects, while 2.20% of projects involve railroads, and 1.61 % of projects involve airports (The World Bank, 2019) The construction of urban infrastructure makes up 30.48 percent of all state-level projects, while the construction of power and highways makes up 28.84 percent of all projects. More than a quarter of all projects were committed to non-major ports (4.44 percent), airports (0.89 percent), and railroads respectively (0.34 percent).

It is of the utmost importance to investigate what aspects of PPP make it superior to other ways of delivery and what aspects of PPP are the most prominent advantages that have given it an edge over its rivals. This study aims to determine the various reasons why a PPP project might be beneficial to its participants, as there are a number of them. It is also envisaged that this study would provide light on the significant factors that determine the success of public-private partnership initiatives around the world, with a specific focus on India.

2. BACKGROUND OF THE STUDY

2.1 Public-Private Partnership: Overview

The current global lingo for infrastructure development is "public-private partnership" (Swain, 2009). One of India's biggest problems is the lack of infrastructure because the public sector lacks the capacity and financial resources to build the necessary infrastructure on its own (Mahalingam, 2010). As a result, the private sector's role becomes crucial for closing India's infrastructure gap (Mahalingam, 2010; World Bank Institute, 2012). Given the public sector's resource limitations, public-private partnerships, or PPPs, appear to be the most practical choice for providing infrastructure (Mahalingam, 2010; World Bank Institute, 2012). In fact, many nations have promoted PPP as a means of advancing the economy in place of economic development (Das and Nandy, 2008). Urban migration and high population growth have significantly strained existing infrastructure, necessitating urgent infrastructure development to meet the demand that is only set to increase. Since demand is rising more quickly than ever, it is crucial to have proper transportation options like roads, trains, and airplanes. In this regard, PPP is the only viable option and the provision of adequate infrastructure and transportation facilities is inevitable.

2.2 Public-Private Partnership: Features

For a relationship to be considered a public-private partnership, a thorough assessment of the literature found that specific conditions must be met. As defined in the research, the term "Public-Private Partnership" refers to an arrangement in which public and private entities work together on a voluntary basis (Das and Nandy, 2008) over a long period of time (Xu and colleagues 2012; Appuhami and colleagues 2011, Kwak and colleagues 2009; Sachs, Tiong and Wang 2007, Zhang 2005; Hanss, 2001) (Das, 2012; Appuhami and colleagues 2011; Appuhami and colleagues 2011, Kwak and collaborators 2009; (Iqbal, 2012, World Bank Institute, 2012; Brinkerhoff & Brinkerhoff, 2011; Kwak, Chih & Ibbs, 2009; Zhang, 2005). Relationships should be based on mutual respect, trust, and synergistic interactions, as well as on cooperative and collaborative principles (Brinkerhoff & Brinkerhoff, 2011; Jamali, 2004). Jamali (1998); Lakshmanan (2001); Brinkerhoff and Brinkerhoff (2011) (2004)

For this reason, it's important that the collaboration is mutually beneficial for the two people involved (Brinkerhoff & Brinkerhoff, 2011; Kwak, Chih & Ibbs, 2009; Das & Nandy, 2008). Provide services with private sector investment, and devise ways of tying financial rewards to performance (Das, 2012). Appuhami, Perera, and Perera, 2011; Brinkerhoff & Brinkerhoff, 2011; Delmon, 2011; Mahalingam, 2010; Swain, 2009; Asian Development Bank, 2008; Gupta & Roy, 2008; Lakshmanan, 2008; Hanss, 2001). A suitable financial incentive for the private sector should be included in the partnership's flexible structure (Iqbal, 2012; Delmon, 2011; Lakshmanan, 2008). International Monetary Fund, 2008. The public and private parties in a PPP will both profit greatly if these features and components are present.

2.3 Reasons for Entering into a Public-Private Partnership Contract

Numerous parties, including researchers, academics, government agencies, and international organizations, have signed contracts with PPPs for a number of reasons. Before agreeing to sign a PPP contract, the various PPP partners considered a large number of criteria, all of which will be investigated in further detail in the current study. According to a research of public-private partnership (PPP) contracts, risk sharing and increased efficiency are the two primary motivations for entering into such an arrangement (Trailer and Rechner 2004, Zhang in 2005; Ahmed & Aziz, 2007, Lakshmanan in 2008; ADB in 2008, Kumar in 2008; Kwak and Chih & Ibbs in 2009). (Mahalingum, 2010).

To get the most out of your money and to encourage private capital involvement and investment, as well as to get the most bang for your buck (Hanss 2001; Zhang 2005; Brinkerhoff & Brinkerhoff 2012; Asian Development Bank 2013), compromise and the opportunity for win-win situations are also important (Trailer, Rechner & Hill 2004; Zhang 2005; Kwak, Chih & Ibbs 2009; Appuhami, Perera & Perera 2011; Ministry of Finance, Singapore 2012).

Other critical factors include reducing government subsidies and improving response to market needs (Gupta and Roy 2008), as well as substituting private resources. Other critical factors include encouraging innovation (Zhang 2005; Iqbal 2012; Ministry of Finance, Singapore 2012), enabling the delivery of modern technology (Hanss 2001; Das & Nandy 2008 Iqbal), and effectively utilizing resources (Trailer, Rechner and Hill 2004; Lakshmanan 2008; Asian Development Bank 2013).

3. Research Methodology

The purpose of this study is to investigate the theoretical features of PPP contracts, such as their characteristics and different PPP models, as well as the grounds for participation, and the outcomes that are wanted. Secondary data, such as that obtained from academic publications, government websites, and other sources, made up the entirety of the information that was incorporated into this study. Only the official websites of the Indian government and other international institutions, such as the World Bank, Asian Development Bank, and others, were looked at to ensure that the facts were correct. This was done to avoid any potential bias.

4. Discussion

As researchers and government organizations have argued, the proper mechanism and system for cost and risk sharing is one of the key strategies for the successful implementation, execution, and completion of PPP projects. Furthermore, a robust PPP law should be enacted to improve project implementation and control. There must also be a clear political and administrative commitment and atmosphere. According to studies, PPP efforts encounter substantial obstacles due to a lack of supportive PPP legislation and regulatory environment.

To be successful, any PPP project must have process flexibility and transparency, as well as joint image-building and mutual trust-building, ineffective coordination and a lack of transparency among partners are also common causes of PPP project failure. To keep both sides interested, finance-focused initiatives must be developed; institutional reforms and a conducive environment must be formed for effective control. Inspirational and clear guiding plans should be in place to get both parties working in a focused and coordinated manner.

Academics, government agencies, and international organizations have also suggested the following strategies for PPP project success: good corporate governance from both parties; documentation of PPP case studies for future reference and guidance; and selection of the right private partner by public entities. Furthermore, attempts should be made to increase capacity, community involvement, a programmatic approach, and regulatory independence for a PPP project to be effective.

Every country should emphasize the establishment of Public-Private Interaction Forums to improve communication channels for debates and deliberations on topics concerning the adoption, creation, implementation, control, assessment, and management of PPP projects. This is a crucial approach for PPP project success. Academics have also stated that the success of any PPP project is dependent on the stakeholders' disciplined attitude, centralized decision-making and responsibility, contract enforceability, and renegotiation via hierarchical contracts.

5. Conclusions and Recommendations

Depending on the structure of the contract and the identity of the principal partner, public-private partnerships (PPPs) may bring huge benefits to both the public sector and the private sector. The current study was able to discover several benefits of PPP contracts thanks to a comprehensive examination of the relevant prior research.

The ability of the private sector to participate in infrastructure projects that demand significant amounts of funding is one of the primary reasons why public-private partnerships (PPPs) are so beneficial to the public sector (Hanss; Herpen 2002; Jamali 2004, 2006; Katz, 2006; Sachs, Tiong & Wang, 2007; Kwak, Chih, & Ibbs, 2009). (Hanss, 2001; Herpen, 2002; Jamali, 2004; Sachs, Tiong & Wang, 2007; Lakshmanan, 2008; Kumar, 2008; Kwak, Chih & Ibbs, 2009; Swain, 2009; Uttarakhand Public Private Partnership Ce, 2009); Sharma, 2009; Mahalingam, 2010; Delmon, 2011; Iqbal, 2012; and Xu, Y.; (2009, 2009, 2009). et. the superior abilities, talents, and knowledge possessed by the private sector (e.g. Tan, Allen & Overy, 2012; et al., 2012). As a result, the public sector is able to focus on its most important responsibilities while the non-essential services are contracted out to the private sector (Sharma, 2009).

It is also the case that public-private partnerships result in cost and time reductions (Hanss, 2001; Herpen, 2002; Jamali, 2004; Estache, Juan & Trujillo, 2007; Kumar, 2008; Das & Nandy, 2008; Infrastructure Australia, Australian Government, 2008; Lakshmanan, 2008; Kwak, Chih & Ibbs, 2009; Uttarakhand Public Private Partnership Cell (UPPPC), Department of Planning, Government) and enable the substitution (Herpen, 2002; Katz, 2006; Ministry of Finance, Singapore, 2012).

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