PUBLIC PRIVATE PARTNERSHIP IN URBAN INFRASTRUCTURE IN KARNATAKA
AN OVERVIEW

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Welcome
INTRODUCTION

- The GoI initiated decentralization in 1992 under the 74th Constitution Amendment Act (CAA).
- Good governance helps develop more sustainable services that are driven by the demands of urban residents and the local environment.
- By mobilizing both the public and private sectors, more resources can be utilized to improve services effectively.
- Urbanization has emerged as a key policy and governance challenge in India in recent years.
- At India’s current stage of development, the industry and services sectors are the principal drivers of growth, with strong contribution from the private sector.
Sustainable infrastructure development is critical for providing the backbone for economic activities.

Creation of durable & high quality infrastructure is a prerequisite for rapid economic development & requires sustained investment supported well by technological innovation, skilled workforce and excellent project management.

For governments alone to bring together all these elements is not always possible.

This realization has brought together the public and the private sector in a mutually beneficial relationship in the form of Public Private Partnerships (PPPs).
Public-Private-Partnership - The Concept

- PPP is considered a viable alternative to overcome the systemic problems and to infuse efficiency into the operation & maintenance of infrastructure.

- PPP is a mode of implementing government programmes in partnership with the private sector.

- The term private in PPP encompasses all non-government agencies such as the corporate sector, voluntary organizations, self-help groups, partnership firms, individuals and community based organizations.

- The shift in emphasis is from delivering services directly, to service management and coordination. The roles and responsibilities of the partners may vary from sector to sector.

- PPP offer a unique and innovative method of involving the private sector in the nation building activity.
## Public Private Partnership Models

<table>
<thead>
<tr>
<th>Option</th>
<th>Asset Ownership</th>
<th>O&amp;M</th>
<th>Investment</th>
<th>Comm. Risk</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Contract</td>
<td>Public</td>
<td>Both</td>
<td>Public</td>
<td>Public</td>
<td>1-2 yrs</td>
</tr>
<tr>
<td>Management</td>
<td>Public</td>
<td>Private</td>
<td>Public</td>
<td>Public</td>
<td>3-5 yrs</td>
</tr>
<tr>
<td>Lease</td>
<td>Public</td>
<td>Private</td>
<td>Shared</td>
<td>Shared</td>
<td>8-15 yrs</td>
</tr>
<tr>
<td>BOT/BOO</td>
<td>Public/Private</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>20-35 yrs</td>
</tr>
<tr>
<td>Annuity</td>
<td>Private</td>
<td>Private</td>
<td>Private</td>
<td>Public</td>
<td>10-15 yrs</td>
</tr>
</tbody>
</table>
The Types of PPPs

(i) **Build, Operate and Transfer (BOT)** the private partner is responsible to design, build, operate and transfer back the facility to the public sector.

(ii) **Lease, Operate and Transfer (LOT)** a facility which already exists and is under operation, is entrusted to the private sector.

(iii) **Build, Own, Operate and Transfer (BOOT)** except that the ownership of the newly built facility will rest with the private party during the period of contract.

(iv) **Design, Build Finance, Operate, and Maintain (DBFOM)** the private party assumes the entire responsibility & maintain the project for period.

(v) **Operations Concession** which authorize the private partner to recover its investments and expected returns on investments granted for a certain period.

(vi) **Joint Ventures** the private sector body is encouraged to form a joint venture company (JVC) along with the participating public sector agency.
1. **Phase 1: PPP identification** – A set of potential projects is identified through a strategic planning process.

2. **Phase 2: Full feasibility study, PPP preparation, and clearance** – analysis is studied in detail and an application is made.

3. **Phase 3: PPP procurement** – an application is made for Final Approval, the preferred bidder is selected.

4. **Phase 4: Contract management and monitoring** – the Sponsoring Authority manages the PPP throughout its life.
Process continued...

Phase 1: Strategic planning, Project pre-feasibility, PPP suitability testing, Internal clearance

Phase 2: Full feasibility study, PPP preparation, Clearance

Phase 3: Procurement, Final approval, Award

Phase 4: Implementation and monitoring
# PPP & Privatisation

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Public Private Partnerships</th>
<th>Privatization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Responsibility</strong></td>
<td>Government</td>
<td>Private Sector</td>
</tr>
<tr>
<td><strong>Ownership</strong></td>
<td>Legal Ownership with Govt</td>
<td>Transferred to Private</td>
</tr>
<tr>
<td><strong>Nature of Service</strong></td>
<td>Contract</td>
<td>Private Provider</td>
</tr>
<tr>
<td><strong>Risk &amp; Reward</strong></td>
<td>Government</td>
<td>Private Sector</td>
</tr>
</tbody>
</table>
The potential benefits from PPP

- **Cost-effectiveness** - since selection of the developer/service provider depends on competition.
- **Higher Productivity** - by linking payments to performance.
- **Accelerated Delivery** – since the contracts generally have incentive and penalty clauses.
- **Clear Customer Focus** - the shift in focus from service inputs to outputs create the scope for innovation.
- **Enhanced Social Service** - a great deal of commitment.
- **Recovery of User Charges** - Innovative decisions can be taken with greater flexibility.
Public-Private-Partnership in India
Massive deficit in infrastructure services: India continues to face large gaps in the demand and supply of essential social and economic infrastructure.

- **Water:** While 90% of the urban population has access to potable water supply, the actual availability of water in the cities is only 5–6 hours a day.
- **Power:** Over 40% of India’s population, mostly rural, does not have access to electricity.
- **Roads and ports:** India’s road network continues to suffer from low capacity, low coverage, and low quality. 40% of villages do not have access to all weather roads.

Growing government emphasis on infrastructure spending: Growing recognition of the prevailing infrastructure deficit in the country.

Private sector estimates for investment requirements are much higher: India needs to increase infrastructure spending.

Growing emphasis on private sector participation: the GOI has been encouraging private sector investment and participation in all sectors of infrastructure.
Infrastructure Investment as Per cent of GDP in India
Central Sector PPPs (Percentage to total central sector projects)

![Central Sector PPPs in India](image_url)

- National Highways: 59.74%
- Major Ports: 21.10%
- Airports: 12.14%
- Railways: 33.11%

Number of Central sector PPPs % to total projects
Project cost of Central sector PPPs % to total cost
Public-Private-Partnership in Karnataka
Karnataka offers numerous opportunities to the foreign investors.

The state has grown remarkably with respect to parameters of GDP and GDP per capita, in addition to being the most economically progressive states.

Karnataka driving urbanization in India Karnataka’s cities house 6.25% of country’s total urban population.

Karnataka has been the forerunner in the field of IT/ITeS.

The state also has gained remarkable improvement in the field of knowledge-driven industries.
Advantages for PPPs in Karnataka

- **Rapid Urbanization:** From 1951 the total population of Karnataka had increased at a CAGR of 1.9% whereas the Urban Population increased at a CAGR of 2.8%.

- **Strong growth prospects:** State’s urban population expected to grow 35% in the next 20 years to 28 million by 2026

- **Bangalore, Mysore, and Mangalore** account for over 40% of state’s urban population
  - **Bangalore:** Capital and largest urban metropolis of the state
  - **Mysore:** Emerging as an alternative destination to Bangalore in service and tourism sectors
  - **Mangalore:** Emerging hub in services, logistics and manufacturing with ports, educational institutes, hospitals and banks
  - **Significant scope in Hubli-Dharwad, Gulbarga, Belgaum, Mangalore, Davangere and Bellary** to emerge as prime regional centers.
The key PPP project under implementation

- Bangalore International Airport - first airport in the country being executed through the PPP route, developed through a joint venture of AAI, KSIIDC & private promoters (Siemens, Zurich Airport, Larsen & Toubro)

- Some of the other major projects are the Hassan–Mangalore Rail Line for Rs 310 crore (completed), the elevated expressway to E-City (Rs 600 crore, under construction), and EWS Housing in Bangalore for Rs 165 crore (bidder identified).

- These include the Airport Rail Link for Rs 800 crore, the Inter-modal transit center at Subhashnagar for 500 crore, the Mega Convention Center, the Tornagallu–Kudligi Road and Sandur–Hospet Road (Rs 200 crore), and the Biotech Park at Bangalore.
## Urban Infrastructure PPP Projects in Karnataka (in December, 2009)

<table>
<thead>
<tr>
<th>Sl No</th>
<th>Project Name</th>
<th>Project Cost (Rs. crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Projects Completed</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Mikkaji Chowk, Mysore</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>Madivala Commercial Plaza in Karnataka</td>
<td>35</td>
</tr>
<tr>
<td>3</td>
<td>Sanitary Landfills in Bangalore</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td><strong>Total (3 Projects)</strong></td>
<td><strong>67</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Projects Under Implementation</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Waste to Energy Project at Mandur</td>
<td>60</td>
</tr>
<tr>
<td>2</td>
<td>Integrated Municipal Solid Waste Treatment Project at Kannahalli</td>
<td>25</td>
</tr>
<tr>
<td>3</td>
<td>Inertisation and land fill facility Shimoga</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Integrated Municipal Solid Waste Treatment at Mavalipura</td>
<td>40</td>
</tr>
<tr>
<td>5</td>
<td>Transfer Station in Bengaluru</td>
<td>90</td>
</tr>
<tr>
<td>6</td>
<td>Karnataka Urban Water Sector Improvement Project</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td><strong>Grand Total (6 Projects)</strong></td>
<td><strong>289</strong></td>
</tr>
</tbody>
</table>
CONCLUSION

- PPP is not a panacea for all infrastructure gaps.
- PPP is just one of the tools that the public sector can use to facilitate infrastructure delivery.
- PPP does not mean reduced responsibility and accountability of the government.
- The government remains accountable for monitoring service quality, determining user charges/pricing, and ensuring cost-effectiveness of the partnership.
- The PPP, the government role gets redefined as one of facilitator, enabler & concession, monitoring & supervising authority.
- While the private partner plays the role of financier, builder, and operator of the service or facility.
TOI - Lead India
"Tree"
2 mins
Existing Track
26 11 07
THANK YOU
QUESTIONS ? ..