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PRINCIPLE OF MAXIMISATION OF SOCIAL WELFARE

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# PUBLIC PRIVATE PARTNERSHIP IN RURAL INFRASTRUCTURE AND E-GOVERNANCE

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## Abstract

India is the seventh largest and second most populous country in the world and is emerging as one of the most exciting markets in the world. Infrastructure is the backbone of any economy and inclusive growth is possible if we focus on infrastructure. For this, Governments sought after to promote private investment in infrastructure, initially on the basis of accounting fallacies arising from the fact that public accounts did not distinguish between recurrent and capital expenditure. The present article covers the issues related to implementing Public Private Partnership in rural India, its relation with governance and subsequently with e-governance.

## Backdrop:

Long years ago, when the world sleeps, India awakes to life and freedom. A new country altogether was born in front of the then leaders to bring up. New aims, new ambitions, new face, new rapport, new systems, new developments, new solutions had to be instituted.

The smallest unit of this bringing up program came out in the form of "Gram Panchayats" which is the local government at the village or small town level. The present infrastructural development in the villages left no doubt that it was a wrong execution of a less profound plan. Keeping this in mind, Government collaborated with Non Government Organizations (NGOs) to develop infrastructural facilities at local level.

Now Govt. of India has come up with an ambitious plan for rural development and modernization that is Public Private Partnership (PPP). Central and State Governments are inviting PPP in many sectors like Highways, Railways, Ports, Airports, Telecom, and Power etc.

## What is PPP:

### Government of India's Definition:

Public Private Partnership (PPP) Project means a project based on a contract or concession agreement, between a Government or statutory entity on the one side and a private sector company on the other side, for delivering an infrastructure service on payment of user charges.

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Private Sector Company means a company in which 51% or more of the subscribed and paid up equity is owned and controlled by a private entity.

There is no single definition of PPPs, they broadly refer to long-term, contractual partnerships between the public and private sector agencies, specifically targeted towards financing, designing, implementing, and operating infrastructure facilities and services that were traditionally provided by the public sector.

**Public-private partnership (PPP)** describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies.

These schemes are sometimes referred to as P3 or p3.

**Basic feature of a PPP project:**

- These are high priority, government-planned project. The project must have emerged from a government-led planning and prioritization process. The project must be such that, regardless of the source of public or private capital, the government would still want the project to be implemented quickly.
- Shared risk allocation is a principal feature of a PPP project.
- Mutually valuable.

**Key Considerations in PPPs:**

PPPs often involve multipart planning and unrelenting facilitation. Infrastructure projects such as roads and bridges, water supply, sewerage and drainage involve:

- Large investment
- Long gestation period
- Poor cost recovery and
- Construction, social, and environmental risks

When infrastructure is developed as PPPs, the process is often characterized by:

- Detailed risk and cost appraisal
- Complex and long bidding procedures
- Difficult stakeholder management and
- Long-drawn negotiations to financial closure

**Processes involved in Public Private Partnership:**

- Choice of model for shared investments and operating expenses
- Time frame for contract
- Formula for shared revenues for a fair contract
- Charge to the client (service provider)

- Charge citizens
- Generate from advertisements and transaction slips
- Legal and policy framework that encourages PPP
- Authentication/security of Private Partner transactions
- Design of Service Level Contract (obligations on all partners) and ability to enforce

### **Models of Public-Private Partnerships:**

**Design-Build (DB):** The private sector designs and builds infrastructure to meet public sector performance specifications, often for a fixed price, so the risk of cost overruns is transferred to the private sector. (Many do not consider DB's to be within the spectrum of PPP's).

**Operation & Maintenance Contract (O & M):** A private operator, under contract, operates a publicly-owned asset for a specified term. Ownership of the asset remains with the public entity.

**Design-Build-Finance-Operate (DBFO):** The private sector designs, finances and constructs a new facility under a long-term lease, and operates the facility during the term of the lease. The private partner transfers the new facility to the public sector at the end of the lease term.

**Build-Own-Operate (BOO):** The private sector finances, builds, owns and operates a facility or service in perpetuity. The public constraints are stated in the original agreement and through on-going regulatory authority.

**Build-Own-Operate-Transfer (BOOT):** A private entity receives a franchise to finance, design, build and operate a facility (and to charge user fees) for a specified period, after which ownership is transferred back to the public sector.

**Buy-Build-Operate (BBO):** Transfer of a public asset to a private or quasi-public entity usually under contract that the assets are to be upgraded and operated for a specified period of time. Public control is exercised through the contract at the time of transfer.

**Operation License:** A private operator receives a license or rights to operate a public service, usually for a specified term. This is often used in IT projects.

**Finance Only:** A private entity, usually a financial services company, funds a project directly or uses various mechanisms such as a long-term lease or bond issue.

### **PPP and Rural India:**

Rapid population growth and urbanization warn aggravated infrastructure bottlenecks in rural areas. The development of essential public infrastructure has become an important ingredient for sustained economic growth hence in poverty reduction.

Infrastructure required in the rural areas:

- Transportation
- Electricity
- Communication
- Training and Development
- Health, Medicine and Education
- Good Supply of Water
- Small Scale Industries
- Housing

The causes or the challenges regarding this bottleneck are interconnected and create vicious cycle of underdevelopment:

- (i) Negligence (Centralization of infrastructure in cities)
- (ii) Agriculture: A non profitable business
- (iii) Unawareness (Priority for less important things, Groupism, Castism)
- (iv) Feudalism
  - Control of major parts
  - Influence
  - Centralization of power & money
- (v) Unavailability of skilled labour

### **Governance:**

The problem of unemployment, illiteracy and poverty, accentuated by an ever increasing population, a low per capita income, inadequate infrastructure, feudalistic tendencies, a pathetic contempt of law and ethics in public life and an administration which is perceived as self-seeking and citizen unfriendly are the genesis of the need of Governance. The moral and natural purpose of governance consists of assuring, on behalf of those who are governed, a commendable pattern of Good results and avoiding an adverse pattern of bad circumstances. It relates to decisions that define expectations, grant power, or verify performance. It consists either of a separate process or of a specific part of management or leadership processes. It focuses on improving quality of life not just on quality of services.

### **A view of present governance:**

- Existing mechanisms are inefficient, traversed with corruption
- High costs for citizens
- A very few projects have delivered significant benefits to citizens
- Projects imitate very slowly
- India has a pulsating software industry and ICTs should be deployed by the public sector
- Presidential address to Parliament (June 2004) "...E-Government will be promoted on a massive scale in areas of concern to the common man..."

To make governance efficient, world economies recognize information technology as an effective tool. They therefore make significant investments in it and successfully integrate it with the development process, thereby reaping the benefits to their society.

### **E-governance and Governance: A comparison**

- Self use versus assisted by staff
- 24X7 operation versus restricted days and timings
- Services offered by single agency versus multiple agencies from different levels of Government
- Online delivery of one/few steps in a service versus the entire tasks or several steps done in one go
- Services handled--Receipts/Payout/Documents
- Location of access point
- Access equipment: PC, Cell Phone, ATM, Phone

The transition could take place either by services under one roof by community service center or may be through one stop portal.

### **Why e-governance in PPPs:**

- Electronic processing enables easy hand shake amongst partners
- Different models
- Transfer of risk
- Incentive for replication in other contexts
- Enhances government accountability and performance
- Entrepreneurship and local enterprise promotion
- Reduced need for public sector borrowing

### **E-governance is a good entry point but other reform needed:**

- Strong political and administrative leadership
- Defining an appropriate scope and scale and clearly identified goals and benefits
- Detailed project management and significant process reengineering required
- Start small, scale up through stages, manage expectations
- In-source analysis; outsource design, software development, data preparation, training. Minimize customization by using established standards and protocols.
- Management of change and training are critical

- Visible and full support of political leadership
- Empowered Committees for speedy sanctions and implementation. Apex Committee headed by Cabinet Secretary to drive and coordinate
- All services supported by 3 infrastructure pillars to facilitate web-enabled Anytime, Anywhere access
- Connectivity: State Wide Area Networks (SWANs)/NICNET
- National Data Bank/ State Data Centers (SDCs)
- Common Service Centers (CSCs) primary mode of delivery
- Standardization of core policies & practices to ensure
- Integration of services and interaction between applications

Though PPP is a relatively new approach to procurement, lessons may be drawn from the experiences of developed and developing countries.

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