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PPP from Asia and African Perspective towards Infrastructure Development: A Case Study of Greenfield Bangalore International Airport, India

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Abstract

High quality infrastructure is a must for rapid economic development and requires sustained investment. It includes highways, railways, ports, bridges, hospitals, power plants, tunnels, and municipal facilities like sanitation, waste management, potable water supply, and other facilities serving public needs. Developing countries face shortage of government or public funds and are generally inadequate in addressing the infrastructural needs of the country. It is highly difficult and often impossible by governments in their own capacity to bring together all the infrastructure elements. This realization has brought together the public and the private sector in a mutually beneficial relationship in the form of Public Private Partnerships [PPPs]. PPPs are an effective tool for bringing private sector efficiencies in creation of economic and social infrastructure assets and for delivery of quality public services. PPP is seen as a financing mechanism for bridging the demand supply gap in terms of private capital and experience. Several schemes have therefore provided an increasingly popular vehicle to move towards infrastructure development. PPPs have become the preferred mode for construction and operation of commercially viable infrastructure projects in sectors such as highways, airports, ports, railways and urban transit systems. In this paper the construction of Greenfield Bangalore International Airport is taken as a case to study and understand PPP.

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Keywords: Bangalore International Airport; Build-operate and transfer; Greenfield Government; Infrastructure; Public Private Partnership

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1. Introduction

India is the world's fourth largest economy, based on purchasing power parity, and among the fastest growing, but continues to face large gaps in the demand and supply of essential social and economic infrastructure and services. Rapidly growing economy, increased industrial activity, increased population pressure has led to greater demand for better quality and coverage of water and sanitation services, sewerage and drainage systems, solid-waste management, railways, roadways, airports, seaports, power supply and communication networks.

Scarce infrastructures are the 'binding constraint' in sustaining, deepening, and expanding India's economic growth and global competitiveness. Infrastructure bottleneck has been a serious concern for foreign direct investment (FDI), as our basic infrastructures are not comparable to the standards present in the competitor countries; it is also affecting inclusive growth in India (Agarwal, 2011). A Public Works Financing database of worldwide projects between 1985 and 2004 shows that 1,121 PPP infrastructure projects (road, rail, airport, seaport, water and building) representing \$450.9 billion worth of investment, were funded and completed with the majority of the projects being in Europe, Asia and the Far East as shown in below chart:

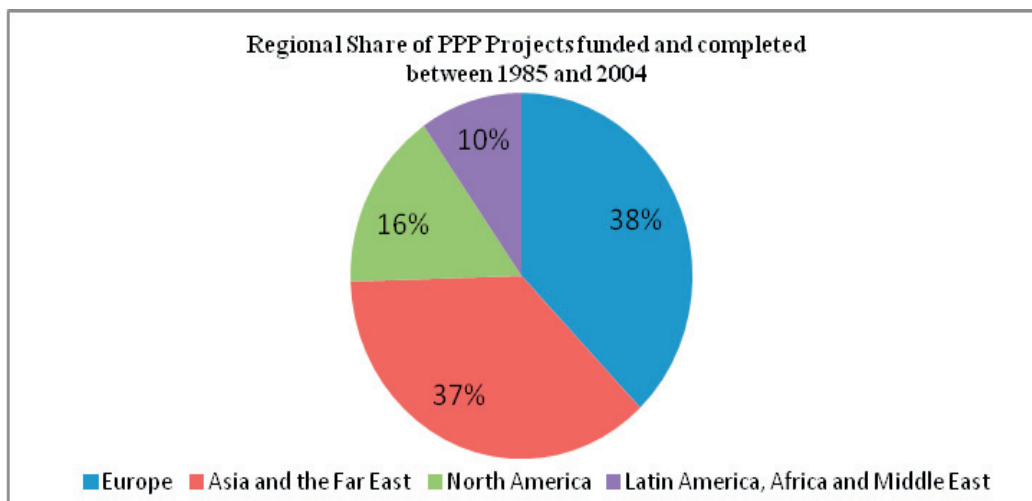


Figure 1: PPP Projects across the world (Agarwal, 2011)

Developing the infrastructure to a world class standard requires mammoth investments, technological innovation, skilled workforce and excellent project management. The central, state, and local governments do not have the capacity, both in terms of quantity and quality of manpower, to deliver this vast amount of infrastructure. This realization has brought together the public and the private sector in a mutually beneficial relationship in the form of Public Private Partnerships [PPPs] also called as 3Ps to execute not only infrastructure projects but also stimulate innovative strategies for social development. PPPs, while bringing in private capital and experience, also involve transfer of valuable public assets to the government.

PPPs play an important role in bringing private sector competition to public monopolies in infrastructure development and service provision and in merging the resources of both public and private sectors to deliver quality public services. A PPP can be defined to be the private sector construction and operation of infrastructure which would otherwise have been provided by the public sector.

A PPP is an agreement between the government and private sector for the purpose of provisioning of public services or infrastructure. With a common vision in place, the public and private sector bring to the table their own experiences and strengths resulting in accomplishment of mutual objectives.

"PPP projects take much less time to complete and the Government does not have to bear cost overruns. This will not only enable us to leverage our limited public resources but also improve efficiency of service delivery".- Shri Manmohan Singh, Hon'ble Prime Minister of India.

PPP projects have the following characteristics viz.

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