SHIV SHAKTI

International Journal of in Multidisciplinary and Academic Research (SSIJMAR)

Vol. 4, No. 3, June 2015 (ISSN 2278 – 5973)

Effective Public-Private Partnership for Innovation – An Indian experience :,Issues and prospects

Prof.(Dr.)RashmiGujrati

Indus International University . rashminagar68@gmail.com, 09759347347

Impact Factor = 3.133 (Scientific Journal Impact Factor Value for 2012 by Inno Space Scientific Journal Impact Factor)

Global Impact Factor (2013)= 0.326 (By GIF)

Indexing:

Abstract:

The article discussed the Public Private Partnership among the domestic and foreign players. The main Objective isto assess the Public Private Partnership project in India and relationship between the foreign player and domestic player in PPP. So the paper concludes that the foreign players are investing withdomestic player in PPP projectsInnovation is the key factor for productivity, growth and international competitiveness of the industry. In order to provide an impetus to technology innovation especially among the small & medium enterprises (SMEs), Government of India has directed considerable efforts especially to promote flow of knowledge from the national laboratories and institutes of higher learning for technology development & commercialization by the industry.

Public-Private Partnership in India and other developing nations were adopted for developmental purposes and not on ideological ground. For PPP to work out successfully depends on how effective and positively disposed is the work force. Therefore this paper examines the theoretical and conceptual dimensions of human relations management in PPP. Some approaches in the study of organization were critically examined; leadership and motivation were also examined as forces that determine the failure or survival of PPP. An empirical case of a Leader who did not apply sufficient human relations principles in the discharge of his duty in a manufacturing PPP was surveyed and analysis made. The paper therefore concludes that the human side of Public-Private Partnership should be handled with care to ensure organizational goal attainment. Leadership in PPP should adopt contingency model as a leadership stylIn this paper author highlight the concept and growth of Public Private Partnership, analysis of various Public Private Partnership models as per industry requirements, advantages and disadvantages of Public Private Partnership in developing economy like India, Investigating the problems of Public Private Partnership model in India and suggesting probable solutions.

KEYWORDS: Economics: Public Private Partnership, Leadership, human relations, productivity.

.

Introduction:

Agreement betweengovernmentand the private sector regarding the provision of public services or infrastructure. The social priorities with the managerial skills of the private sector, relieving government from the burden of large capital expenditure, and transferring the risk to the private sector. The public assets are transferred to the private sector as privatization, so the Government decided to work together with the private sector to provide services. 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 PPP, P3 or P3.Thus PPP refers to a long-term contractual partnership between the public and private sector agencies, specifically targeted towards financing, designing, implementing and working infrastructure facilities and services in the State. These PPPs aim to achieve the twin objectives of high growth and equity on a sustainable basis.Policies and programmers a manager of an organization adopts to meet its employees' motivational needs are of vital importance and significance because the success or failure of any organization is largely determined by the output of such organization. Output determination is based on workers' productivity for productive organization, but for the governmental organizations, output is calculated by amount of services delivered to the people. There have been cases of inefficiency inorganizations wholly or partly owned by the government. The resultant effect is that many of governmental organizations find it difficult to meet up with their set goals andobjectives. There is no gainsaying that, all activities of any organizationwhether governmental or non-governmental are initiated and strong-minded by the persons who make up that institution.Since the availability of funds with state governments to implement e-governance initiatives is limited, governments are looking for PPP models to implement these projects. PPP initiatives not only save the costs for the government but also inject the much needed private sector effectiveness in the government sector domain. While there is a need to create PPP deals, these need to be structured to ensure a win – win for all the stake holders. Sometimes it is also ambiguous whether the proposed PPP contract is, indeed in the PPP domain or not. For example, in one such project, the vendor gets paid on a yearly plan linked to certain productivity. While the payments might have been staggered, the model doesn't construe a PPP structure. So, how do we exactly define Public Private Partnership?While a numberof definitionshave been proposed for the PPP projects. The one that equally apportions the risk and reward to the government and the private vendor is considered the most appropriate. It is important for the governments and the private vendor in a PPP contract to share the risk and the return on the project. The governments should be ready to dilute their overall control over the project and should be ready to share the expected revenue with the private partner. The private partner, on the other hand, should invest in to the project in anticipation of the expected revenue. E'Seva kiosks for delivery of government services, toll payment based construction projects in the roads sector are good examples of well structured PPP projects. Projects where future revenues can be predicted fairly reasonably are likely to attract private partnership. If historical revenue data in respect of such initiatives is available then it may be in the interest of the project to share such data with the prospective vendors to encourage them to participate in PPP ventures with the governments.

A Public Private Partnership construes sharing of a number of entities. These include the capital, working capital, revenue, risk, responsibility, assets and authority. However this paper essentially deals with models that provide a basis for sharing of capital investment and revenue. Revenue sharing models have

to be based upon the risk / return relationship principles of finance. Risks can be calculated in terms of financial, business, social and administrative risks. Returns have to be in proportion of the risk faced by the PPP . Public Private Partnership is a joint collaboration between public and private sectors so as meet the scarcity of capital investment to fulfill the requirement of infrastructural development. To bridge the gap of the basic services the Government is using the concept of PPP. The PPPs have come into existence from over a decade but it has been more successful from past few years. PPPs are one of the best efforts that have been taken the Government of India. Such procedures are necessary for the growth and development of the growing economies like India. It has been observed worldwide that it is difficult for the private sector to meet the financial requirements of infrastructure in isolation at the same time tackling the risks inherent to building infrastructure. Therefore, the PPP model has come to represent a logical, viable and necessary option for the Government and the private sector to work together.

Origin and Relevance of Public-Private Partnership

A public private partnership is a legally-binding contract between government and private for the provision of assets and the delivery of services that allocates responsibilities and risks among the various partners. 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. In other words, it describes a government service or private sector companies. In short, PPP is a mode of implementing government programmes / schemes in partnership with the private sector. These schemes are often referred to as Private Sector Participation (PSP), PPP, P3 or P3 (Asian Development Bank : 2006) Needless to state and that PPP projects take a variety of forms, with varying degrees of public and private sector risk. However, the goal is to combine the best capabilities of the public and private sectors for mutual benefit as postulated by the mixed economy system. The relevance of PPP could be understood by examining the need for it and the benefits of the same to the Government and Society. These aspects could be enlisted as follows :

Investment in Public Infrastructure:

In general, huge investments on public infrastructure such as highways, ports, airports, railways, irrigation, education, health, energy, tourism and other public assets have been funded by the government and, in many cases, have added to public debt. PPP can be reduce government's capital costs and thereby bridging the gap between the need for infrastructure and the Government's financial capacity.

Delivery of Services:

The problems of delivery of public services could be improved by allowing both public can private sectors to do what they do best. As each sector takes responsibility on their functions, production and distribution of services could be ensured. In addition, by bringing together the strengths from the public and private sectors, PPP enjoy the ability to share a wide range of resources, technologies and skills in a cooperative manner that can work to improve services delivered to the people. It also facilitates faster delivery of services and delivery of services on time.

Cost-Effectiveness:

The private sector by their motivation towards economic gain on their business initiatives are expected to be economical and more effective based on their managerial, technical, financial and innovation capabilities. In fact, the advantage of private sector innovation, experience and flexibility would facilitate the delivery of services more cost-effectively than traditional approaches.

Performance-Based Contracts

Public-private partnership projects adopt an output focused contract which relates payment to performance. This dimension implies project results or performance that how assets or services are provided. It indicates result orientation, innovation and final outcome or performance.

Risk Sharing

The risks involved in any business initiatives are the major huddles to large investment leaning social projects. Under PPP projects, risks are shared between the public and private sectors, allocating exacting project risk to the partner who could better manage that risk cost-effectively.

Optimum Use of Assets:

The best or optimum use of resources particularly the assets created out of large investments in very much needed to accomplish the performance of projects. As private partners are motivated use services fully and to make the most of commercial opportunities to maximize returns on their investments, the net result of PPP projects would be higher levels of service output, greater convenience and reduced occupancy costs, all towards optimum use of assets.

Long-term Investment Opportunities:

PPPs create long term investment opportunities on service oriented projects for private to get concerned which otherwise would not happen. Once a private company established a track record of working successfully with the public sector, their scope and opportunities would be large in other areas and sectors which in turn make easy further investment opportunities for the participating private sector.

Objective of the article

To asses the Public Private Partnership project in India and relationship between the foreign player and domestic player in PPP. The objective of this paper is to examine the relevance of the PPP projects implemented in India, their progress and future prospects. The study relies on secondary information published by the Department of Economic Affairs, Ministry of Finance, Government of India. The study highlights the regional disparity in the PPP Projects across Indian states.

NEED FOR PUBLIC-PRIVATE PARTNERSHIPS

In a competitive global environment, governments around the world are focusing on new ways to finance projects, build infrastructure and deliver services. Public-Private Partnerships (PPP's or P3's) are becoming a common tool to bring together the strengths of both sectors. In addition to maximizing efficiencies and innovations of private enterprise, PPPscan provide needed capital to finance government programs and projects, thereby freeing public funds for nucleuseconomic and social programs.

1-Public-Private-Partnership - The Concept

Public-Private-Partnership or PPP is a mode of implementing governmentProgrammmes/schemes in partnership with the private sector. The term private in PPPEncompasses all non-government agencies such as the corporate sector, intended Organizations, self-help groups, partnership firms, individuals and community based organizations, PPP, moreover, subsumes all the objectives of the service being provided earlier by the government, and is not anticipated to compromise on them. Essentially, 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. While in some schemes/projects, the private provider may have significant contribution in regard to all aspects of implementation; in others s/he may have only amino role.Public-Private Partnerships (PPP) are one tool that governments can employ to help deliver needed infrastructure services. PPPs are a way of contracting for services, using private sector innovation and expertise, and they often leverage private finance. PPPs can, implemented under the right circumstances, improve service provision and facilitate economic growth.

A 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 a service on payment of user charges. The rights and obligations of all stakeholders including the government, users and the concessionaire flow primarily out of the respective PPP contracts. Unlike private projects where prices are generally determined competitively and Government resources are not concerned, PPP projects typically involve transfer of public assets, delegation of governmental authority for recovery of user charges, private control of monopolistic services and sharing of risks and conditional liabilities by the

Government. The rationalization for promoting PPP lies in its potential to improve the quality of service at lower costs, besides attracting private capital to fund public projects.
Competitiveness of the nation is adjudged by the successful innovative technologies a country churns out every year. Innovation is also serious for economic development, wealth creation, and attractive the visibility of the nation. Since the liberalization of economy, the government on one hand facilitated new R&D programmes at national level to further innovation & technology development and on the other hand put in place far reaching policy measures for creating an enabling eco-system for nurturing innovation. To provide further impetus to the innovation development, Government declared current decade (beginning 2010), as the 'decade of innovation'. The concept of public-private-partnership has been adopted in many of the Innovation & Technology supportprogrammes launched by the various departments. However, the effectiveness of these programmesisseriously viewed by the industry. The road block to the success to the preferred level may be due to among others insufficient fund allocation, long processing time, inadequate flexibility in operational mechanism, lack of remedial action on earlier project failures, and relatively lower priority assigned to technology development & commercialization by R&D institutions. These have led to unenthusiastic response from industry to the government schemes.Hon'ble Prime Minister, in his address to 99thScience congress on 3rd February 2012 stated that:"We have to increase Public Private Partnerships and catalyze significantly increased interaction between public owned science and Technology institutions and industry. It is some ways sarcastic that General Electric and Motorola have created world-class technology hubs in India, while our own industry has not done so, except perhaps in the pharmaceuticals sector. We need therefore, to look at ways of incentivizing private Research and Development investment under Indian conditions. .At present publicly funded R&D is skewed in favour of fundamental rather than applied research. It is easier to attract industrial funds into applied research areas and a set of principles should be formulated to push such funding and to drive public-private-partnerships in research and development. While research generates new knowledge, we need innovation to use this knowledge creatively and productively for social benefit. Our government has declared 2010-20 as the Decade of Innovations. We need to give practical meaning to innovation so that it does not end up being just a buzz word." With the Government's thrust on PPPs to enhance the innovation and the identification that PPPs are the better option to reach out to industry, there is a need to re-examine the PPP programmes and reposition them to enhance its effectiveness. PSA office has taken a lead in this regard and has constituted an expert committee to look at the PPP programmes holistically and suggest suitable modifications.

a-Public-Private Partnerships (PPP): How can PPPs help deliver better services?

Public-Private Partnerships (PPP) are one tool that governments can employ to help deliver needed infrastructure services. PPPs are a way of contracting for services, using private sector innovation and expertise, and they often leverage private finance. PPPs can, implemented under the right circumstances, improve service provision and facilitate economic growth.

b-Public Private Partnership in Agriculture

India is now one of the fastest growing up-and-coming economies of the world,. For the economy to grow at this pace, there is a strong need to upgrade the country's infrastructure services. Public Private Partnerships (PPPs) have been recognized as one of the most effective mechanisms to achieve this. There is a scope to leverage PPPs as a relevant vehicle in the agriculture sector as well. Enhanced yield and productivity is a crucial need, with India still battling food insecurity and poverty. Technology, better inputs and improved farming practices can make this possible. Over the past 60 years, Indian agriculture has recorded an average growth rate of 2.7 per cent per year, making it the slowest growing sector. The failure to again and again touch 4 per cent growth as targeted in the recent Five-Year Plans indicates the challenges we face in agriculture. Thus agriculture is a key sector for research, investment and development. There is an urgent need to work together to bring innovations via partnerships between the private and public sector, farmers and government to meet India's agriculture needs through new

technology and involvementmodels. Several partnerships have already been developed between the public and private sectors with the objective of achieving these goals. Monsanto India Limited (MIL) is an important stakeholder in the agriculture PPP space, through its multiple partnerships with State Governments. We have reached out to more than 9 lac farmers through PPPs alone and have helped improve yields and rural incomes considerably in the geographies these partnerships have been implemented. Many farmer beneficiary of these PPPs who previously barely managed to make ends meet, are now able to produce more, get fair returns for their produce in the markets and are realizing their ambition for a better life. Their stories confirm the success and far reaching benefits of these partnerships.

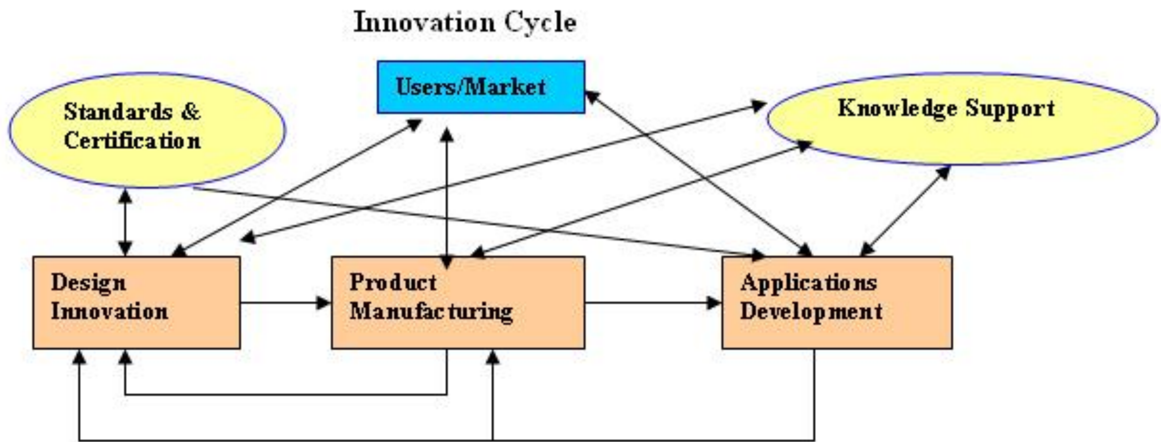
c-What is an Infrastructure Public-Private Partnership?

A precise definition of a PPP for infrastructure is indefinable, as it refers to a broad range of deal structures and asset types. However, the easiest way to understand a PPP is as a legally requisite contract between a public sector entity and a private company—typically referred to as a concessionaire—where the partners agree to share some portion of the risks and rewards inbuilt in an infrastructure project. In the most advanced PPP markets, such as the United Kingdom, this risk and reward sharing structure more hardly refers to agreements where the private sector designs, builds, finances, operates, and maintains (also known as DBFOM) an infrastructure asset for a pre-determined period of time. In exchange, the public sector provides ainveterate payment based on the condition of the asset (known as an availability payment) or allows the private sector to collect tolls or fees generated from the project. In spite of federal efforts to create a uniform American definition, domestically the term remains amorphous and highly variable depending on the audience.[5] In the United States, PPPs can include everything from the highly integrated DBFOM model to simple preparations where the private sector only takes an active role in design, engineering, and construction of the project (also known as "design-build").Public sector agencies procuring infrastructure PPPs may opt to engage with the private sector on either end of this variety, and will often choose something in between. Depending on the particulars of the infrastructure asset, local political restraints, existing contractual obligations, financing costs, or other boundaries, a public sector agency may choose to engage with the private sector on only a subset of issues.

d-Public –Private Partnership for Innovation

The technology development, its further alteration and relevance have never been a very straightforward process. A successful technology innovation requires a strong interactive mechanism complete with the feedback loop for various stakeholders' viz. industry, superfluous knowledge sources, inspection & certification agencies and most importantly, the users or the market. However, the problems become acute in rapidly changing technological and economic environment.

Innovation Cycle



The small & medium enterprises (SMEs) play a crucial role in Indian industry. They constitute 15 million units, contribute 6-7% of total GDP and employ 30 million people. More importantly, 40% of the industrial production in India comes from the SMEs. Technology innovation has been the key to their endurance and success. Finance has been familiar as an important driver for innovation process for the SMEs and the cost of funds should be attractive enough for them for investing in projects involving technological risks. They are often beset by multi-faceted problems, which include the following:

- inadequate infrastructure facilities
- availability of skilled labour
- access to market
- in-house technical & managerial capabilities
- long product development cycle
- extraneous knowledge support
- lack of standards & certification process in some cases
- their internal resistance to change….

In order to alleviate such problems and effect a seamless technology development process for subsequent commercialization, the requirement of a well-defined strategy had strongly been felt by the Government of India. Four decades of planned development have superior India to a stage, where the country demonstrates some incredible strength in modern technologies for achieving development goals. There exists a chain of national laboratories, specialized R&D agencies in protection, atomic Energy & space, Indian Institutes of Technology (IITs), universities & other academic institutions of higher learning, which are capable of providing world-class expertise, technically trained manpower and technology support to the industry.The institutes have been pursuing application-oriented research, which led to accretion an excellent knowledge pool. However, the extent of knowledge flow from such centers of excellence to the industry for its actual utilization for the prototype development and reaching out to

market has rather been limited. Various policy interventions were directed and organizational structures along with the fiscal incentives were designed by the Government from time to time to bridge the gap.

2-Technology Innovation approaches for effective Public-Private –Partnership.

Keeping in view of the critical need for technology innovation, Technology Information, Forecasting and Assessment Council (TIFAC) was conceptualized as a unique knowledge networking institution in India for facilitating novel technology developments for the key sectors of economy. TIFAC was established as an autonomous organization under the aegis of Department of Science & Technology, Government of India. Towards facilitating SME-led technology development efforts in early stages of the innovation chain, TIFAC had initiated a few programmes of national importance on home grown technology, advanced composites, bioprocess &bioproductsetc. The programmes were conceptualized with the basic premise of promoting public-private partnership for generating market-driven projects with potential applications in areas such as chemical, bio-medical, pharma&nutraceuticals, transportation, tourism etc.

2.1 Home Grown Technology Programme

The programme on ***Home Grown Technology (HGT)*** was initiated by TIFAC with a view to support the Indian industry to achieve competitive strength through technological innovation. HGT support mainly focused on small & medium enterprises (SME) with the objective of encouraging them to carry out significant innovations at pilot production level. The scheme helped SMEs experiment with new technology, provided encouragement for taking up risk and supported efforts by technology intensive start-up companies.

2.2 Advanced Composites Programme

As a follow-up of a detailed sectoral analysis coupled with a technology assessment exercise, composites were identified as an important performing material in India with a wide array of applications touching a large number of people from different walks of life. The increasing demand for materials with higher strength-to-weight ratio has led to the cognizance of composites.The***Advanced Composites Programme,*** initiated by TIFAC, aims to promote various composite applications. In view of the application potential of composites, a fast paced indigenous product development & its induction was felt necessary for the key sectors. Other aspects such as usage of natural fibre in composites, development of new fibre& resin system, recyclability/reusability of composites and their effective disposal were also addressed.

2.3 Bioprocess &BioproductsProgramme

The Bioprocess &BioproductsProgramme of TIFAC has been conceptualized as the major technology initiative at the national level. While catalyzing technology innovation in the sector, the programme focuses on the development & demonstration of select technologies for conversion of Indian biomass to fuels, chemicals and other value added products with a view to optimal utilization of bio-resources.The programme also aims to promote original technology capabilities in the sector with the contribution of wider cross section of stakeholders in the national & international arena.

3-Private capital public goods

Despite its fundamental and comprehensive role in maintaining national growth and economic health, infrastructure in the United States has not received an sufficient level of investment for years.[1] Political dysfunction, a challenging fiscal environment, greater project difficulty, and the sheer size of the need across different sectors are forcing leaders across the country to explore new ways to finance the investments and operations that will grow their economies over the next decade. Part of this exploration means new kinds of agreements between governments at all levels and the private sector to deliver, finance, and keep a range of projects. Beyond unsophisticated notions of privatization, the interest is in true partnerships between agencies, private firms, financiers, and the general public. Many nations already successfully develop infrastructure in this manner today. These public-private partnerships (PPPs) are alternately framed as a cure-all to all of America's infrastructure challenges or a corporate takeover of

critical public assets. In reality, they are neither. A well-executed PPP is simply another tool for procuring or managing public infrastructure—albeit a new and increasingly popular one.The growing interest can be accredited to a number of factors, counting tightening budgets, increased project complexity, better value for money, the desire to influence private sector expertise, and shifting public sector priorities. However, this rush forward of interest is not matched by broad public sector understanding of the PPP landscape.

1. Create a strong legal framework at the state level. PPPs require a sound legal basis to ensure that the public sector has the power to pursue a deal and allows the private sector to moderate unnecessary political risk.

2. Prioritize projects based on quantifiable public goals. Not every infrastructure project is suitable for a PPP, so it is essential for policymakers to base their procurement decisions on economic and financial investigation that captures the social, environmental, and fiscal impacts of the deal.

3. Pick politically smart projects. A successful PPP requires a realistic understanding of what is feasible in a continuouslydeveloping political environment.

4. Understand what the private sector needs. Strong partnerships are based on finding the right arrangement of interests, which is why it is necessary to understand what makes a project interesting to private sector investors.

5. Find the right revenue stream. PPPs are not free money; they need localities to find durable and flexible revenue sources that will pay for the investment over the long-term.

6. Create a clear and transparent process. Reutilization and standardization will create a market for PPPs that provides the public and private sector with a clear roadmap for success.

7. Build an empowered team. Assembling an empowered public sector team that is competent of making and executing informed procurement decisions is annecessary part of any successful PPP.

8. Actively engage with stakeholders. PPPs are inherently complex deals that need significant public engagement to make certain that the deal is in the interest of the community and executed at the highest standards possible.

9. Monitor and learn from the partnership. PPPs involve decades of dedicated attention that requires thoughtful monitoring, elasticity in the face of a changing world, and aenthusiasm to learn from mistakes.

4-How Does Reward and Risk Sharing Work?

Thoughtful portion of project rewards and risks are the basis of a successful PPP. While the exact terms are project reliant and tied to the specific needs of both partners, there are some general best practices in the field. Of these, reward sharing is generally more straightforward. At the most fundamental level, the public sector passes the costs of building and/or maintaining certain fundamentals of an infrastructure asset to the private sector, usually without directly pretentious any financial risk. The public sector may also receive a one-time payment from the concessionaire for the right to operate the asset, and, in some cases, a returning payment or profit sharing. The private sector is rewarded with a long-term returning revenue source, either through tolls, fees, or through an availability payment.

a-Risk sharing,

on the other hand, is much more complicated. These agreements can take a wide variety of forms, often specifically tailored to an individual project. But they always involve one or more different—but related—types or risk described below and in Figure 2.

Figure 2. Typical Risk Sharing Responsibilities in a PPP

Type of Risk	Public Sector	Private Sector	Shared
Regulatory/Legislative	X		
Government Default	X		
Planning and Design		X	
Permits and Approvals		X	
Construction		X	
Occupational/Workforce		X	
Operation/Maintenance		X	
Financial/Market		X	
Private Sector Default		X	
Political			X
Acts of God			X
Demand	Project dependent		

Source: Modified and adapted from the U.K. Treasury

Generally, the public partner that owns the asset fully assumes the regulatory or legislative risk for probable changes that might affect the project. For example, if legislation were passed that demands all bridges need 24-hour video monitoring, then the public sector would be responsible for the additional costs of installing the new equipment on the existing asset. The public partner also usually assumes the risk of government default and is subject to fees or penalties if it fails to make payments or other contractually approved on provisions. The private sector often assumes a large amount, or all, of the

planning and design risks connected with the project. In the early stages, this means that the concessionaire must put up their own capital to build up the engineering, technical, and illustration aspects of the asset. These key fundamentals will pressure the performance and cost of the wholeendeavor, as well as helping as a basis for the public sector to evaluate challenging project bids. Once these plans are finalized, the risk for acquiring the requisite permits and approvals also falls to the private sector. This is often anconcentrated process that requires parley with the local, state, and federal government. Once the design and permits are in order, the concessionaire assumes the risk of constructing or promotion the asset to meet the demands of the PPP agreement. Construction risk includes price fluctuations in labor or materials costs, problems in implementing the design, and general project delays. besides, providing insurance for occupational and workforce risks, like workplace injuries, also falls to the concessionaire. Risk transfer does not stop once the project is actually completed. The responsibility and costs associated with operating and maintaining the asset are also passed on to the concessionaire. These day-to-day concerns may occupy making routine repairs, managing staff, providing customer service, or anything else that keeps the infrastructure asset functional. Direct exposure to financial risk is also borne by the private sector, which includes the possibility of unexpected interest rate fluctuations in the capital markets that may demoralize the debt structure of the project. This financial risk extends to the concessionaire's own balance sheet, as their proceeds is conditional on keeping the infrastructure asset available and in a state of good repair. If the private sector defaults on any aspect of the contract, the public sector maintains the right to fine the concessionaire, or in some cases, even terminate the PPP contract. Other risks are shared between the public and private sectors. For example, each take on a degree of political risk, as each partner will devote resources to a project that might not come to fruition. The risk of large unforeseeable events, often called "acts of God" or "*force majeure,*" is also usually shared. These can include everything from terrorist attacks to unforeseen weather or geological events.Demand risk is an area that is often highly project needy. Functionally, demand risk refers to the possibility that fewer users than projected will support the project through proceeds from tolls, fees, rates or fares. In a standard PPP agreement, the public sector passes on the risk of lower than probable revenue to the concessionaire and that possibility is priced into the contract. However, the public sector may also retain some portion of demand risk for a number of reasons, primarily when issues around social equity or the environment are involved. For example, a profit-maximizing toll road concessionaire may prefer that commuters using their facility did not carpool, as it would cut into their revenues.

b-Public-Private Partnerships Defined

A public-private partnership (P3) is a contractual arrangement between a public agency (federal, state or local) and a private sector body. Through this agreement, the skills and assets of each sector (public and private) are shared in delivering a service or facility for the use of the general public. In addition to the sharing of capital, each party shares in the risks and rewards potential in the delivery of the service and/or facility.

4- Keys to Successful P3s

The following are to be considered "best practices" in the development of public-private partnerships (P3s). It is recognized that the methodology for implementation of P3s can vary, depending on the nature of a given project and local concerns. Given this, it is the position of the NCPPP that these are "best practices":

1)Public sector champion

Recognized public figures should serve as the spokespersons and advocates for the project and the use of a P3. Well-informed champions can play a critical role in minimizing misperceptions about the value to

the public of ansuccessfully developed P3.

2) Statutory environment

There should be a statutory foundation for the implementation of each partnership. simplicity and a competitive proposal process should be delineated in this statute. However, unwanted proposals can be a positive channel for initiating creative, innovative approaches to addressing specific public sector needs.

3) Public sectors's organized structure

The public sector should have a devoted team for P3 projects or programs. This unit should be involved from conceptualization to cooperation, through final monitoring of the execution of the partnership. This unit should develop Requests For Proposals (RFPs) that include performance goals, not design stipulation. Consideration of proposals should be based on best value, not lowest prices. Thorough, inclusive value for money (VFM) calculations provides a powerful tool for evaluating overall economic value.

4) Detailed contract (Business Plan)

A P3 is a contractual relationship between the public and private sectors for the implementation of a project or service. This contract should include a detailed explanation of the responsibilities, risks and benefits of both the public and private partners. Such an agreement will increase the possibility of success of the partnership. Realizing that all contingencies cannot be foreseen, a good contract will include a clearly defined method of argument resolution.