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Infrastructure development through PPPs in India: criteria for sustainability assessment

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Public private partnerships (PPPs) allow the Indian Government to leverage private capital for meeting the widening demand-supply gap in the provision of infrastructure services. The private sector, however, prefers to limit the participation to financially attractive projects only, thereby resulting in patterns of infrastructure creation impeding the progress towards sustainable development. In order to promote sustainable development, the PPP procurement process should focus on incentivising the private sector for sustainable infrastructure development rather than concentrating on ensuring financial sustainability only. This paper discusses the principles-based PPP-specific framework that has been developed to facilitate assessment of PPP projects’ progress towards sustainable development. The framework development was based on a holistic approach to sustainability assessment and subsequently validated through questionnaire survey with key stakeholders in the Indian PPP programme. This framework will provide the decision makers with appropriate decision aid for integration of sustainable development principles in the PPP procurement process.

Keywords: public private partnerships (PPPs); sustainable development; infrastructure development; sustainability assessment; procurement process

1. Introduction

Public private partnerships (PPPs) have been adopted as one of the preferred routes for the development of infrastructure projects in India since the economic liberalisation initiated in the 1990s (Ministry of Finance 2014). In the 11th Five Year Plan, the total investment in infrastructure was INR 2,424,277 crore (US$ 404 billion @ INR 60/US$), wherein the private sector contributed about 36% through the PPP route (Planning Commission 2013b). The Indian governments have adopted a strategy to increase the share of private investment in infrastructure development through various forms of PPP in the 12th Five Year Plan (Planning Commission 2011). As per the 12th Five Year Plan, 2012–2017, the required investments in infrastructure have been forecasted to be INR 5,574,663 crore (US$ 929 billion @ INR 60/US$) (Planning Commission 2013b). The Central Government has envisaged 50% of the required investment in infrastructure from the private sector through the PPP route.

PPPs have enabled Indian governments to ease budgetary constraints and bridge the infrastructure demand-supply gap (Planning Commission 2010). Infrastructure sectors such as national highways, ports, airports, power, and urban infrastructure have attracted private sector investments through PPPs in India (Planning Commission 2013a). This has

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money has already been a part of the procurement process and these aspects are already taken care of while awarding the concession.

7. Conclusions

PPPs provide an important platform for the governments to create the much needed infrastructure, however the profit-making mindset of private sector prefers to limit itself to attractive investment only, leading to uneven patterns of development. In spite of this, the governments are compelled to depend on the private sector on account of their budgetary constraints. One of the mechanisms to overcome these limitations is to streamline the PPP process in order to promote sustainable development. A PPP-specific framework has been developed that will facilitate integration of sustainable development principles in the procurement process and make project procurement decisions to promote sustainable development. The framework comprises eight principles with thirty criteria to facilitate sustainability assessment. The eight principles are: “Stakeholders’ participation and empowerment”; “Institutional capacity”; “Efficient project implementation”; “Socio-ecological compatibility”; “Resource utilisation efficiency and maintenance”; “Value for money”; “Quality of life”; and “Affordability and compensation.” The findings from the questionnaire survey with the key stakeholders (transaction advisors, EIA consultants, and representatives from the public sector, financial institutions, and private sector organisations) involved in implementation of PPP projects highlight the relevance of this framework, with no significant difference in the opinions amongst the stakeholders on the importance rating of the criteria. The framework will help to focus on those issues relating to promotion of intra-generational and inter-generational equity while making PPP procurement decisions.

The relevance of the framework has been evaluated through questionnaire survey with the key stakeholders, but in order to improve the usefulness of the framework for the practitioners and enhance their general application, the framework should be further validated using case study application of the framework in PPP project selection.

Disclosure statement

No potential conflict of interest was reported by the authors.

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