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News Clippings on Public Private Partnership



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Reading Material

How public private partnerships must evolve to create social impact



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Every human being has the right to water, sanitation, economic growth, education and health. These are some of the goals that the United Nations has envisaged in the form of the 17 Sustainable Development Goals, which it wants nations and governments to achieve by 2030.

Our right to sanitation and water, for example is a human right, as recognised by the United Nations, and is SDG No 6. However, 2.2 billion of the population still don't have access to safe drinking water services, according to the UN Children Joint Monitoring Programme and World Health Organization (WHO). Meanwhile, 4.2 billion people – more than half the world's population – still have no access to safely managed sanitation services.

UNICEF's Water Sanitation and Hygiene (WASH) assessment shows that 946 million people still defecate in the open.

As a Brookings Institution report estimates, it may take anywhere between \$5- and \$7 trillion annually for developing countries to achieve the SDGs by 2030. For India, the financing gap is \$565 billion.

How PPPs can help

So, the chasm between how far we have come and how far we need to go is still a wide one. Government resources alone are typically not sufficient to close the gap. An effective way to do so is through public private partnerships (PPPs).

There is no one definition for a PPP, but it is broadly acknowledged that a PPP is a contract between a government body and a private one to deliver a public service or provide an asset for the public. The contract is a long-term one, and the risk is borne by the private party. Returns are linked to how well the private firm performs.

A win-win situation for all stakeholders

PPPs can be a win-win for all stakeholders concerned. The government body or state benefits by achieving its goals; the private firm has a positive social impact and boosts its revenues; while the customer, or end-user, benefits from the service.

There are different types of PPPs, including but not limited to Build-Operate-Transfer, Design-Build-Operate, concessions, joint ventures, service contracts, affermage – in which the private company operates and maintains the asset but does not finance it – and leases. The choice depends on the government and the private investor, and also the nature of the project.

Singapore's new sustainable water supply and sanitation system is a good example of a PPP model for sanitation-related projects. The model, first introduced in the early 2000s, has been very successful in helping the city-state with treatment of waste water. The PPP has helped the government build big water facilities, including desalination and plants for reclaimed water.

According to a joint white paper between FICCI Water Mission, 2030WRG and Powertec, the Public Utilities Board in Singapore has adopted the design-build-own-operate model, and agreements are for 25 or more years.

PPPs could also help India achieve its goals in the area of sanitation. Now that the country is "open defecation free", the time has come to focus on PPPs in areas beyond building toilets.

‘After The Flush’ programme

There is a huge untapped market for collection, safe management and treatment of faecal sludge.

Population Services International (PSI) India's 'After the flush' pilot programme in Patna, funded by the Bill and Melinda Gates Foundation, is a great example of efficient faecal sludge management (FSM).

To take this pilot to the next level, PSI is partnering with the Forum of Young Global Leaders over the next two years to scale the initiative across 10 Tier-2 cities in India.

According to PSI's study, just 11% of faecal sludge generated in Patna was transported to the public sewerage treatment plant through the sewer system. The remainder was disposed of in public spaces and rivers. Also, only 21% of household toilets were connected to the sewer grid, while 65% were attached to a septic tank. This meant that 89% of human waste was being collected by the private sector, which was largely unregulated, and also disposed of without any kind of treatment.

Because a majority of Patna's households were connected to septic tanks, they had to rely on faecal sludge removal services, provided by private tanker operators, not recognized by the government.

PSI's response was to build a partnership with the Patna Municipal Corporation and ensure that private tank operators were regulated. It also helped open up city sewage pumps and treatment plants to private operators. The dumping load for

private operators was fixed at \$1.50, down from the earlier suggested \$4.50. A further incentive for private tank operators was the formation of an association, which helped them interact with the government more efficiently. On the consumer front, PSI set up a consumer hotline so they could access pit cleaning services with registered operators.

As of January 2019, PSI's project in Patna has ensured that 25% more sludge (an increase of 2.7 million litres) has entered the municipal sewage treatment plants, which would otherwise have been dumped randomly.

A report by the Toilet Coalition Board (a PPP and business-led platform) talks about how the new sanitation economy has huge potential in India, in terms of private investments. According to its report, the sanitation market could be worth \$62 billion in India alone. The market for products from toilet resources and organic/biological waste is expected to grow to \$25 billion by 2021.

TABLE 1: THE SANITATION ECONOMY MARKET ESTIMATES 2017-2021

	2017	2021	SHARE OF MARKET
SANITATION ECONOMY	\$32 billion	\$62 billion	
TOILET ECONOMY	\$14 billion	\$31 billion	50%
CIRCULAR SANITATION ECONOMY	\$14 billion	\$25 billion	40%
SMART SANITATION ECONOMY*	\$4 billion	\$6 billion	10%

**This study recognises that the Smart Sanitation Economy is the least developed economy of the 3 Sanitation Economy market opportunities that the TBC has identified. That said it is an important one as it could be a game changer for sanitation for lowering sewage management costs and providing revenue generating opportunities in the use of data extracted from the sanitation system.*

India's Sanitation Market Estimates 2017-2021

This is a huge opportunity for the private sector to invest in, because sanitation is one of the key SDG goals, and the economy around it makes excellent business sense. Sanitation is, of course, an important concern for the government. In such a context, going forward, this is an area where PPPs could thrive.

A "people first" approach

One of the newer concepts currently taking shape is the People-First PPP, such as the Minas Brazil Solar Farm, which aims to generate clean and affordable energy. The private player is Plexo Solar, which will design, build, finance, operate and maintain the project. The public entity is CEMIG, which manages distribution lines in the state where the project will take place.

According to the UN Economic Commission for Europe (UNECE), the people-first approach will ensure that people stand to gain the most among all the other stakeholders of a project. The focus should be on enhancing the quality of life of local communities, be it through alleviating poverty, providing education, promoting gender equality or meeting any of the 17 SDGs as enshrined by the UN. This is increasingly being promoted as a model for stakeholders in a PPP.

Lessons learned

One lesson for PSI India from the Patna pilot project is that a robust partnership with the government is crucial for FSM to be successful. Not only did they learn that “government requires technical support and hand holding to engage with the private sector” but also, that strong communication channels are of the essence when it comes to government and private partnerships.

Governments have benefited from the skills brought in by the private sector. What’s more, the private sector reduces the burden on public budgets. Going a step further and making it a people-first approach will benefit communities, and bring lead nations one step closer to achieving the SDGs.

In conclusion, it is appropriate to remember why PPPs evolved in the first place. They are partnerships wherein public services will be delivered to citizens who understand they must pay a fee for such services.

The success of PPPs hinges on the clarity of vision among stakeholders and a well-charted strategy for implementation, although there is no one-size-fits-all solution.

<https://www.weforum.org/agenda/2019/11/how-public-private-partnerships-must-evolve-to-create-social-impact/>

Can public private partnership be the panacea for Indian healthcare sector?

The problem of inadequate expenditure on healthcare remains, a measly 1.4 per cent of GDP by the government, resulting from a lack of funds, with an overall expenditure around four per cent of GDP, feels Prashant Singh, Director – Coordination and Strategy Development, Public Health Foundation of India (PHFI)

The statistics of India's healthcare needs are too well-known, sound clichéd and no longer alarm us. The deadline for Sustainable Development Goal (SDG) 3, good health and wellbeing that includes Universal Health Coverage (UHC) is 2030. Yet, the problem of inadequate expenditure on healthcare remains, a measly 1.4 per cent of GDP by the government, resulting from a lack of funds, with an overall expenditure around four per cent of GDP.

One proposed solution to bridge the funding gap is Public Private Partnership (PPP). National Health Policy, 2017, alluded to private investment in the sector and a government notification for PMJAY laid down some broad guidelines in this regard.

India is no stranger to the PPP model. It went for the PPP in a big way in the early 2000s in the infrastructure sector—highways, power and water. It wasn't the panacea it was touted. The results were not exactly as intended: allegations flew that

the agreements lacked transparency; that firms renegotiated the contracts in routine, creating a classic moral hazard; that outcomes benefitted the concessionaire, the private investors, more than the public; and that users perceived charges to be exorbitant.

Majority of citizens equate PPP with privatisation, an idea anathema to the legacy socialist mind-set. And nobody buys the argument that the infrastructure PPPs transferred the risk from the public sector to the private sector, as they were supposed to do, at least in theory. Rather the defaulting companies and Special Purpose Vehicles (SPVs), which in the first place bid too high to bag the award, hit the lending banks hard, increasing the risk to the entire economy, as many contended.

Partnerships in the healthcare sector face similar overall constraints that other infrastructure projects face: delayed regulatory clearances, an undeveloped corporate bond market, limited availability of long duration instruments like pension funds and banks saddled with NPAs and accusations of weak governance. The debt financing from banks may only make them more vulnerable.

To add to it, the peculiarities of healthcare sector render the task of structuring a PPP more daunting, if not harrowing. Experience of many European countries and Australia that entered into a number of healthcare PPPs attests to the complexities.

Cost, quality and performance remain major issues across various models. Besides these concerns, several other conundrums exist.

The corporate hospitals located in tier one cities in India are not in the pink of health, incurring losses where customers can afford to pay higher prices, unlike patients in tier two or three cities. Though it is here, the facilities are needed the most. So, if the private partners are going to establish new medical facilities in rural and mofussil towns, the cost of capital, whether cost of equity or debt or a mix of both, is likely to be high, as risk premium goes up. This will directly impact the cost of healthcare.

If estimating the volume of traffic at a toll gateway on a Built Operate Transfer (BOT) basis is tricky and the corresponding revenue and cash flows estimates often go haywire, then imagine forecasting the number of patients visiting a hospital in a location where none existed earlier. In a country like India, as patients from even far flung areas would visit the hospital, the footfalls could often go up dramatically, supply spurring and unravelling the true demand.

We often tend to equate healthcare with tertiary care in a hospital as if the focus is on disease management and not on prevention of disease. Areas where PPP would need to be extended are well beyond tertiary care, into the entire health support systems like planned 150,000 health and wellness centres and primary care facilities.

Compared to infrastructure projects like airports and highways, hospitals and healthcare facilities require smaller parcels of land and regulatory clearances could be granted in much lesser time. Success in implementing few projects, though smaller in scale, would help build credibility, gain legitimacy and garner support of all stakeholders.

India has had some limited experience with PPP in healthcare. Many states like West Bengal, Maharashtra and Bihar had entered into PPPs for specific clinical and diagnostic services MRI and CT scan. Even more difficult is the model to be chosen. A workable model could be infrastructure and services combined that can deliver outcome-based services, with payment made on a capitation basis.

Let us not get dissuaded by the perceived lack of capital either. At present, 100 per cent FDI is allowed in the healthcare sector in Greenfield projects. Capital will always flow from any part of the world to India, if the return is safe and assured. Of importance would be designing the right model; of even greater importance would be executing it. We may have hurt our fingers earlier using the PPP tool; rather than quarrel with the tool, let us improve our workmanship. Let optimism prevail over cynicism.

<https://www.expresshealthcare.in/blogs/guest-blogs-healthcare/can-public-private-partnership-be-the-panacea-for-indian-healthcare-sector/415357/>

India needs to get much more serious about reviving private participation in infrastructure

October 28, 2019, [Economic Times](#) in [ET Commentary](#) |

By Rajiv Memani

The private sector has played a key role in India's growth trajectory. In infrastructure, public-private partnerships (PPP) have especially helped address financing gaps. However, over the last decade, the share of private investments in the sector fell from 37% in 2008 to about 25% in 2018. Immediate measures are necessary to reverse this decline and enable higher private participation in infrastructure.

In the past, lack of dedicated institutions to oversee the sector delayed critical decisions. There is an urgent need to establish an autonomous '3P India' as a centre of excellence for PPPs, to facilitate sophisticated contract models, develop quick dispute-redressal mechanisms, and build capacities, while mainstreaming PPPs in the country.

Clean It Up

Due to the long-term nature of PPP contracts, uncertain market conditions and lack of capacity

among stakeholders, disputes are bound to arise during the lifecycle of projects. This often results in delays and freezing of funds in the absence of an efficient and credible countrywide dispute resolution mechanism.

An institutional arbitration ecosystem should be developed and promoted by creating a trained pool of competent arbitrators, uniform and regularly updated standardised flow of procedural rules, minimalist judicial dispute framework and regular adoption of institutional arbitration in domestic transactions.

Countries such as Britain and Australia have developed institutions and processes to identify, prepare, procure and manage PPP projects. In Australia, all levels of government have endorsed PPP and now apply the 'National PPP Policy and Guidelines' to projects released to the market. India, however, is yet to adopt these learnings.

The PPP toolkit, developed by the finance ministry, should be endorsed and applied consistently across all levels of the government. The size of investments should be preferred over number of projects, and big-ticket projects, which create value for money, should be prioritised.

The second important driver is encouraging long-term financing from institutional investors, which are required for projects with long gestation periods.

Banks, which have been a major financier, are slowly retreating from PPP lending due to asset-liability mismatch, restrictions posed by Basel-3 norms and high levels of non-performing assets (NPAs). Globally, long-term capital is raised via capital markets, where major investors are pension funds and insurance managers.

Today, Canada and Australia are frontrunners in pension fund allocation to infrastructure — approximately 5% compared to the global average of around 1%. Investment norms and portfolio limits are relaxed in Canada, with no ceiling on investments in various asset classes.

In India, however, the norms are quite stringent. Here, the regulation stipulates that life insurers invest up to 15% of their fund in infrastructure firms and prohibits companies from investing in projects rated below AAA. These norms could be relaxed in a rational way by creating a risk fund that is owned by the government, as suggested by Insurance Regulatory and Development Authority former chairman J Hari Narayan.

Despite the relaxation of limits by the government, FDI in infrastructure has not grown as expected, partly due to sluggish domestic investments. Measures are required to revive domestic investments since foreign investors generally follow domestic trends.

A larger share of government lending could reinvigorate confidence among banks and foreign investors in Greenfield projects, even if it means Gol indirectly bears a part of the risks. Existing lending norms should be reassessed in line with models prevalent in mature markets.

Bond Helps

For instance, as per the Transportation Infrastructure Finance and Innovation Act (TIFIA) in the US, the government provides up to 30% of the project finance on subordinated terms, thereby increasing the rating of the project and making it more attractive for commercial lenders and bond holders.

When the project becomes operational, government's debt could be refinanced with capital market debt, thereby creating space for bond market to flourish. Gol could complement these reforms with procedural and regulatory changes to maximise benefit from such a model.

Further, foreign investors are averse to assuming demand risks in current market conditions. Therefore, 'government-pays' PPPs should be a preferred model of project implementation.

India witnessed a cycle of aggressive bidding by private players between 2009 and 2012 under the PPP model, a major reason for delays or cancellation of projects. However, the authorities

lack the capacity to assess whether a bid is aggressive or otherwise.

A framework for authorities to analyse the lowest bid with respect to internal estimates and to reject any bid outside the prescribed range will help.

Alternatively, any outlier bid could be scrutinised further by the authority or any institution constituted to assess the project's viability and validity of assumptions. Authorities should have the right to substantially increase the earnest money deposit (EMD) amount of selected bidders whose bid is considered as an outlier.

Bid capacity should be given due consideration during evaluation and the number of eligible players for financial opening should also be limited.

Finally, it is important to diversify PPPs across sectors. PPPs in India have largely been concentrated in the transport sector, especially roads. The sector is no longer attractive for investors and a large number of road projects are stuck. There is an opportunity to revive PPPs in other sectors such as water and sanitation, health and education.

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DISCLAIMER : Views expressed above are the author's own.

<https://economictimes.indiatimes.com/blogs/et-commentary/india-needs-to-get-much-more-serious-about-reviving-private-participation-in-infrastructure/>

Opinion | Building blocks will need to be put in place under PPP initiative

15 Oct 2019, **Arindam Guha**

Contours of the public-private model need to be finalized based on ground realities

Faced with a staggering investment ask of over ₹50 trillion for expanding and upgrading India's railway infrastructure during 2018-30, the government has continued with its focus on public private partnerships (PPPs) in various areas like station redevelopment, freight movement infrastructure etc. One of the boldest PPP initiatives to be announced as part of the railway's 100-day plan has been the proposed involvement of private partners to operate passenger trains. While the private sector has been involved in rail freight movement over the last few years, this is the first time they would be playing a role in passenger carriage.

The move to involve the private sector in operating passenger trains is significant. Even globally, while there have been many instances of private involvement in freight movement, PPPs in rail passenger movement have been adopted successfully only in a few countries like UK, Germany, France, etc. One of the most successful examples is UK, where the government has used a

7-15 year franchise model to involve large private sector players in operating passenger trains on heavy duty routes like the West Coast Main Line, which connects London with major centres around Birmingham, Manchester and Glasgow. Under the model, the franchisee uses the government's existing track, signalling and related infrastructure to operate its trains, while providing "above the rail" services like purchasing/leasing and maintenance of carriages, locomotives and rolling stock; running daily train services as per an agreed schedule together with associated customer amenities around booking of tickets, catering, comfortable travel, etc. While the contours of the PPP arrangement for India would need to be finalized based on ground realities, there are a few key building blocks which would need to be put in place for the arrangement to succeed.

First, in case of any PPP arrangement (other than pure play service management contracts) which involves the private partner providing "above the rail" services, it would be necessary to ascertain the usage cost of track and other related infrastructure provided by the railways. For this, the railways would have to segregate its financial accounts under (a) track and related infrastructure development and maintenance and (b) fleet management and regular operations. Next, the basis of cost allocation would have to be worked out in a manner which does not discriminate against private operators.

Second, an independent regulatory authority for drafting regulations, monitoring compliance and adjudicating on relevant economic, technical, environmental and safety related matters would need to be constituted. The Rail Development Authority, set up in 2017, is likely to play a key role in this area. For comfort of potential private partners, it would be important for the Authority to be perceived as independent in terms of its composition and funding, being open and transparent in its deliberations and accountable for its decisions.

Third, any public service obligation to be met by the private passenger train operators like concessional tariff for certain sections of the population would have to be explicitly monitored, costed and financial support extended separately without mixing it up with regular project cash flows.

Fourth, there should be clear incentives in the contract for the private operator to achieve improvements in areas like carriage technology, on-time performance, ticket booking, etc.

The success of this bold and pioneering initiative will fully depend on the government's ability to navigate these issues in a manner such that the final PPP arrangement is a win-win for all concerned stakeholders.

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<https://www.livemint.com/opinion/online-views/opinion-building-blocks-will-need-to-be-put-in-place-under-ppp-initiative-11571161285280.html>

Solutions to PPP challenges in infrastructure sector

By Amit Ronald Charan and Rashi Arora, HSA Advocates

11 October 2019

India is potentially the largest global market for public-private partnerships (PPP) thanks to the growing number of PPP projects in the past 15 years. Policy measures designed to bring about private participation in infrastructure projects have not met with significant success. Infrastructural gaps exist in almost all sectors, posing a serious threat to sustained growth. While the PPP model has been successful in sectors such as roads, ports and electricity generation, it has yet to take off in railways, civil aviation, and social sectors. Further, the geographical distribution of PPPs is not uniform and states such as Madhya Pradesh, Andhra Pradesh and Maharashtra are ahead of others. The Asian Development Bank has estimated that it will cost US\$4.36 trillion by 2030 to overcome India's infrastructure deficit.

A combination of factors may have led to the recent slowdown of PPP projects. These include the global economic slowdown, weak regulatory and institutional frameworks, inadequate diligence and appraisal by lenders, delay in the issue of clearances, financing issues, inappropriate risk

allocations, one-size-fits-all approaches to model concession agreements (MCAs), aggressive bidding by developers, contractual issues, inadequate dispute resolution mechanisms and environmental issues.

The increasing number of non-performing assets (NPAs) held by domestic lenders, and the Infrastructure Leasing & Financial Services crisis has restricted funding options. While the international credit and financing market is an option, few high-quality sponsors and assets remain. The global economic slowdown and the credit crisis has slowed the demand for goods and services across the spectrum of business activity. This has affected the infrastructure sector significantly, and impacted PPP projects.

Key areas requiring immediate action for revitalizing PPPs include the strengthening of lending institutions such as the India Infrastructure Finance Company, infrastructure debt funds and the International Finance Corporation (IFC), setting up of 3P India (a proposed government institution with a ₹5 billion (US\$70 million) corpus to support PPPs), and reforming the viability gap funding (VGF) scheme to meet market challenges.

Other steps include providing access to long-term debt from insurance, pension and provident fund companies, expansion of bond markets, the use of credit enhancement measures through

government guarantees, refinancing of existing debt, the restructuring non-performing assets of banks, a review of current restrictions on group exposures of banks, and so on.

Foreign investments should be enhanced through innovative instruments and mechanisms to capture capital inflows in the infrastructure sector. Long-term investors, including foreign institutional investors, should be offered equity in completed and successful infrastructure projects. Each sector should prepare long-term investment and financing plans to identify revenue sources as well as the amount of financing available. These will highlight any gap between the increase in capacity that is needed and the increase in capacity that can be provided through available financing sources.

As recommended in the Kelkar Committee Report, the Infrastructure PPP Adjudicatory Tribunal should be established to resolve disputes faster. Independent regulators should be set up in sectors that currently do not have them, and the roles and responsibilities of existing regulators should be streamlined. MCAs for each sector should be reviewed to ensure that they represent the interests of all stakeholders, including users, project proponents, concessionaires, lenders and markets. The government could follow the recommendation of the Kelkar Committee to amend the Prevention of Corruption Act, 1988, which presently does not distinguish genuine errors in decision-making from

acts of corruption, thus avoiding witch-hunts against bureaucrats.

PPPs have the potential to deliver infrastructure projects faster and better. Building on India's 15 years of experience with PPPs, there is a need to correct the deficiencies in their performance that are apparent at every contractual stage. A stable macroeconomic framework, a sound regulatory structure, effective regulation, investor-friendly policies, sustainable project revenues, transparency and consistency of policies, liberalization of labour laws, customized MCAs, environmentally friendly models and good corporate governance are the basic requirements for the success of the PPP model in India.

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<https://www.vantageasia.com/solutions-ppp-challenges-infrastructure-sector/>

How PPP model can prove to be a panacea for power distribution woes

Sanjay Banga, Tata Power-DDL , 17th October, 2019

Rapid economic growth has increased the burden on India's infrastructure. An infrastructure deficit is widely considered to be one of the factors that

could adversely hold back the country's growth story. In the past few decades, the government has made concentrated efforts to accelerate infrastructure development. Much progress has been evident in sectors such as telecom, infrastructure, airports, etc. But, the power sector continues to struggle for sustenance despite many progressive measures and schemes like Saubhagya for household electrification and UDAY for financial relief.

Power is one of the most critical components of infrastructure crucial for economic growth and a utility of convenience to society at large. India added new generation capacity rapidly in past 10 years, which has led to power deficits declining from 12.2 per cent of peak demand and 10.1 per cent energy supply in financial year 2009-10 (FY10) to 0.8 per cent and 0.6 per cent, respectively, in FY19. However, the medium-term forecasts suggest that the trend may soon reverse as demand starts to overtake supply, resulting in further straining the financial health of Discoms.

While all three segments of the power sector – generation, transmission and distribution are important, distribution needs to be established as the strongest link in the value chain. Persistent operational and financial shortcomings in distribution have repeatedly led to Central bailouts for the whole sector, even though power is a 'concurrent' subject under the Indian Constitution

and distribution is almost entirely under state control.

Why should the government be in the distribution business?

In order to build a stronger economy projecting India as a developed nation in the future, we need to build a reliable and sustainable power distribution and production system. The government plays an important role in creating policies, reforms and other strategies that would push the Discom sectors to flourish and function according to the demands. It is only with government participation, the state distribution sector and the private players can grow together creating a profitable business model. Globally, private participation has long been considered an effective way of resolving efficiency issues in distribution. In India, the “legacy” of private distribution utilities in Kolkata, Mumbai, Surat, and Ahmedabad with their impressive efficiency and customer service are obvious examples of the potential gains from private participation.

The government's approach for the business model would always be citizen-centric rather than customer-centric, which would enable inclusive growth. The objective of state Discoms is primarily guided by government policies, and even after the formation of state regulatory commissions, state Discoms are still influenced by the state government. But, the downside of the same is that,

since the promoter of all discoms is state governments, there is no element of competition among them in terms of improving customer services, quality of power and cost of supply, etc. This ultimately results in a lack of robust and efficient process and consequent losses or low profit. In order to break through this issue, it is important to involve private players in order to create an environment of healthy competitiveness. And it is the amalgamation of the two that would finally ensure that affordable and accessible energy is provided to all.

There are innumerable examples around the world that privatisation of such businesses has shown a sustainable and significant turnaround. The reason is that the private sector's approach is always consumer-centric and with competition around, the focus of the management is always on improving efficiency of processes, reducing the cost, improving the quality, concentrating on employee's engagement and competence and working on regular feedback from voice of customers. In the early 1980s, Britain under Margret Thatcher's regime started the rise of state-owned privatisation. Similarly, other advanced countries, for example, the USA, Canada, Australia, Western Europe, and developing Asian and sub-Saharan nations started adopting the privatisation approach for some of their public service delivery.

The need to adopt privatisation varied among the countries. For some it was due to budget deficits leading to poor investment in infrastructure and inability of the government to manage the state owned enterprises, for others it was based on need to expand and extend quality services to their growing populace through divestiture, public-private partnership (PPP), outsourcing, and granting of franchise to the private investors.

Latin America, which resembles the Indian sub-continent to a large extent, introduced privatisation of electricity utilities in the 1990s. By 2003, 60 per cent of the consumers were serviced by private electricity distribution companies. According to various reports, the subject change in ownership enabled significant improvements in labour productivity, efficiency, and product/service quality. Similarly, the Malaysian model of privatisation of the power sector has been able to secure adequate supply of reasonable quality, ensure affordable and stable electricity prices, provide confidence to the investors, meet the funding challenges, promote competition, and improve efficiency and productivity.

In India, the Delhi government had privatised the distribution of electricity in 2002 under the PPP model. The experiment model turned out to be a grand success for all stakeholders. Consumers are having uninterrupted supply, new connections within few days, accurate billing, upgraded network

and above all, AT&C losses have reached about 9 per cent from more than 50 per cent in 2002. Delhi has made a saving of ₹30,000 crore since then, due to the efficiency in power distribution, rather than making an annual loss of ₹ 1,200 crore in 2001. It has been a win-win situation for all.

Conclusion

Considering that the electricity distribution remains to be the weakest link in the power supply chain and based on global experiences, the only viable option to improve the utilities' operational efficiency and to obtain full-cost recovery is through privatisation. Delhi's experience with privatisation, clearly highlights that not only the customer is getting benefited by getting 24X7 reliable, quality power supply and enhanced customer services, state government has also been able to provide and support financial benefit to the customer by way of subsidy. Further, the performance of privately-owned utility can always be ensured through strong incentives and governance systems, duly supported by the government. Good governance and transparency shall be the key to strengthening confidence and private investment in the energy liberalisation effort.

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<https://energy.economictimes.indiatimes.com/energy-speak/how-ppp-model-can-prove-to-be-a-panacea-for-distribution-woes/3834>



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