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## Rethinking Public-private Partnerships: An Unbundling Approach

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### Abstract

Despite numerous failure stories the interest in Public-private Partnerships (PPPs) is growing the world over, giving rise to a “PPP Paradox”. Taking a definitional perspective and leveraging learnings from the management literature on strategic alliances, the need for a fundamental rethink of the PPP world view is emphasized to explain this paradox. It is argued that in PPPs, where risk and uncertainty loom large, there is a need to consciously move away from long term, rigid, monolithic, and complex contracts and adopt short term, flexible, modular and simple arrangements that allow for effective management. We view this as an unbundling approach. The PPI World Bank database and experiences from the Indian highway sector are leveraged to contextualize the arguments made.

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*Keywords:* PPP; India Highway; Strategic Alliances; Management; Failures; Paradox

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### 1. Introduction

Governments, the world over, are increasingly looking towards the private sector to help bridge the infrastructure gap. The World Bank PPI database contains information on 1634 transport sector projects (<http://ppi.worldbank.org/data>) in 139 low and middle income countries, involving an investment of over USD 473 billion, of which USD 387 billion is private investment. Figure 1 provides evidence that in the last 25 years the private investments taking the PPP route have been consistently increasing. At the same time, the trends also show that while the financial value of investments are continuously on the rise, the number of projects being taken up within the PPP fold are steadily falling. This evidence when supplemented with what academia and press, as a reflection of the public

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opinion, has to say about PPPs puts forward a totally different story [1,2,3]. The concept of PPP is being regularly challenged. Academicians like Hodge et.al. [4] recognize the problems in defining accurately what PPPs are, Klijn [5] sees the PPP as a contested concept, De Bettignies [6] debates upon theories to be used to govern PPPs, and there are still others like Davidson [7] finds PPP implementations lacking a robust governance framework. The media and practitioner writings are galore with PPP failure stories [1,2,8] and atleast in the developing world context (especially India), The Economist [1] has already written an obituary of PPPs in India. Many high profile Indian transport sector PPPs have witnessed ugly private-government contests in courts, bureaucratic offices, political debates, and media circles. However, the story is not unique only to India. The world over, the PPP concept has come in for some serious criticism [2,9].

### Nomenclature

BOT	Build, Operate, Transfer
BOLT	Build, Operate, Lease, Transfer
DBFOT	Design, Build, Finance, Operate, Transfer
GOI	Government of India
LTIC	Long Term Infrastructure Contracts
NHAI	National Highway Authority of India
PPI	Private Participation in Infrastructure
PPP	Public-private Partnership
SPV	Special Purpose Vehicle
WB	World Bank

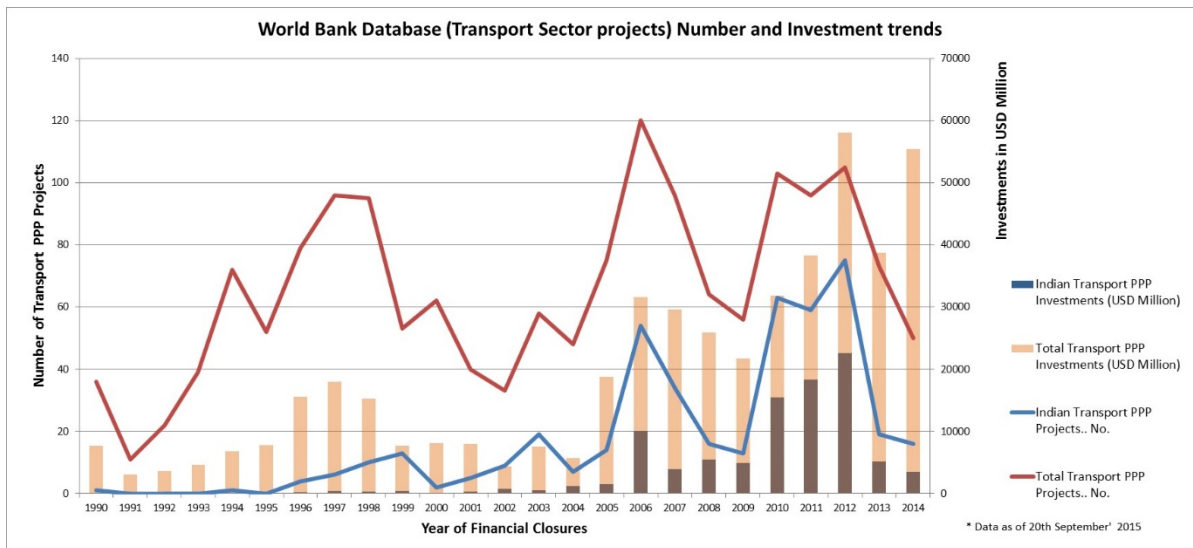


Fig. 1. Transport Sector PPPs . Source World Bank PPI Database.

### 1.1. Structure of paper

The paper traces the numerous issues in PPPs to the fundamental concept, i.e., the PPP definition. It is argued that over time the concept of PPP i.e., private investment for public infrastructure, has got overloaded with non-essential characteristics that have made PPPs as we see them today -- long term, rigid, monolithic, and complex contracts. The problems of the current age of PPPs can be traced to these evolved characteristics. Using the PPI World bank database on transport sector PPPs and our own experiences with the PPPs in the Indian Highway sector, evidence in support of

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