

Factors Influencing PPP in CBD

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Abstract -Demand for urban transport in India is determined by urban population, household incomes, and industrial and commercial activities. The rapid growth in the economy has increased demand, but public transport systems have not kept pace. Urban transport services are provided mainly by the states. But the services are insufficient and of poor quality. Most municipal transport undertakings are running at a loss and cannot even recover their operating costs. Central Business District (CBD) is heart of the city. Basic facilities and amenities which are necessary for the convenience of the people should be provided. This paper focuses on the factors which influences the performance of ppp project. From literature review, various journal papers and discussion with experts, 52 factors are identified. These factors are then categorized by their operational characteristics.

Keywords- Public Private Partnership (PPP), Central Business District (CBD)

1. INTRODUCTION

Public Private Partnership is an agreement between a government authority and private company can be used to build, operate and finance such as parks and convention centers, public transportation networks. Financing a project through a public-private partnership can allow a project to be completed sooner or make it a possibility in the first place. Public-private partnerships have contract period of 25 to 30 years or longer. Financing is partly from the private sector but requires payments from the public sector and/or users over the project's lifetime. The participation of private partner is mostly in designing, completing, implementing and funding the Project, while the public partner focuses on defining and monitoring obedience with the objectives. Risks are to be distributed between the public and private partners according to the ability of each to assess, control and cope with them.

2. NEED AND SCOPE OF STUDY

In the face of an ever increasing world population, greater expectations, demands from society and budgetary constraints, governments are facing an increasing amount of pressure to deliver new and improved infrastructure projects from transport (roads, railways, bridges); education (schools and universities); healthcare (hospitals, clinics and treatment centres); waste management (collection, disposal, waste to energy plants); water (collection, treatment, distribution), government accommodation

and defense. In many countries the financing requirements of current and prospective infrastructure needs far outstrip resources available. Meeting these needs is critical to ensure continued process, development and economic growth. Budgetary constraints and an acknowledgement of private sector efficiencies and know-how are two of the principal reasons why governments around the world are taking the economic and political decision to accelerate the use of private sector finance and adopt Public Private Partnership models in order to deliver infrastructure projects which would have been previously built by the public sector using public sector finance.

3. METHODOLOGY

In most developing countries public private partnership is relatively new trend in urban infrastructure. Government both at national level and state level are focusing to implement their projects through PPP model. Central Business District (CBD) is heart of the city. Basic facilities and amenities which are necessary for the convenience of the people should be provided. So to redevelop CBD, PPP can be implemented. Therefore, we have to first focus on finding the critical success factors which are involved in PPP projects in CBD. In the face of an ever increasing world population, greater expectations, demands from society and budgetary constraints, governments are facing an increasing amount of pressure to deliver new and improved infrastructure projects from transport. Limited

research on the effect of private sector participation to improve the performance of the public sector, due to lack of effective operation & maintenance, is creating the need to focus on the successful execution of project. The study focuses on finding factors for PPP that influence the CBD. For this comprehensive literature review through various journal papers are studied. From this around 52 factors are found out.

4. DATA COLLECTION

The main focus of the study is to find out the various factors following sources are used.

- Journals and papers related to PPP projects
- Discussion with Private and Government Authorities

TABLE I SIGNIFICANCE OF FACTORS

Sr No	FACTORS	DESCRIPTION
CODE	(1) GENERAL FACTORS (GF)	
GF1	Pre-Analytical study of project	Pre analysis should be done for arrangement of funds with its sources to reduce financial crisis risk
GF2	Management of Funding and its provisions	Pre analysis should be done for arrangement of funds with its sources to reduce financial crisis risk
GF3	Demand of project	Taking into consideration the actual need of project.
GF4	Favourable locations	Whether the location is feasible for implementing PPP Project.
GF5	Competition among the private contractors	Larger the number competing private contractors better will be the efficiency of selecting the appropriate one.
GF6	Audience acceptance	Resistance from audience can lead to the improper implementation of project.
GF7	Government assurance for loan	The clear guarantee and assurance should be given to concessionaire from government about annuity, sufficient amount if funds, benefits, etc.
GF8	Wide gap between public and private sector expectations	Lack of communication between private and government sectors can leads to various risk like delays in approvals, disputes in workers, misinterpretation of design, cost overrun, etc.
GF9	Land acquisition	Land acquisition refers to the process by which the government acquires private land for the purpose of development of infrastructural facilities of the private land, and provides compensation to the affected land owners and their rehabilitation and resettlement. Because of delay in acquiring land the overall work time can be delayed and construction cost overrun occurs.
GF10	Capacity of station	Deciding proper need of platforms according to traffic volume study.
GF11	Preconstruction time	Planning & design with approvals.
GF12	Total construction time	Time required from planning stage to the completion stage
GF13	Rushed inauguration	Many a times the inauguration is done and later on the project is put on hold due to various reasons.
CODE	(2) GOVERNING FACTORS	
GOF1	Governing body	The present Government Body should be supportive.

GOF2	Commitment and responsibility of Public and private sectors	All parties should commit their best resources (financial, human, etc.) to the partnership project. Commitment should be established throughout all management levels.
GOF3	Legal framework	Unavailability of legal framework like penalty claws, reward claws, dispute mechanism, etc. can lead to conflicts and bribery in process.
GOF4	Statutory and political Environment	Stability in the Political Environment of particular region.
GOF5	Discontinuities due to political cycles	Stability of State Government.
GOF6	Procurement method and PPP design	Transparent clauses and feasible conditions of contract.
GOF7	Change in Administrative Authorities	Unstable Cycles of Government Authorities may hamper the decisions of the project.
GOF8	Shared authority between public and private sectors	The commitment and responsibility of both public and private participants are important for successful PPP projects. All parties should commit their best resources (financial, human, etc.) to the partnership project. Commitment should be established throughout all management levels.
CODE	(3) TECHNICAL FACTORS	
TF1	Geotechnical conditions	On time obstacles to be faced on site.
TF2	Quality of work as per specification	Local partner tolerance of defects and inferior quality
TF3	Workmanship	Availability of skilled labours.
TF4	Availability of Resources	Staff crises, local disturbances, changes in laws, etc. can leads to deliver the materials not in time.
TF5	Transparent procurement policy	The clauses in tender document should be free from ambiguity or any confusion.
TF6	Latest vehicle technology	Fuel type
TF7	Technical capacity of private contractor	Use of unproven engineering techniques during construction or operation phase can lead to failure of work. Also it Refers to the risk that the technology used in the design will unexpectedly become out of date during the life of the PPP and will not be able to satisfy the requirements in the output specifications.
CODE	(4) OPERATIONAL FACTORS	
OF1	Operational cost overrun	Proper planning will prevent many problems that can haunt a project all the way to completion. Of course, this is the plan for almost all projects, but circumstances occur that causes some projects to go astray which make cost overruns inevitable.
OF2	Operating productivity	Productivity during operational works.
OF4	Safety consideration	Appropriate safety considerations should be done while operation of road like warning sign boards, speed breakers, safety sign boards and emergency numbers, etc.
OF5	Routes of buses	Routes of buses should be decided
OF6	Fare fixation	Fare fixation should be done in accordance to the initial investment done and present fuel rates.
OF7	Maintenance and operation	Maintenance & Operation of Bus station during concession period should be done by Private sector.

OF8	Volume of traffic	Forecasting traffic demand is crucial in transport PPPs since traffic influences both project costs (through capital and maintenance expenditures) and project revenues, if there is frequent change in traffic pattern it will leads to revenue risk
CODE	(5) FINANCIAL FACTORS	
FF1	Insufficient funding for adequate implementation	Improper arrangement of funds prior to the project commencement
FF2	Debt paying ability	It refers to risk in amount of money required to make payments on the principal and interest on outstanding loans, the interest on bonds, or the principal of maturing bonds.
FF3	Financial capacity of contractor	To avoid financial risks in the project.
FF4	Equal benefits sharing between both the parties	The benefits should be shared equally among both the sectors.
FF5	Guaranteed revenue source	There should be fixed source of revenue if funding's falls short.
FF6	Profit assurance for private sector	There should be provision made for profit assurance of private sector so that there is secured feeling amongst them and encourages them for effective work.
CODE	(6) RISK FACTORS	
RF1	Design risk	Unanticipated design changes and errors in design/drawings resulting from the difference in local design custom and practices.
RF2	Approval risk	Single window sanctioning system should be provided to avoid risks at every stage.
RF3	Termination risk	Projects are sometimes dissolved due to various reasons.
RF4	Social risk	Opposition from the local public.
RF5	Stay risk	Projects are sometimes put on hold.
RF6	Appropriate risk allocation and risk sharing	Private companies wishing to participate in PPP markets should explore other participants' strengths and weaknesses and exploiting their individual strengths.
CODE	(7) SUPPORTING FACTORS	
SF1	Independent authority for conflict resolution	Third party in case of any conflicts between private and public sector.
SF2	Provision of escrow account	An escrow account is a temporary pass through account held by a third party during the process of a transaction between two parties. This is a temporary account as it operates until the completion of a transaction process, which is implemented after all the conditions between the buyer and the seller are settled. Arrangement of escrow account should be done for transparency in process.
SF3	Infrastructure facilities	Basic facilities required for bus stand i.e. Control rooms etc.
SF4	Amenities Facilities	Facilities required for people i.e. ATM, Xerox Centre etc.
SF5	Effective working relationships among partners during & after contract negotiations.	Good working relationships play an important role in successful execution of the project.

5. CONCLUSION

The concept of Public Private Partnerships (PPP) has speedily increased in modern years as states and municipalities work with the private sector looking forward for modernizing and developing much needed infrastructure throughout the world. Despite the vastly spreading, and increasing use of, such partnerships, however, many countries still struggle with difficulties in planning, negotiating and implementing PPPs. It is very encouraging to see that governments in developed countries are interested in finding ways to reduce those difficulties. Well organized PPP structure offer a number of benefits to both the authorities and private sector, and, ultimately, to the public. However, they are not a remedy for rendering public services effectively and each project should be assessed carefully.

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