

## **Summary of Dissertation**

**Topic: Public-Private Partnership for the Development of a Backward State: A Case Study of Bihar**

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There is crucial link between the social sector comprising education, health and water & sanitation and economic development of a country. Better educational facilities, improved health conditions and better access to drinking water & sanitation is crucial for improving the human capital and thus achieving higher economic development. Social sector is perhaps the most critical area in any economy as it affects and determines the economic development of a country. A country with higher investment in research and development, educational facilities, health services are expected to achieve higher future returns. The pattern of expenditure incurred by various countries is one of the reasons behind the different levels of social sector outcome. Experiences of number of countries like Australia, Norway, United States, etc. shows that channeling significant amount of financial resources in social sector greatly enhances the human capital and hence the overall development of these economies. In the six decades of economic planning, India has undoubtedly experience large quantitative expansion in terms of per capita income and national income, but the quality of life in terms of access to better educational, health and other social services is still very poor. The performance of India with respect to social sector has been poor as compared to most of the developed countries. There exist wide socio-economic inequalities between regions and people. In this scenario, the status of development of social sector in a backward state like Bihar may not be expected to be satisfactory. Bihar's performance lags seriously

behind national trends in almost all indicators. Income growth and consumption levels in Bihar has lagged behind and thereby widened the gap between Bihar and rest of India. The basic socio-economic infrastructure in Bihar is relatively poor than other states of the country. Poor delivery of basic services clearly reflects government's inability in providing these services to the masses in an efficient manner. As the importance of access to basic social services has risen, there is increase in interest for private sector to play a greater role in the provisioning of social services. The State of Bihar is in a greater need of modern infrastructure across almost all sectors of the economy. Therefore, greater adoption of PPP approach would be necessary to meet huge requirements of the State. The PPP approach, in the context of the State of Bihar would be required not only to supplement state resources but also to bring in best practices to increase operational efficiency. In view of the above facts, it is important to examine the viability of Public-Private Partnership (PPP) model in the context of Bihar. The present study intends to analyze the various critical issues related to PPP arrangement. The hypothesis of the study is that involvement of private players helps in improving the delivery of social services in efficient and timely manner.

The details of the chapter designs have been presented below:

**Chapter 1** presents the background of the research and makes case for the current study. Synergy between social sector and economic development has been explained in the chapter with the help of economic theories and empirical evidences. The performance of India in social sector with respect to other countries, expenditure pattern etc have been discussed in this chapter. The position of Bihar vis-a-vis other major states of the country and theoretical arguments supporting the importance of public

private partnership (PPP) for the provision of public services have also been presented in this chapter.

**Chapter 2** presents relevant literary work done over the years related to the public private partnership (PPP) in the delivery of social services. The chapter critically examines the literary work carried out by eminent persons in the field of public private partnership and reports published by different national and international agencies. The review of literature covers various aspects of PPP in India and in other countries as well. But, it fails to analyze the reasons and need for PPP in providing social services. The review of the related literature clearly demonstrates that not much effort has been made to examine the involvement of both private and public sector together for the development of economically backward states like Bihar. The present study is an attempt to fill the gap in research in this field and come up with suitable policy recommendations. In this backdrop, several objectives of the present study have been set in the subsequent section of the Chapter. It also discusses the research methodology which had been adopted to fulfill objective. The research objective, hypothesis, data sources and methods adopted for data collection, data analysis and limitations of the study has been presented in detail in the chapter.

**Chapter 3** presents a brief geographical, administrative and socio-economic profile of Bihar and discusses the problems and relative position of Bihar in delivering the social services among the major states. This chapter has clearly outlined the deficiency in the delivery of social services by the public entity. Relative performance of Bihar vis-à-vis major states in terms of outcomes related to education, health and water & sanitation has been examined. Analysis of major social sector indicators reveals the depressing performance of Bihar amongst the major states in India. Bihar

ranks lowest amongst major states in almost all indicators. The poor levels of outcomes can be attributed to poor social services and input indicators. There are infrastructural, governmental and human resource gap in the delivery of services. The service delivery in social sector in Bihar is inadequate to meet the demands of people of the state. The expense incurred by the government has not produced the desired level of services. The analysis of these three sectors calls for an immediate attention on part of government. But due to financial and administrative constraints, government on its own cannot solve the problem in short duration of time. The current depressing situation of Bihar thus, makes a strong case for involvement of private players in delivering the social services.

To implement a public private partnership for the provision of delivery of social services, it is imperative that the conceptual framework related to PPP is well understood. **Chapter 4** provides concepts, evolution and significance of a PPP project. Basic characteristics, associated risks and responsibilities, advantages and disadvantages and misconceptions with respect to PPP are well documented in this chapter. There are various compelling factors which makes case to initiate a PPP project. PPP can achieve economy efficiency gains and reduce government overload. A PPP can be started for visible benefits like private sector innovation, efficient & cost effective delivery of services, less fiscal burden and optimal sharing of risks and cost. However, PPP may have various disadvantages as well. PPP brings together core complementary competencies of partners. The roles and responsibilities of the partners may vary from project to project. PPP projects are prone to some risks ranging from asymmetry of information, economic, social, infrastructure and policy risks as well. There could be number of agreement or arrangements, with their variation and

combinations, may be arrived at by the government agency or the local authority for undertaking projects. Various misconceptions are also associated with PPP about its nature, method, benefits and motive of private players. Thus, chapter 4 makes an honest attempt to understand the various theoretical issues related to PPP.

**Chapter 5** discussed practical aspects, successes and failure associated with PPP projects in social sector running across the country. A PPP project may be theoretically different once it becomes operational. To understand the real time problem and salient features of PPP, it was necessary to analyze some of the PPP projects in great detail. The case study presented in Chapter 5 provides detailed analysis of 24 PPP projects in the area of education, health and water & sanitation. These studies highlight purpose, results achieved and lessons of each PPP projects. Simple observations of contracts between public and private partners show a large diversity of partnerships. The ownership, risk factor and payoffs structure provides understanding about the way public and private partners can work together for better results. These case studies also draw lessons from failed PPP projects that should be kept in mind while devising a PPP to avoid any disruption of project. The results drawn from case studies further strengthen the argument for involving private players for the provision of social services. Based on the case study and experience regarding the key success factors and obstacles to formulating robust and well-governed PPPs, potential area for starting a PPP model is presented in this chapter.

**Chapter 6** is the concluding chapter of the thesis. On the basis of qualitative and quantitative analysis, and keeping in mind the aim and objectives of the study, Section one of the chapter presents brief summary of the study. The findings from case studies provide practical insight for

developing a PPP project that can be implemented in Bihar. The suggestions provided in this chapter are drawn mainly from the analysis of case studies carried out in previous chapter.

A critical examination of various case studies revealed that a well prepared and efficiently managed PPP project have positive impact on social sector outcomes. Based on these evidences, it is found that involvement of private players have resulted into improved health outcomes, better education attainment and improved water & sanitation facilities. Thus, first hypothesis as stated in the research methodology holds true. One of the reasons for a success of a PPP projects is close monitoring and meeting the deadlines. It not only ensured the timely completion of project but also kept cost of project at lower side. PPP projects completed on time thus helped in improving the delivery of social services in efficient and timely manner. It can therefore be asserted that second hypothesis also holds true.

To conclude, public private partnership initiatives have the potential of improving most of social sector service delivery mechanism in Bihar. The relevant theoretical as well as practical framework to formulate a successful partnership between government and private players is presented in this dissertation. This dissertation has tried to propose some of critical issues pertaining to PPP and insists on creating an environment where public and private players can work coherently which may prove to be beneficial for all the stakeholders. This dissertation has tried to address some of the concerns raised about the success of a partnership in social sector. These concerns seem to motivate new axes of research in the economic literature, and this dissertation has tried to help this effort along.