

# Revitalising PPPs

India's experience with public-private partnerships (PPPs) offers a clear lesson. When designed and executed well, PPPs can transform infrastructure delivery; when poorly structured, they can stall development for years. During the infrastructure boom of the 2000s, particularly in highways, power, ports, and airports, PPPs played a decisive role. Private investment accounted for nearly 37 per cent of infrastructure spending during the Eleventh Plan (2007-12). Between 2009 and 2013, almost 60 per cent of new National Highways, over 6,300 km, were built under PPPs on the built-operate-transfer principle for tolls.

That momentum, however, dissipated rapidly. By the mid-2010s, many PPP projects slowed, turned distressed, or defaulted. Developers faced delays in land acquisition and clearances, weak traffic growth, high leverage, and rising costs. Aggressive bidding, often driven by ultra-low toll assumptions, won projects but destroyed balance sheets. Crucially, risk allocation was deeply flawed, as too much risk was pushed on to the private side, while contracts were treated as immutable. With no formal renegotiation framework, even fundamentally viable projects became stranded. As the Kelkar Committee (2015) warned, "inefficient and inequitable allocation of risk ... can be a major factor in PPP failures".

The Union Budget this year once again reiterates infrastructure as a growth driver, announcing multiple initiatives across transport, urban development, housing, logistics and financing. Yet it sidesteps the most consequential question confronting India's infrastructure strategy today. How will the country revive PPPs as a central pillar of infrastructure development?

This omission is not conceptual; it is structural. Public finances are finite. States and cities are fiscally stretched. Infrastructure needs like urban transport, water, sanitation, power, logistics et al are expanding faster than budgetary capacity. In this context, PPPs are not optional; they are indispensable. Yet private participation has fallen sharply from the earlier highs to 20-22 per cent in recent years (Economic Survey 2024). If this trend is not reversed, India's infrastructure ambition risks remaining aspirational.

The government recently announced a three-year PPP pipeline of 852 projects, worth ₹17 trillion. Of these, 232 central projects account for ₹13.15 trillion while the remaining 620 projects, of states and Union territories, account for the rest. Highways dominate, with the Ministry of Road Transport and Highways (MoRTH) alone planning 108 projects, worth ₹8.77 trillion, alongside major projects in power, water, ports, airports, railways, and urban infrastructure. States such as Andhra Pradesh, Tamil Nadu, and Uttar Pradesh have lined up hundreds of projects.

A credible PPP revival requires a clear reform agenda. Nine reforms cry out for attention.

1. **Realistic risk allocation.** Risks must rest with those best able to manage them. Governments should retain

land, clearance, and policy risks; private partners should manage construction and operations within defined limits.

2. **Built-in renegotiation frameworks.** Contracts must allow structured renegotiation under predefined triggers, with transparency and independent oversight.

3. **Stronger PPP institutions.** A reinvigorated institutional backbone, through a strengthened Infrastructure Finance Secretariat or a revived 3P India, is essential for capacity building and model evolution.

4. **Streamlined project appraisal.** Single-window appraisal, standardised value-for-money tests, and integration with the

PM Gati Shakti are critical for investor confidence.

5. **Financial backstops and credit enhancement.** Strategic use of viability gap funding, infrastructure risk-guarantee funds (as proposed), and credit enhancement led by the National Bank for Infrastructure Development can materially reduce financing costs.

6. **Regulatory certainty and dispute resolution.** Stable tariffs, independent regulators, and fast-track dispute mechanisms are non-negotiable.

7. **Empowering states and cities.** State PPP cells, project-preparation facilities, and reform-linked incentives must be strengthened; long-term subsidised state loans for infrastructure could have been explicitly tied to PPP reforms.

8. **Active investor engagement.** Rebuilding confidence requires highlighting successes, engaging

investors proactively and ensuring transparency.

9. **Expanding PPPs into new sectors.** Different sectors — urban transport, water, waste, health, education, tourism, and energy transition — require tailored PPP models.

What is missing is an explicit recognition that PPPs must be the organising principle, the glue that links public investment, private finance, risk sharing, and long-term service delivery. Consider the Urban Challenge Fund, which will finance up to 25 per cent of project costs, with the remainder expected from bonds, bank loans and PPPs. Or the "City Economic Regions", each backed by ₹5,000 crore over five years. Bidding for 11 airports in five clusters is getting readied. These initiatives demand sophisticated PPP structuring, robust project preparation, clear risk allocation, bankable revenue models, and credible dispute resolution.

The Budget's push for municipal bonds is welcome. An incentive of ₹100 crore for single issuances exceeding ₹1,000 crore, alongside continued AMRUT-linked support for issuances up to ₹200 crore, signals the intent to deepen urban capital markets. Municipal bonds work best when backed by predictable cash flows, often generated through PPP-based service delivery with user charges, annuities, or availability payments.

India's infrastructure challenge is no longer just about asset creation. It is about risk management, life-cycle efficiency, operations and maintenance, and service quality. India's earlier PPP failures stemmed from weaknesses in design and governance, not from the concept itself. Inappropriate risk transfer, delayed clearances, optimistic projections, and rigid contracts undermined confidence. The solution is not to retreat from PPPs, but to reform them decisively.

India, being on its path to a Viksit Bharat, must accept a simple truth that public investment alone will not suffice. Reviving PPPs is not privatisation; it is partnership. The next phase of India's infrastructure journey must be built not just with concrete and steel but with credible contracts, a balanced sharing of risks, and institutional trust. That is the reset the country can no longer afford to postpone.

The author is an infrastructure expert. He is founder & managing trustee of The Infravision Foundation. Research inputs from Mutum Chaobisana



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**VINAYAK CHATTERJEE**