

ILLUSTRATION: ROHNITPHORE

**T**HE FINANCE MINISTER recently announced several measures aimed at boosting Public-Private Partnerships (PPPs) in infrastructure sector:

■ Twelve more airports are to be bid out on PPP basis;

■ Power distribution companies (discoms) of Union Territories to be privatised as PPPs;

■ Viability gap funding (VGF) limit of the ministry of finance has been increased to 30% for social infrastructure compared to 20% for economic infrastructure.

These are long-overdue measures, and would improve the efficiency of infrastructure investments and associated infrastructure services. Let us consider the Indian experience in this regard. The PPP airports at Delhi and Mumbai, from being the worst airports in the world prior to privatisation, now figure among the best (as per 2019 Airport Service Quality rankings). In addition, the revenue share from Delhi and Mumbai airports to Airports Authority of India (AAI), at ₹3,040 crore in FY19, is more than the profit after tax (PAT) of AAI for that year (₹2,271 crore). The inference is that, but for the revenue share from Delhi and Mumbai airports, AAI would be a loss-making entity. So, PPPs in airports provide a better user experience and give high returns to the government. Therefore, the PPP arrangement needs to be replicated across airports in India for the user and revenue implications that would enable AAI to increase air connectivity to remote areas through the UDAN (Ude Desh ka Aam Nagrik) scheme.

Power distribution is the weakest link in the power sector. There is a loss of about 40 paise per unit of power sold in the country, which makes the power distribution segment bankrupt, while also leading to stranded investments in the power generation segment. The exemplar of power distribution privatisation in India, which compares with the best in the world, is that of Delhi. It has been estimated that the reduced explicit subsidies for power distribution in Delhi, compared to business-as-usual, are \$4 billion. While the private sector started with over 50% Aggregate Technical and Commercial (AT&C) losses in 2002, it was able to reduce it to sub-10%; the public sector (NDMC) started with 16%, and its losses are at about the same level even now. Besides, the reliability of

power supply, unscheduled outages and overall consumer satisfaction have also improved significantly. This natural experiment demonstrates the vast returns from private participation in power distribution.

So, replicating the Delhi example across Union Territories (UTs), which come directly under the ministry of home affairs, may be useful. However, it would require a lot of effort on the part of the ministry of power, ministry of home affairs, the UT administrations,

and the transaction advisers to be able to get outcomes akin to Delhi. Odisha also privatised its power distribution segment, but is widely considered a failure.

As per the private participation in infrastructure (PPI) database of the World Bank, India is second in the developing world, both in terms of the number of PPP projects as well as the associated investments (1,096 PPP projects, accounting for an investment of \$273 billion, since 1990). The Indian success in PPPs is built on a robust policy frame-

work, the financial incentive (VGF) scheme, and the standardisation of procurement (Request for Qualification and Request for Proposal) and substantive (Model Concession Agreements across infrastructure sectors) documents. However, if we see the sectoral break-up of PPP projects, we would find that almost all of the projects have come up in economic infrastructure (power, transport, and telecom) compared to social infrastructure.

Social infrastructure (like water supply, solid waste management, health and education) have low cost-recovery and, consequently, face massive resource-crunch. There are examples across the world where PPPs have brought about sanguine results in social infrastructure, for example, Manila Water Supply PPP and health and education PPPs in developed countries like the UK and Australia. By increasing the ministry of finance VGF limit to 30% of the total project cost (TPC), which can be matched by a further 30% of TPC by the project authorities, the non-commercial aspect of social infrastructure would be addressed, and it is expected that the success of PPPs in economic infrastructure in India (in terms of augmenting resources and improving service delivery) will also be replicated in social infrastructure.

As per the PPI database, India has experienced a slowdown in annual PPP projects contracted in recent years (from 129 in 2012 to 34 in 2019, with commensurate levels of investment, at \$32 billion and \$7.6 billion, respectively). Therefore, the big push to PPP projects as a part of the fiscal stimulus package renews the faith of the country in PPPs and for good reason.

However, just to reiterate, PPPs in power distribution and social infrastructure would be extremely challenging. It would entail careful crafting of sector-wise Model Concession Agreements with a balanced risk-return framework for the public and private sectors. Besides, there would be a clamour for autonomous regulation of social infrastructure sectors, once private investment comes in. However, care should be taken that demand for autonomous regulation does not translate into setting up independent sectoral regulators. There are other regulatory options like 'regulation by contract' and multi-sectoral regulators to mitigate regulatory risks faced by infrastructure players.

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## Renewing faith in PPP

The big push to PPP projects as a part of the fiscal stimulus package is welcome. However, PPPs in power distribution and social infrastructure would be extremely challenging. It would entail careful crafting of sector-wise Model Concession Agreements with a balanced risk-return framework for the public and private sectors

### ● UNIVERSAL HEALTHCARE

## Rethink insurance route

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While there have been calls for expanding Ayushman Bharat, the better alternative is to increase spending on public healthcare

**T**HE COVID-19 PANDEMIC has exposed the fault lines of Indian healthcare. This has strengthened calls for universal health coverage (UHC) in the country as a long-term reform. In this regard, there seems to be an emerging consensus around expanding coverage through Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (AB-PMJAY), which currently insures nearly 50 crore poor citizens for hospitalisation expenses. The High-Level Group on health advising the 15th Finance Commission is looking at it as a medium-term measure. In 2019, the NITI Aayog endorsed similar vision. Some recent measures like Maharashtra universalising its state health insurance scheme, free Covid-19 testing/ treatment under AB-PMJAY and 'express empanelment' to encourage private sector participation in AB-PMJAY, could be a prelude to universalisation of health insurance. Recently, the Director-General of WHO also recognised Covid-19 as an opportunity to speed up Ayushman Bharat with emphasis on primary care.

In ideal conditions, universal health coverage would extend to legions of currently uninsured citizens and reduce financial barriers to care, both over a short period. It could also help bring a large chunk of private healthcare under the public ambit, reduce informality in healthcare provision, pave the way for better regulation and oversight, and allow monopsonistic power to the state to negotiate for better and affordable care. It may also contribute to reducing regional disparities in healthcare services and fostering the adoption of cost-effective healthcare innovations. We shall now delve into the cons.

A noteworthy finding from the covid-19 pandemic is how the public sector comes in handy during times of crisis. The observation that states with higher per-capita public health spending have tackled Covid-19 better attests to this. It is also important to note that private healthcare interests aren't particularly aligned with managing infectious diseases and emergencies. Private hospitals under health insurance often prefer high-paying, non-communicable disease-related interventions. The private sector's sluggish response to Covid-19 under AB-PMJAY till date could be evidence of this.

While the lesson from the pandemic is to strengthen public healthcare, the insurance route to UHC could further weaken the public sector. Private providers would likely comprise an unduly large proportion of empanelled facilities, and public providers, with their weak infrastructure, are bound to lose out. Given the prevailing ethos of encouraging private-public partnership in already decrepit public facilities, the ruin of the public sector would be almost certain.

Expanding AB-PMJAY to the uncovered population through premium collections would be precarious given our huge informal sector. There is enough to indicate that such contributory systems fail to work in high informal-sector settings. The only workable option would be general revenue financing.

Schemes like AB-PMJAY could then only spend 'more' and purchase 'less and worse'. This has been evident from the experience of earlier schemes like the Rashtriya Swasthya Bima Yojana. Typically, under-regulated private-sector-led insurance models fail to address the problem of the impoverishing out-of-pocket expenses on health, and do little to address issues of equity and access. They also envisage large, unfruitful administrative expenses and pervasive malpractices.

Public-funded health insurance in India originally began as a populist measure to quickly expand healthcare to vulnerable sections and make a visible impact, conducive to electoral returns. The subsequent adoption of such schemes by various governments was driven by this ability to generate quick, visible results while disregarding concerns about long-term returns and ramifications. It is necessary to avoid getting carried away by such notions of convenience and political expediency, particularly since decisions taken now could resound for a long time to come. While there is a need to carefully rethink the insurance route to UHC, the pandemic has indicated that strengthening public healthcare is unquestionably indispensable. Not only can a robust public sector enable mounting an effective response to future emergencies, but even if the insurance route is opted, it can provide a counterweight to the private sector through its efficient functioning.

**G**EOERGE FLOYD'S DEATH at the hands—and under the knee—of Minneapolis police officer Derek Chauvin has triggered a wave of peaceful protests and violent rioting in most major cities across the US. Caught on video, it has driven home the perception that African-Americans are excluded from the US's grand narrative of progress, in which conditions supposedly improve over time.

The data bear out that perception. As per a recent Brookings Institution study, as of 2016, "the net worth of a typical white family is nearly ten times greater than that of a Black family." And though the US accounts for 5% of the global population, it is home to 21% of the world's incarcerated people, a third of whom are African-American.

Scarcely a week goes by without a new story about African-Americans dying at the hands of police or vigilantes. Each episode is met with media handwringing and calls for reforms of police procedures. But the problem is never resolved, in part because it is actually many problems.

For starters, many Americans have accepted that they live in a winner-takes-all society of deepening inequality. While the wealth and incomes of those at the very top continue to grow, tens of millions of Americans struggle to afford health care, childcare, and other basic goods. This story has been told many times over. But what often goes unremarked is that the responsibility for managing the social costs of this system has

## The US's mis-police state

For obvious reasons, the US's gun problem contributes to its violent crime problem

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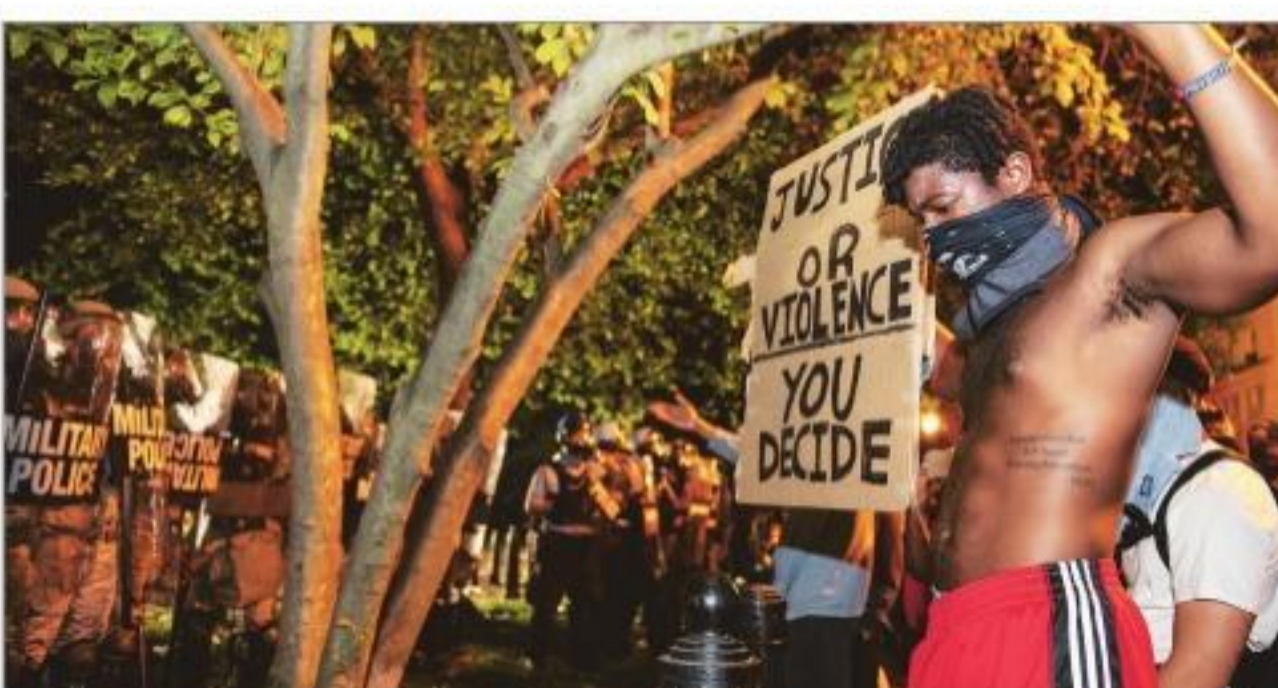
been offloaded onto the police.

Generally speaking, most police in urban areas are white and have little or no experience interacting with the populations within their jurisdictions. The familiarity gap is compounded by the fact that one in five police officers is a military veteran who previously conducted violent pacification efforts in Afghanistan or Iraq. These former soldiers have been primed to see the urban populations they police as threats to their own safety, at best. That, too, is borne out by the data. For example, in Boston, over 2010-2015, there were 28 complaints of excessive use of force for every 100 police officers with some military service, compared to 17 complaints for every 100 non-veteran officers. And Boston is hardly alone. The US is obliged

to place veterans in meaningful work. But, clearly, only individuals with a demonstrated record of effectiveness in deescalating tense situations should be permitted to serve as police in urban communities.

Chauvin is not a military veteran. But with 18 prior complaints filed against him, he embodies much of what is wrong with the US's policing system. After all, the US also has obligations to its urban poor. African-Americans in Detroit, Milwaukee, St. Louis, and many other de-industrialised urban areas live in conditions closer to those in South Africa and Brazil than to other rich countries.

In poor and economically insecure African-American communities, a multi-generational vicious cycle ensues. Children are born into an environment where inter-



actions with police have long been confrontational rather than cooperative. And the police, in turn, conflate suspicion and hostility with criminality. All too often, police assume that black males are suspects, and treat them accordingly. In response, many African-American men are primed to assume a hostile attitude toward the police.

The structures underpinning the US's racial disparities are the products of both negligence and design. Fixing them will require a multi-pronged strategy.

The first step is to heed Martin Luther King, Jr., and establish full employment as a core principle of economic policy. US Federal Reserve Chairman Jerome Powell has indicated that the Fed faces no effective limit on its ability to fund public investments. In that

case, it should take up spending proposals such as those in the Green New Deal and employ disadvantaged workers at good wages to drive advances in clean-energy and other key sectors of the future economy. Those without work records could be directed to public beautification projects at entry-level wages, which would enable them to start developing basic skills.

The COVID-19 crisis has demonstrated that much of what was previously considered unimportant work is, in fact, essential. From health-care facilities and food services to transport and sanitation, African-Americans disproportionately hold jobs that we consider least and, ultimately, depend on most. Yet, taking the federal minimum wage as a baseline, the US's essential workers are

the lowest-paid among high-income countries. Although the US GDP has increased by several multiples over the past 70 years, the federal minimum wage is a mere \$0.75 higher than 1950's, after adjusting for inflation. The message to essential workers is, "You don't matter." That must change.

Finally, Americans are grotesquely over-armed, and this problem has grown worse since the Tea Party takeover of many state governments during president Barack Obama's administration. In a country with almost 400 mn civilian-owned firearms, regulations on gun sales in many states have nonetheless been loosened. As a result, a city like Chicago, despite having a reasonable level of gun control, is awash in firearms, because one can drive an hour north to buy from Wisconsin's under-regulated markets.

For obvious reasons, the US's gun problem contributes to its violent crime problem. It also places significantly more stress on the police. Progressives and police organisations should recognise that they have common ground on the issue of gun control.

There are clear measures that could be taken to reduce the pressures on both our urban communities and those tasked with policing them. It is well within our power to strengthen the economic and social health of our cities while reforming police methods to encourage conflict de-escalation and resolution. There is no longer any excuse for inaction.

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