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PPP IN RURAL ECONOMIC DEVELOPMENT: BOON OR BANE!

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Abstract:

PPP in today's globalised world is seen as an efficient mechanism to develop infrastructure in developing economy and transform the static economy into dynamic economy. Despite more than six decades of planning, rural India is having high illiteracy, poverty, unemployment, ignorance, blind beliefs, and other social economic evils, when compared to Urban India. Government proposed PPP in rural development to utilize the private sector efficiencies to finance and build the socio- economic infrastructure in India.

The important sectors where PPP are suggested for rural development are to construct toilets, development of dry land, housing, health etc. In India, 625 million people defecate in open. It is 51 percent of India's population, where in 67 percent of them live in rural India and 14 percent in urban areas. 13 to 18 million families in rural India are reported to be landless of which about 8 million lack homes of their own. Dry land agriculture is an essential part of our world, but is neglected and it has to be rejuvenated. In rural India, the homelessness is a regular feature. Many are living in the houses which can be hardly called as houses. They live in grossly inadequate condition. 47.43 million Households did not have house by the end of 2012, of which 90 % were BPL households.

The PPP work efficiently, when there is strong government ably assisted by honest bureaucrats. But unfortunately India does not have the strong Government, Hence PPP for rural development is not a viable solution, but a strong and more responsible government with pro-active programmes and proper implementation of those programmes can change the face of rural India for Better.

KEY WORDS:

Inclusive growth, Rural Economic Development, Sanitation, Development of land, Housing, Positives, Apprehension, Alternatives, Village Development Plan, PURA, Socio-economic demographic indicators.

INTRODUCTION

PPP in today's globalised world is seen as an efficient mechanism to develop infrastructure in developing economy and transform the static economy into dynamic economy. The private sector efficiencies can used to finance and build the socio- economic infrastructure in India.

The PPP is generally defined as 'a partnership between a public sector entity and a private sector entity for the creation and management of infrastructure on commercial terms for public purpose for a

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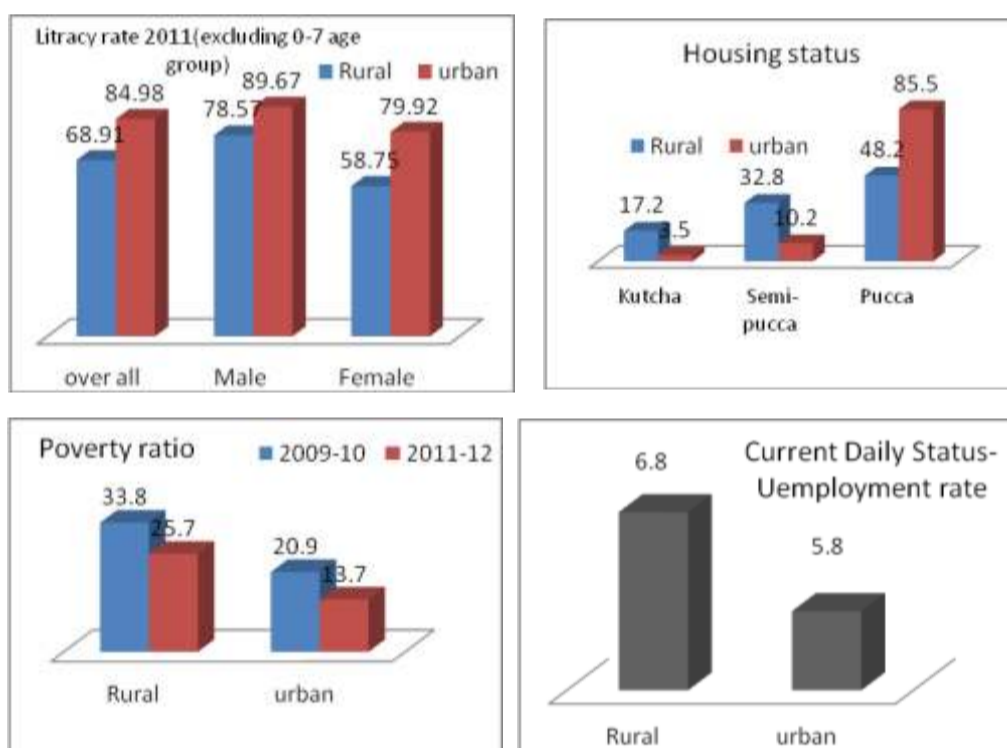
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specified period of time'. PPP is a joint venture of the public and private entities. In reality, the role of private sector in PPP is high as they finance, build and operate. The role of the government is to facilitate private entity, remove the inefficiencies in developing the infrastructure. There are good number of PPP models facilitating to suit to the need of the economic development. They include build, operate, transfer (BOT), build, own, operate (BOO), build, own, operate, transfer (BOOT), build lease operate (BLO) build, rehabilitate, operate, transfer (BROT) etc.

Government of India, since second five year plan, opted for the unbalanced development strategy. But unfortunately the expected trickledown did not happen and it led to huge imbalance in the economy. The income and regional disparities increased enormously. India still lives in her villages as 833.08 million (68.84%) lived there. But unfortunately illiteracy, poverty, ignorance, blind beliefs, and other social economic evils were high in rural India, where as employment opportunities, wages, percapita income, socio economic infrastructure were low in rural India when compared to Urban India.

The socio-economic demographic indicators of urban and rural India is given in Table No.1 which shows the glaring differences of two India's. The glaring disparities widened between rural and urban India, rich and poor, upper caste, OBC and disadvantaged castes, men and women etc., during post economic reforms in India.

Table No.1 : Socio-economic demographic indicators of urban and rural India

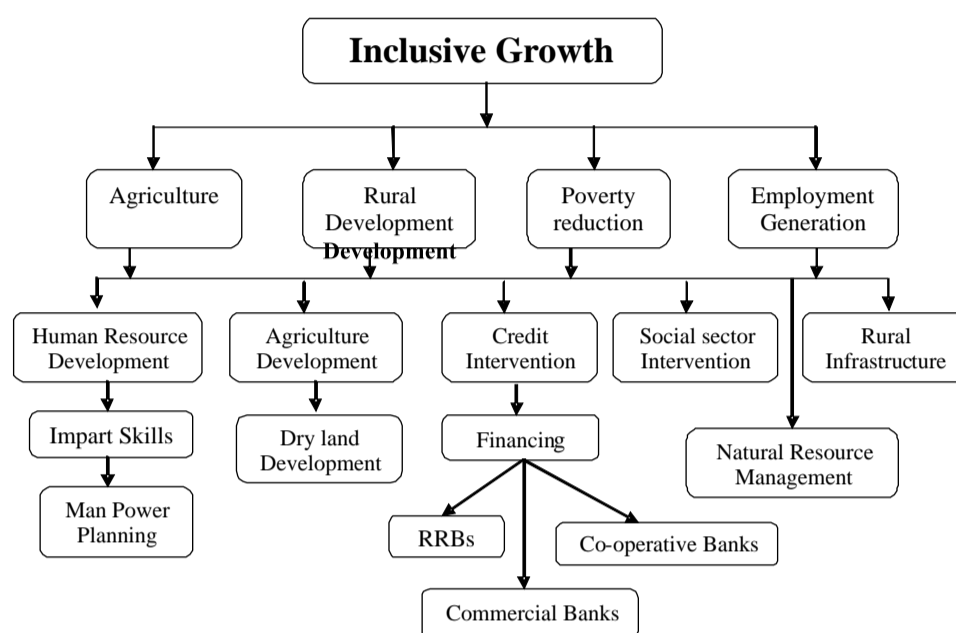


Source: Compiled from Census and NSSO data

When exclusion became more visible even to the closed ever sleepy eyes, the Government of India awoke from its slumber, initiated Inclusive growth as its growth strategy from 11th Five year plan (2007-12), which is continued as faster, sustainable and more Inclusive growth in the twelfth five year plan (2012-07). The inclusive growth aimed at including the excluded in the growth process. In order to give major impetus to inclusive growth, the government thought of integrated agricultural and rural development, poverty reduction and employment generation. Government also came out with many policy interventions for rural development through PPP. The important interventions among them are 1) Human resource development: Imparting Skills, 2) Agriculture Development; Dry land development 3) Credit related interventions: financing banks to assist livelihood activities, 4) Natural resource management: water shed programme, water harvesting, 5) Social sector intervention: housing sanitation and drinking water 6) Rural infrastructure: roads, irrigation, power, education, health and market. The following chart gives the

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information about the means the Inclusive growth is proposed to attain in India.



Let us discuss the present situation of those important sectors where PPP are suggested and try to find the feasibility of such a projects.

SANITATION

In India, 625 million people defecate in open. It is 51 percent of India's population, where in 67 percent of them live in rural India and 14 percent in urban areas (HRI 2012). The Union Minister of rural development Jairam Ramesh (2012) called it as "another distressing national shame". "The combined effects of inadequate sanitation, unsafe water supply and poor personal hygiene are responsible for 88 percent of childhood deaths from diarrhea, 21 percent of communicable diseases in India are related to unsafe drinking water" (UNICEF 2005).

Government has spent thousands of crores on providing sanitation facilities and much of it has gone in drain. The government constructed community toilets and after few months it was closed down due to lack of proper maintenance, both from the government and villagers! Then government sanctioned money to construct the individual toilet at houses, some of it, was also siphoned off as per tradition! Some took money for already existing toilets; others took for nonexistent toilet; all in the broad day light with bureaucrats and politicians are hand in glove to siphon off money meant for toilets! The hapless citizens too took the left over money; they were given and kept quiet.

POSITIVES

The private construction company will construct the toilets as per the specifications provided by the local government. The quality of the construction and the plumbing materials used there off will be good. If the private construction company has indulged in corrupt practices to get the contract, then one cannot expect the quality work from them.

APPREHENSION

If the private construction corporation is relative of the local powerful leader of the village or if the powerful leader (without ethics) is the actual CEO of private firm under wraps (!) the quality of work will again suffer as they siphons off the allotted money.

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Alternatives

If the PPP in providing sanitation facilities to all ruralities has to be successful, it has to be given to reputed firm from outside the district or to the firm from outside the state. The local government should strictly monitor and regulate the scheme. The quality can be evaluated by the villagers assisted by a technician.

Another alternative can be mooted through the villager's service co-operative unions. They will be given the money with the specified quality by local Government. As all the beneficiaries will also be part of the villager's service co-operative union, they will get the work done properly.

Development of land

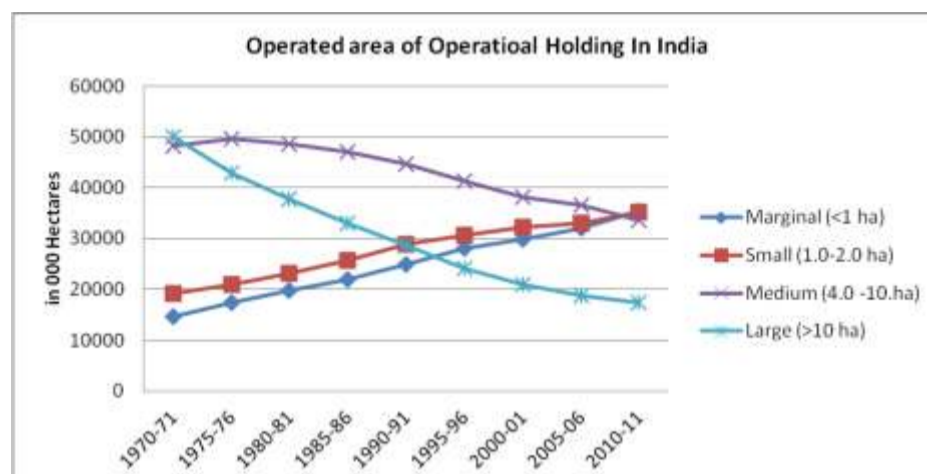
India is still regarded as agricultural economy as majority of people, one in two depends on agriculture. But the irony is less than 2 percent of budgetary support goes to agriculture, 13 to 18 million families in rural India are reported to be landless of which about 8 million lack homes of their own (Eleventh five year plan, 2007). Dry land agriculture is an essential part of our world. They contribute to ecosystems, livelihood and food security. Development of dry land involves addressing the issues of soil degradation, scientific analysis to know the quality of soil, land leveling, application of soil amendment, organic manures, community drainage system, bunding and ploughing, water management techniques for rain water harvesting through farm ponds and check bunds and other water storage structures on the private lands.



Source: Derived from the Agriculture census 2011 data

In India, the marginal and small farms are increasing. Hence the number of operational holdings has increased. The marginal (1 hectare) and small land (1.02- 2.0 ha) have increased from 70 percent in 1970-71 to 85 percent in 2010-11. There is a decrease in holding of semi medium (2.0 to 4.0 ha) from 15.04 percent in 1970-71 to 10.04 percent in 2010-11, whereas the medium (4.0 to 10.0 ha) has decreased from 11.76 percent in 1970-71 to 4.25 percent in 2010-11. At the same time the large holdings which were 3.89 percent in 1970-71 declined to 0.72 percent in 2010-11. The operated area of the operational holdings of marginal land holdings has increased from 35410000 hectares in 2010-11, which is the rise from 9 percent in 1970-71 to 22.24 percent to the operated area of operational holding period the share of small holdings to increased from 19282000 hectares to 35136000 hectares which has increase from 11.88 percent in 1970-71 to 22.07 percent of the total operated area of operational holdings the semi medium operational holdings increased from 29999010 hectares in 1970-71 to 37547000 hectares in 2010-11 which is increase of 18.49 percent to 23.58 percent to the total operated area of operational holdings. The large operational holdings decreased from 50064000 hectares to 17379000 hectares which is 30.86 percent to 10.91 percent of the total operated area of operational holdings. Majority of the small and marginal farmers are having the dry land.

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Source: Derived from the Agriculture census 2011 data

The dry lands are left to the mercy of rains. Government through its various programmes tried to increase the area under irrigation to which increased from 18.85 million hectares in 1950-51 to 63.19 million hectares in 2008-09. The important issue is that the major source of irrigation has shifted from canals to wells including tube wells. The area irrigated by tanks has declined. The area irrigated by wells and tube wells amounts to 61% of the total irrigated land. It refers that government in the period of six decades just doubled the canal irrigation from 8.29 million hectares in 1950-51 to 17 million hectares in 2008-09 (forgetting the small amount of investment in canals by private individual!).

The actual rise in irrigated area is due to private investment in the form of tube well and wells. This is without forgetting the government schemes subsidizing digging of bore wells and wells and providing them submersible pumps. It clearly shows that those who had money or who were influential got the government subsidy for bore well got the irrigation to their lands. But majority of voiceless poor people lands were excluded from the irrigation facility.

POSITIVES

Under these circumstances, dry land development becomes important. The majority of agriculture lands are in private hands, when the scheme aims at development of their land through PPP, they monitor it well, as it is their own land and get the project implemented successfully to develop their land.

Apprehension

The land reforms, distribution of land in favor of the actual cultivators and dry land development programmes were the noblest of the Government of India schemes. Unfortunately it was successfully failed by the landlords who were powerful leaders, both in ruling and opposition parties with the help of bureaucrats, who also eyed the share of profit in the form of piece of land. For example the state most affected by Zamindari system in India was West Bengal and it was the last state to adopt abolition of intermediaries in 1954-55, whereas the first to enact the law was Madras in 1948. The time taken to abolish the intermediaries in Bengal was enough for many Zamindars' to safe guard themselves.

Similarly the PPP in land development also made fade out, as the dry land under question belong to poor, disadvantaged sections. The rich and powerful may lobby and get the benefits of the policies to benefit them rather than the poor, but in the name of poor! Moreover, if all the poor and disadvantaged section farmers are benefited by the land development scheme, they will not go to rich /money lender to pledge their land nor go as agricultural labourers to work in their field. Hence PPP in land development of dry land has more hurdles, than one visualizes it.

ALTERNATIVES

Development of land through the land co-operatives of the village will be a viable alternative than PPP.

HOUSING

In rural India, the homelessness is a regular feature. Many are living in the houses which can be hardly called as houses. They live in grossly inadequate condition. For many poor ruralities, home is not sweet home! In rainy season, rain peeps in, during summer, the blazing sun lights peep in; in winter cold grips in, not only through the nonexistent windows and doors, but also through ceiling, which do exists! 47.43 million Households did not have house by the end of 2012 of which 90 % were BPL households. Lack of adequate investment, large scale displacement and severe agrarian crisis contributed to severity of the problem.

The government had spent lakh of crores rupees since first five year plan, on providing house to all those who lack houses, but is not successful. The government under various housing schemes provides nominal money to construct houses. Till recently government of Karnataka was providing Rs. 75,000 towards constructing a house for the beneficiary under Ashraya housing scheme, off late it was increased to 1.25 lakh rupees. The important question is how can one build quality house at Rs. 1.25 lakh rupees? The rates of construction materials have sky, rocketed, but still houses are constructed under these schemes with the taken money! In that case, central government and state governments must be felicitated for doing the impossible. In reality the members of the beneficiary's household will lend their labour in constructing the houses and also supplement their little savings (many a times, nonexistent!) and construct the low cost –low quality housing.

The quality of the houses constructed under the present government schemes vary between moderate to poor. The houses built under Indira Awas Yojana are claimed as better houses in relation to houses constructed under government schemes. An evaluation done by planning commission has found that houses constructed Indira Awas Yojana also lack quality.

The other crucial issue houses constructed under is the selection of BPL households under the government housing schemes. The politicians in order to keep their cadres /supporters at rural level intact will allot the houses to them or to the beneficiary list they forward. The followers in turn will collect the commission which further reduces the actual money spent on construction. Sometimes the actual poor will be left out in the process.

POSITIVES

The PPP between the government and a private housing firm to construct houses under various government schemes may be successful provided, the private housing firms uses the good quality, but low cost construction materials and skilled labour to construct the houses. The purchase of construction materials directly from a production unit in large quantities will bring down the cost and use of latest construction machines may help to improve quality and further reduce the cost.

APPREHENSION

If private Housing Corporation, get's the contract in the transparent e tender, greasing the bureaucrats (!), the private entity will take out that portion of money from the money allotted for construction. The private housing corporation in the guise of minimizing the cost (accumulating huge profit!) uses unskilled labour; the quality of house will further suffer.

ALTERNATIVES

Government should invest in research and development on low cost construction materials. If the varieties of low cost construction materials are available in the market and the government comes out clear cut specification and enhanced outlay, the cooperative housing society formed by the villagers with a technical adviser and accounts official appointed by government would be a viable alternative to construct a low cost but good quality houses.

The Government has already undertaken few steps to initiate PPP in few rural areas. The important among them are;

VILLAGE DEVELOPMENT PLAN (VDP)

As a pilot study NABARD launched Village Development Plan (VDP) since 2007. It is unique model of PPP for agriculture and rural development. The areas identified in the VDP are dry land farming, natural resource management, micro irrigation, rural housing, solar energy, rural habitat, and agro tourism

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and livelihood generation along with skill up gradation, women empowerment and entrepreneurship development. NABARD has implemented VDP in 75 village of Maharashtra with the intention of developing model for integrated rural development to be replicated in other villages all over the India. NABARD is planning to implement the VDL all over the country from 2012-13 after gaining the experience in villages of Maharashtra. But the programme is yet to take off.

PURA

The government is planning to implement the restructured PURA in the PPP mode and seeks to harness the efficiencies of private sector. PURA is the brain child of the former president of India A.P.J. Abdul Kalam. He, in 2003, on the eve of 54th republic day, in 2003, address to the nation suggested four connectivity's to lesser Urban, Rural Divide. They are 1) physical connectivity 2) electronic connectivity 3) knowledge connectivity and 4) economic connectivity. PURA aims at providing livelihood opportunities and urban amenities in rural areas to bridge the rural urban divide. It was implemented on pilot basis since 2004 in selected villages of few states.

Government since 2010 has invited private sector in PURA in order to achieve the holistic and accelerated development of villages. The selected private partners would be required to provide the amenities like drinking water supply lay and maintain roads, manage solid waste, manage sewerage and drainage, power distribution and street lighting.

The private partners is also expected to provide add on revenue earning facilities such as village linked tourism, integrated rural hub, rural market, agriculture service centers and ware housing.

But unfortunately, as many ambitious projects PURA also failed. On 24 February 2012 the rural development minister Jai Ram Ramesh admitted that PURA has failed. Hence he proposed a reworked PURA which he anticipated will succeed. The new PURA would focus more on physical infrastructure rather than on knowledge connectivity. The restructured PURA proposed to combine rural infrastructure development with economic regeneration in PPP mode and seeks to harness the efficiencies of private sector. In the first instance the restructured PURA is planned to implement in 2000 new towns.

CONCLUSION

Private entities will participate happily and actively only when the venture is profitable. They keep on eyeing the profits and are ready to squeeze the poor and ruralities. The toll roads developed under PPP are the best example; they initially make the public feel that PPP got those good roads, saved time and energy at affordable rates. Then later on they keep hiking the tolls to the abnormal rates. The National Highways Authority of India's (NHAI) increased the toll by 400 percent on the Kempegowda International Airport (KIA) at one go on 4 May 2014. There were huge protests, but neither the government nor private partner obliged. NHAI officials defended the hike stating that it has been calculated based on a formula approved by Parliament in 2008 and that the contractor (Navayuga Devanahalli Toll way Private Limited) has to recover the money spent on constructing the road. Oscar Fernandez, Union minister for highways also said it was transparent process and it is as per the law approved by the parliament. But why was the law approved in 2008 implemented all of sudden implemented on 4 May 2014 midnight was neither answered by the officials nor the minister.

The corrupt bureaucrats and politicians who will not intervene to help farmer get the right price will intervene to get the good price for PPP! The private sectors in capitalist economy do well in US and Europe as they have strong Government and minimal corruption. The PPP work efficiently, when there is strong government ably assisted by honest bureaucrats. But unfortunately India at present is neither having strong governments which can regulate private sector nor the honest bureaucrats (exceptions are there!) who can enforce the regulation in toto for the interest of their countrymen. Hence PPP for rural development is not a viable solution, but a strong and more responsible government with pro-active programmes and proper implementation of those programmes can change the face of rural India for Better.

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