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112

### Development of Competency Framework for Implementation of Urban PPP Projects

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In India, Public private partnership (PPP) model has been gaining a prominent place in policy initiatives for improving provision of urban services. The weak competencies in Urban Local Bodies (ULBs) for implementing PPP projects is recognized as a major hurdle in uptake of PPP model. This highlights the need for a systematic process for addressing the weak competencies in ULBs in the context of PPP projects. The first step in that direction is identification of competencies to meet requirements of urban PPP project lifecycle. The competencies were identified by the two pronged research strategy with extensive literature review and semi structure interviews with stakeholders associated with urban PPP projects. The identified competencies are represented in the form of a framework which consists of twelve competencies, grouped under four categories based on the phases of urban PPP projects. The competency framework can assist the policy makers in shaping strategies for competency development in ULBs.

**Keywords:** PPP, Urban Local bodies (ULB), Qualitative Research, Competency Framework

#### 1. Introduction

Widespread urbanization is rampant across the globe, and particularly prominent in Asia. The extensive urbanization in Asia is slated to make the twenty first century, Asia's urban century. Urban population in Asia is expected to be 55 percent of the world's population by 2030 (Mohan 2008). In India, there is now an unprecedented wave of urbanization across many states. According to the census of 2001, the urban population accounted for 28 percent of country's population. This is expected to rise further to about 40 percent by 2021 (JNNURM 2005).

The rapid growth in urban population in India has resulted in a phenomenal increase in demand for urban services. The existing urban infrastructure faces increasing strain due to the needs of rapid

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113

URBAN INDIA

urbanization. This strain has, in turn, resulted in deterioration in quality of urban services. Policy makers have recommended a series of reforms to address the urban infrastructure deficit issue. Delivery of urban services through public private partnership (PPP) model is one of the recommendations. The advantage of the PPP model rests in its potential to attract finances and efficiencies from the private sector. The Union and state governments have introduced many initiatives to encourage PPP for efficient delivery of urban services (Urban PPP). However, the full potential of the PPP model remains untapped. One of the important reasons for underutilization of PPP model is weak competencies in urban local bodies (ULBs) for implementing PPP projects (Bonu 2007). The ULBs are constitutionally responsible for providing urban services and over the years these ULBs have nurtured competencies in tune to traditional design-bid-build model of delivery of urban services. These competencies are, however, substantially different from those required for implementing urban PPP projects. Developments of competency in ULBs to meet needs of the urban PPP projects has thus become a central theme in the design of policy framework.

A critical challenge in addressing the competency gap in ULBs is the diversity and complexity of competencies associated with urban PPP projects. Competency-based management provides a systematic solution to meet this challenge. Competency-based management is defined as the application of a set of competencies to manage human resources so that performance contributes efficiently and effectively to organizational results (Draganidis and Mentzas 2006). Typical components of a competency based management system (CBMS), include: 1) Competency identification: involves process of discovering necessary competencies in order to fulfill organizational targets, the group needs and the job requirements, 2) Competency model: provides a narrative description of the competencies for a targeted job category, department or other unit of analysis, 3) Competency assessment: compares the current situation of competencies to those of a competency model, and 4) Competency development and monitoring: deals with approaches for addressing the gap in competencies and continuous examination of the results achieved by the competency development process (Draganidis and Mentzas 2006).

The identification of competencies for implementing urban PPP project is a central process in designing a competency development program. This process has to weave together the theoretical dimension reported in academic literature with the empirical dimension from functioning of ULBs, lifecycle of urban PPP projects and institutional environment of ULBs in a respective country. There have hitherto been no reported systematic studies on the identification of competencies for implementing urban PPP projects in India. Such process will provide a holistic view of competency requirement for implementing urban PPP projects, and help in development of competency framework which can be used for assessing competencies in ULBs. Subsequently it can help to address issues such as approaches for development of these competencies, constraints faced by ULB in development of competencies and roles the external agencies could play for development of competencies. Along these lines, the objective of this paper is to identify the competencies required for implementing urban PPP projects and propose a framework which can be used for assessing competencies in ULBs.

Written by Administrator

Wednesday, 10 April 2013 10:05 - Last Updated Tuesday, 23 April 2013 12:02

DEVELOPMENT OF COMPETENCY FRAMEWORK FOR  
IMPLEMENTATION OF URBAN PPP PROJECTS

114

The paper is organized as follows. First, the paper will introduce the concept of competency in the context of urban PPP projects. Then the research methodology followed for this research study will be described; subsequently the proposed PPP competency framework will be discussed in detail. The paper will conclude with future directions for research with relevance to policy makers and research community.

## 2. Concept of competency

Before embarking on application of competency based management for overcoming competency gap in ULB, it is of utmost importance to understand the concept of competency. There exist two dimensions of competencies - individual and organizational competency. Hafeez and Esmail (2007) explained these two dimensions of competency as follows: (1) At the individual's level, competencies represent skills, traits, characteristics and behavior that distinguish an individual, and (2) At organizational level, competencies are those activities that an organization has the capability to effectively perform given the required skills and knowledge.

The urban PPP projects have certain characteristics that pose challenge for individual competency modeling. These characteristics are: long term contracts, range of uncertainties and risks associated with PPP contracts, radical realignment of responsibilities and rewards among multiple project participants, and payment on the basis of delivery, availability and usage. An individual cannot be expected to possess the competence to deal with all these characteristics and ensure effective implementation of urban PPP projects. The individual competency modeling is also critiqued for absence of coherence between competency-based management and factors like context of organization, its culture, market place and surrounding environment (Stuart and Lindsay 1997). The process of individual competency modeling also often ends up being backward looking rather than future oriented with respect to strategy and organizational change. The concept of organizational competencies has advantages of creating linkages between these factors.

The concept of organizational competencies has its roots in the term core competency coined by Prahalad and Hamel (1990). Lampel (2001) studied the core competencies concept in detail and suggested application of this concept in Engineering-Procurement-Construction (EPC) projects by adopting a process approach to organizational competencies. The Construction Industry Institute has developed Owner Contractor Work Structure (OCWS), which defines competency as a project work process that is composed of functions and associated critical capabilities needed to develop and execute a capital project (CII 1997). The process view of organizational competencies has benefits like systematic approach to determining competencies and their sourcing, rationale for evaluating projects skills and resource requirement, forming a basis of organizational change and alignment of work relationship between project participants.

115

URBAN INDIA

## 3. Research methodology

For the purpose of this research study, the process view of organizational competency has been adopted for identification and modeling of competencies required for urban PPP projects. The overall competencies required for implementing urban PPP projects is termed as "the organization's wealth of competencies" and these competencies are represented in the form of a competency framework. The wealth of competency is a multidimensional construct, where each dimension represents one of the competencies. Each competency is considered a latent factor that can be evaluated through a set of observable functions that are conceived as the consequences derived from possession of these competencies (Escrig-Tena and Bou-Llusar 2005).

The research methodology adopted for this research study consists of two steps. In the first step, an extensive literature review of the relevant published literature was carried out. The literature review explored broadly three types of publications on urban PPP projects - academic journals, country specific guidelines and best practices guidelines by developmental organizations. The urban PPP projects have been investigated by researchers from varied disciplines viz. public management, public policy, construction management, economics, political science and sociology. As a result the review of academic journals ensured multidisciplinary perspective on urban PPP projects. The rich source of information provided by the guidelines was explored to understand institutional environment, procurement process and competency development initiatives for urban PPP projects.

The second step involved the qualitative approach for exploring competencies for urban PPP projects. The qualitative research is reported as a most appropriate method for areas which involve gaining novel understanding or obtaining the intricate details about the phenomenon (Strauss and Corbin 1998). The primary source of data was qualitative in-depth semi structured interviews. The aspects of qualitative research interviews mentioned by Kvale (1996) served as a guide for conducting the interviews.

An interview questions template was prepared for conducting the interviews based on literature review carried out in the first step, with an intention to provide guidelines to the interviewer. During the interview, precaution was taken to avoid confining the interview to the narrow boundaries of interview questions template; to obtain wide variety of information from the informants and explore relationships between themes.

In the past two decades, the PPP model has been making inroads into provision of urban services in India and recently it has attained greater momentum with various policy initiatives of the governments and developmental organizations for encouraging urban PPP projects. Given the geographical access to researchers and pace of activities related to urban PPP projects, the interviews were conducted in India. In all, 30 interviews were conducted between January 2008 and October 2008.

DEVELOPMENT OF COMPETENCY FRAMEWORK FOR  
IMPLEMENTATION OF URBAN PPP PROJECTS

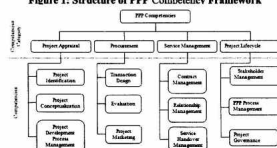
116

The interviews were conducted face-to-face or via telephone and the duration of the interview varied from 40 minutes to 1 hour. The interviewees were from organizations associated with urban PPP projects like public private partnership nodal agencies, non governmental organizations, research institutes, urban development department of state governments, ULBs, PPP advisory agencies and multilateral funding organizations.

Even though the number of interviewees is relatively small, it was ensured that the interviewees have been associated with urban PPP projects for many years and some of the interviewees were instrumental in implementation of the earliest urban PPP projects in India. Many of these interviewees are involved in urban PPP projects across many states in India and closely working with central and state governments on policy formulation for urban PPP projects.

The interviews were recorded and then transcribed. The transcripts of these interviews were analyzed using Atlas ti software. This software assists analysis of interviews, field notes, textual sources and other types of qualitative data. The interview transcripts were analyzed at two levels, the textual level and the conceptual level (Strauss and Corbin 1998). At the textual level, the open coding of transcripts was carried out to identify the concepts discovered in the transcripts. The process of defining the characteristics of the concepts evolved during the coding process by constantly making comparisons with the empirical evidences reported in literature pertaining to a particular concept. In that sense, the two steps involved in the research methodology were not necessarily sequential. At the conceptual level, the axial coding was carried out to relate various categories to subcategories. The linking between various categories and in some instances formation of new subcategories resulted into more precise and complete explanations of the concept. Repetitive analysis of transcripts at the textual and conceptual level were carried out in line with the process of 'moving between induction and deduction' (Strauss and Corbin 1998). The outcome of the process of coding, recording, formation of categories & subcategories and analysis of literature resulted in the formation of competencies framework for implementing urban PPP projects (Figure 1). The following section discusses the competency framework in detail.

Figure 1: Structure of PPP Competency Framework



Written by Administrator

Wednesday, 10 April 2013 10:05 - Last Updated Tuesday, 23 April 2013 12:02

117

URBAN INDIA

#### 4. Competency framework for implementation of urban PPP projects

The competencies framework for urban PPP projects consists of twelve competencies. Each competency has functions associated with it. Based on the phases of urban PPP projects, these twelve competencies are grouped into four categories - project appraisal, procurement, service management and project lifecycle competencies.

The project appraisal competency category focuses on the ability of ULB to assess the potential of a particular service to be delivered in PPP mode by translating the need into clear viable project concept and includes the competencies project identification, project conceptualization and project development process management. The procurement competency category focuses on the ability of the ULB to select private partner for implementation of urban PPP project and comprises transaction design, project marketing and evaluation competency. The service management competency category focuses on ability of ULB to manage delivery of urban services throughout concession period and planning for continuity of service in the post transfer phase and consists of competencies like contract management, relationship management and service handover management. The project life cycle competency category consists of the following competencies: stakeholder management, PPP process management and project governance. These competencies are associated with more than one of the phases in the lifecycle of urban PPP projects. The project lifecycle competencies form the heart of processes associated with implementation of urban PPP projects and these competencies should be seen as a vehicle for facilitating other competencies.

As part of research methodology, an in-depth analysis of interview transcripts was carried out and it provided rich source of information for each competency. For want of space it is difficult to present very detailed interview data related to each competency in this paper. As a sample, a few interview quotations have been presented at a couple of places while discussing the competencies below.

##### 4.1. Project identification

Urban infrastructure planning is often plagued by practices such as emphasis on fulfilling basic minimum needs without focus on spatial economic planning, lack of integrated approach to urban development and absence of financial sustainability in provision of urban services (Routra 1993). In this scenario, the development of integrated infrastructure plan for urban areas can play a critical role in overcoming the deficiencies in service provision (JNNURM 2005). Therefore, the first task involved in the project identification competency is analysis of urban service requirements with an integrated approach to urban development. An interviewee from a PPP advisory agency described the necessity of integrated urban infrastructure development and change in mind set of ULBs in the area of faced identification as follows:

"Need can be sometimes hazy. You have been exposed to a very constrained situation. So thought

DEVELOPMENT OF COMPETENCY FRAMEWORK FOR  
IMPLEMENTATION OF URBAN PPP PROJECTS

118

process is that you have certain amount of money. What can I do with that available amount? Rather than looking at what is the total requirement of the town, how much it will cost and hence what should I do?"

The ULBs are coping with growing responsibilities and shrinking financial resources and it is of utmost importance to prioritize the urban infrastructure investments. The project identification competency aims at harnessing private sector finances and efficiencies by identifying the potential opportunities for delivering urban services through the PPP model. This involves a renewed look towards delivering of urban services by identifying opportunities for synergy between strengths of public and private sector with PPP model.

Potential PPP projects can be identified with qualitative parameters like willingness to pay by users, revenue streams, opportunity to transfer risk, examples of prior successful PPPs in similar sector, legal framework, political commitment and macroeconomic factors. The ULBs may come across competing potential PPP opportunities. Under these circumstances, the project identification competency enables the ULBs to select appropriate PPP projects which are socially, economically and financially attractive. The preliminary analysis of potential PPP projects, with project identification competency, ensures integration of PPP projects with much larger urban infrastructure development plan for a city, clarity on benefits of PPP, project ownership among stakeholders and win - win situation to stakeholders in long run.

##### 4.2. Project conceptualization

The project conceptualization competency functions as a critical link between the two important processes in urban PPP projects - identification of potential PPP projects and undertaking comprehensive project feasibility studies. The partnership with private sector transforms the various aspects of urban service delivery, such as change in role of ULB from provider to facilitator, complex interrelations between multiple stakeholders, focus on output specifications, and influence of risks, technology, finance & institutional environment on service delivery mechanism (Akitoye et al. 2003). Project conceptualization competency is concerned with sensitizing the ULB on these aspects of urban PPP projects. It involves establishment of project objectives in terms of meeting service output needs, and assessing pros and cons of different project delivery options like Build Operate Transfer (BOT) and management contract. In the process of analyzing project delivery options, the ULB can investigate the constraints associated with different options like inability of users to pay user charges, political opposition to user charges, lack of legal framework and weak institutional capacity of ULB to implement certain processes of PPP projects. These constraints will help in defining the boundaries of the PPP projects and improvements for paving the way to PPPs.

Risk management is at the heart of PPP projects and is often given minimal priority by the public sector during delivery of infrastructure services (Grimsey and Lewis 2004). The analysis of major

119

URBAN INDIA

risks associated with the PPP projects is one of the tasks of project conceptualization competency, with an intention to bring clarity to roles and responsibilities of public and private sector. The outcome of project conceptualization competency can be culminated in the development of preliminary PPP structure of the project. It will be a critical enabler to guide discussions within the elected and administrative wings of ULB, for decision on committing resources on project development.

##### 4.3. Project development process management

Weak competencies of the urban local bodies in shaping the project proposals and the resulting unattractive project opportunities is one the main reasons for poor response from private sector to PPP projects. Project development is a critical process in urban PPP projects and often the pitfalls experienced in the later part of PPP project lifecycle are traced back to this process. Policy makers have recognized this criticality; consequently various policy initiatives are being formulated to ensure quality of project development process (Dutz et al. 2006). The aim of project development process management competency is to undertake project preparation studies for informed decision-making by the ULB on implementation of urban PPP projects. In the project development process, the potential of PPP projects is investigated in a multitude of dimensions like finance, engineering, economics, and sociology to ascertain if the project is aligned with the expectations of stakeholders.

The process is resource-consuming both in terms of finance and time duration. The ULB has to carefully draft the terms of reference for appointment of advisors, keeping in mind two conflicting objectives: availability of financial resources and time duration, and adequate analysis of the projects. The quality of project preparation studies is linked to the expertise of advisors; therefore the process of appointment of advisors has to be handled carefully. The responsibility of ULB does not stop with the appointment of advisors, since it is necessary for the ULB to work closely with advisors during project development progress. The advisors expect the inputs from the ULB in the areas of risk management, baseline information, aspirations of elected councilors, administrators and citizens, and motivation behind partnership with private sector.

The ULB has to direct and shape the project development process, and with the assistance of advisors assess the value for money in provision of urban services with PPP model. The value for money is investigated with parameters like scope of innovation in design and service delivery, definable revenue stream, potential for risk transfer, and economic efficiency of bundled contracts by combining design, building and operations of urban infrastructure (Akitoye et al. 2003; Grimsey and Lewis 2004; Murphy 2008). The closer involvement of ULB in project development process provides benefits in many ways, such as improvement in quality of project development process, better explanations to stakeholders on expected outcome of the project and informed decision making. On a final note, it should be recognized that project development process needs to be handled carefully because it is a major milestone wherein urban PPP projects makes the transition from background work to going to market.

Written by Administrator

Wednesday, 10 April 2013 10:05 - Last Updated Tuesday, 23 April 2013 12:02

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#### 4.4. Transaction design

After the ULB decides to implement the PPP project, the process makes transition towards the selection of a suitable private partner for the urban PPP project. In comparison with the traditional model of infrastructure development, substantial amount of risk is transferred to the private sector under the PPP model. These risks cover broader dimensions of urban PPP projects like social, political, economic, legal, technical and environmental and are much more complicated than traditional public procurement. In these circumstances, the private sector must have skills to manage these risks and provide the urban services efficiently. The selection of private partner with appropriate skills becomes a priority for the ULB. The designing of the bidding process and related documents is first step in that direction and is the focus of the transaction design competency. The transaction design consists of establishment of a set of prequalification methods, tender evaluation methods, risk framework as well as drafting of project advertisement, prequalification document and concession agreement (Zhang 2005a). The ULB would have to choose from different types of bidding processes, prequalification methods and tender evaluation methods to design transaction appropriate for the urban PPP projects.

The public sector is often reluctant to accept the risk, leading to formulation of one sided contracts. The ULB has to realize that the PPP can offer value for money if the risk is allocated to the party best able to manage it. During the process of development of concession agreement, the ULB should ensure the alignment of risk among stakeholders equitably. The design of concession should take into account complex factors like flexible vs. rigid contracts, length of contract, extent of non competing clauses, revenue sharing mechanisms and output specifications (Ortiz and Buxbaum 2008). The concession agreement seals the fate of stakeholders over the long duration of the project, therefore the ULB has to address these factors with due care.

The transaction of the PPP project cannot be designed in vacuum, without knowledge of the trends in PPP market place. In this case the interaction with the prospective private partners early in the transaction design process has the potential to improve transaction design. This interaction is facilitated by the project marketing competency, discussed in the next section.

#### 4.5. Project marketing

The private sector responds to the opportunities in the PPP market place based on factors like bottlenecks faced in earlier PPP projects, political & administrative commitment to the project, presence of conducive legal - institutional environment, risks associated with the project and competence of contracting authority. Zitron (2006) noted that the private sector's decision on bidding for a PPP project comprised of two assessments: the perceived risk of bidding and risk of the project. The second assessment deals with the level of trust in the ULB's competence and commitment. The creation of link between public and private environments holds the key to reducing perceived risk of

121

URBAN INDIA

the project.

Project marketing competency aims to promote dialogue between public and private sector to encourage competition among private players and foster the development of PPP marketplace in the long run. An interviewee from a PPP nodal agency spoke about how his organization tries to market the urban PPP projects and prevailing scenario in PPP marketplace:

"We identify prospective partners and directly talk to them. We ask them to come and participate. Today the days are gone when you will give advertisement and private partners will come. We request them, meet and talk. Send mailers and explain all the doubts. With these efforts, the private partners will come and bid for the project. So basically just by putting the advertisement they will not come."

A wider competition among private players is required to achieve value for money in urban PPP projects. Dornberger and Jensen (1997) describe the need for competition with auction theory, which suggests that competition among private players leads to efficient prices and more number of bidders puts pressure on prices. The information on pipeline of PPP projects could be disseminated to the private sector by holding workshops or discussion with construction companies, financiers, and advisors. The opening of two way communication channels, before commencement of formal bidding process, would assist in understanding concerns of private sector and instilling confidence in PPP project.

During the actual bidding process active dialogue should be continued by holding briefing/pre-bid meetings with potential project participants. It is necessary to provide satisfactory responses to the queries raised by private sector. The feedback can be received from private partners to identify areas of improvements in the project structure. During communication with the private players in the PPP marketplace, the hallmark of public procurement system, credibility and transparency, should be maintained by the urban local body. It should avoid risk of restricting competition or giving one private player unfair advantage over another during project marketing process.

#### 4.6. Evaluation

The efforts expended in the transaction design and project marketing process can bear fruit with selection of sound private partner to implement urban PPP projects. This depends on the evaluation competency in ULB to assess the responses received from the private sector at expression of interest, request for qualification and request for proposal stages in procurement process. The provision of urban PPP project demands varied competencies in the private partner and it is difficult to find these competencies in a single private party. Naturally the competencies for urban PPP projects are consolidated from different partners under the umbrella of consortium or special purpose vehicle for the project. The evaluation of responses received to request for prequalification becomes a complex

task as the strength of consortium to provide the urban services is assessed as a whole. Therefore while short listing bidders in the pre qualification procedure, the urban local body has to look into different attributes of the consortium like technical - managerial - financial capability (Tiong and Alum 1997).

The innovative and entrepreneurial spirit of the private sector results in diverse alternatives for fulfilling outcome specifications of PPP projects. The ULB should be in a position to identify the advantages, disadvantages and risks involved in each of the proposals as well as the outcome each proposal may produce. The urban local body should bring expertise in tune with the proposal submitted by private sector for reviewing the proposal. Otherwise different perspectives on the project proposal can result in protracted tendering times and negotiations between parties.

The selection of a private partner in a PPP project comes under intense political scrutiny and the urban local body should conduct the evaluation process in a transparent environment and avoid urban PPP projects getting embroiled into political controversies. The evaluation of the proposal should be carried out as per the process described in the bidding documents and the project would be awarded to the private partner satisfying these necessary conditions. The award of work to the private operator is often incumbent upon achievement of financial closure and getting other necessary approvals within specified time period. In the current scenario of financial adversities, the private partners face difficulties in raising equity and debt for the projects. The private sector also faces challenges in obtaining approvals from other government departments for commencement of project. The urban local body has to extend the cooperation to the private partner in these circumstances for speedy resumption of project work.

#### 4.7. Contract management

The conversion of the well drafted contracts and specifications into output - provision of urban services is the joint responsibility of the urban local body and private sector under PPP model. With adoption of PPP contract, the role of urban local body changes from provider to facilitator or manager of urban services.

Contract management competency aims to ensure that the roles and responsibilities of the parties to the contract are fulfilled during construction and operation phase of project. The principal agent theory can be a guide for explaining the process of contract management in urban PPP projects. The PPP project involves the principal - the ULB, which signs the contract with the agent - private partner for delivery of urban services. Even though the principal and agent decide to work together in cooperative spirit for fulfillment of project objectives, the differing goals of these parties may create conflict between these parties and affect the provision of urban services (Bloomfield 2006). PPP contracts are prone to post contractual opportunism because of monopolistic nature of urban services and information asymmetry (Murphy 2008).

Written by Administrator

Wednesday, 10 April 2013 10:05 - Last Updated Tuesday, 23 April 2013 12:02

---

123

URBAN INDIA

The ULB has to realize that the PPP contracts are not self governable and the ultimate responsibility of provision of urban services lies with principal. Therefore it should create a scheme for monitoring the performance of private operator and evaluating remedial actions taken by the PPP operator in case of defaults. The occurrence of disputes is quite natural considering complexity and long duration of PPP contracts. The urban local body has to resolve the disputes as per mechanisms in PPP agreement.

Traditionally the ULBs have been implementing the urban infrastructure projects with input oriented specifications, whereas the urban PPP projects are driven by output specifications. While assessing performance of the private operator the urban local bodies should stick to monitoring outcome of PPP projects. Even though the urban PPP projects have focus on customer satisfaction by representing urban citizens as customers of urban services, it should not lead to weakening of citizenship values such as fairness and social justice (Brewer 2007).

The interface with urban citizens could be enhanced by giving representation to urban citizens in the performance monitoring mechanism and analyzing service user's feedback about PPP operator's performance on an ongoing basis. It is customary to consider the contract management as a process to ensure fulfillment of the obligations of the private partner. But the urban local body has to appreciate that fulfillment of governments obligations as per PPP contract are equally necessary for nurturing spirit of partnership.

#### 4.8. Relationship management

The transaction cost economics provides a framework for governance of the contracts with ex ante incentivization and ex post governance. The ex ante incentivization could be dealt in formulation of appropriate risk reward profile for project participants and ex post governance involves contractual and relational governance of project (Turner 2004). The functioning of contractual and relational governance should be viewed as complementary for urban PPP projects (Grimsey and Lewis 2004; Popo and Zenger 2002). The ULB should strike a right balance between contract management and relationship management in implementation of urban PPP projects. This means that trust, flexibility and cooperation between the project partners is as important as performance monitoring and dispute resolution procedures. The PPP model emphasizes the spirit of cooperation, as opposed to customary arm's length procurement and it replaces long term individual utility maximization with long term mutually reinforcing cooperation for efficient long term contracting behavior (Edkins and Smyth 2006). The relationship management competency focuses on development of relationship between the ULB and private partner involved in the provision of urban services under PPP model. It has to be accepted that the mere mentioning of flexibility, trust and mutual cooperation in the contracts does not translate into cooperative spirit between the partners.

In the long term, the public sector has a tendency to relinquish cooperative spirit in favor of legal and potentially adversarial contracting (Edkins and Smyth 2006). In most cases the cooperation with

#### DEVELOPMENT OF COMPETENCY FRAMEWORK FOR IMPLEMENTATION OF URBAN PPP PROJECTS

124

private partner is understood as an individual trait rather than an organizational response. In such circumstances, formulation of collaborative systems and procedures could reinforce relationship management principles in the urban local body. This collaborative procedure could assist in recognizing impending events leading to disruption in provision of urban services and disputes between the partners. Accordingly both partners, with cooperation from other stakeholders if situations demand, could take appropriate measures to avoid these events at the earliest. An interviewee from a PPP nodal agency remarked:

"Wherever there is a default by the private partner, the urban local body should try to settle it locally. It should not escalate into dispute and finally result into the failure of the contract. They should try to resolve issues then and there. That kind of attitude is required."

PPP projects may involve new and untested output specifications and concepts, causing difficulties to the private partner. The ULB is expected to act with a spirit of cooperation to assist the private partner tide over these bottlenecks. Similarly the ULB has a wealth of experience in managing interface with urban citizens as well as other stakeholders like governmental agencies during provision of urban services. The private partner may come across challenges in the areas of handling customer complaints, obtaining approvals from other governmental agencies wherein the urban local body could draw on this wealth of experience to ease these situations.

#### 4.9. Service handover management

The urban services form a critical part of the daily life of urban citizens; the disruption in its provision may throw life out of gear. Therefore it is necessary for the urban local body to ensure continued delivery of urban services at the end of the concession period. This is the focus of service handover management competency. The ULB has to plan for service handover looking into aspects like remaining duration of ongoing contract, governmental procedure for deciding future course of action and contract clauses pertaining to service handover management in the concession agreement of ongoing PPP project.

As the end of the concession period draws closer, the ULB has to initiate dialogue among stakeholders like municipal councils, governmental agencies, various departments within ULB and citizens to decide on future strategy for provision of urban services. The options may include in-house provision, extend services of existing private partner or development of new PPP contract for provision of urban services. Accordingly the clear schedule for service transfer and responsibilities of stakeholders has to be decided for smooth transfer of urban services. The ULB has to avoid gaps in responsibilities as it may prove costly in later parts of the service handover process. The existing concession may include provisions on training of public sector employees, joint inspection mechanism before transfer of assets, employee transfer from private party to new institution (Zhang 2005b). The ULB has to make sure that the contractual commitments have been met. The end of concession period marks a milestone

125

URBAN INDIA

and it is very important to draw lessons from the lifecycle of urban PPP projects.

The post implementation evaluation of urban PPP projects could verify meeting of policy objectives, namely value for money, fulfillment of schedule, cost and quality criteria, risk transfer and project governance. This review can provide the much needed feedback for further improvement of policy and guidelines on urban PPP projects (UNEP 2008).

#### 4.10. Stakeholder management

The prevailing complex environment necessitates the government to ensure cooperation of stakeholders like private sector, interest groups, citizens, employee unions and so on for formulation and achievement of policy objectives. The stakeholder management competency aims to garner resources, strengths and cooperation of stakeholders at various phases of the urban PPP projects, with the ultimate aim of delivering efficient urban services. The objective of stakeholder management can be viewed from diverse perspectives like ethical, strategic management and opportunity for social learning (Mathur et al. 2008). These perspectives have a common thread through them - stakeholders have resources such as funds, organization, representation, and knowledge essential for implementation of urban PPP projects.

The first step in the process of stakeholder management is identification of stakeholders associated with urban PPP projects. The stakeholder identification is in itself a challenging process, requiring holistic and long term vision of the PPP project. The stakeholder can be categorized in the following manner (Jepsen and Eskerod 2009): 1) influence of stakeholders on decision making process, 2) possession of following three attributes: power, legitimacy and urgency and 3) association with the ULB like internal and external. The urban local body has to devise an appropriate two pronged strategy which ensures involvement of stakeholders and management of relationship with stakeholders throughout the PPP project lifecycle.

Often urban citizens and special interest groups do not show interest in participating in stakeholder consultations, owing to the common notion that the decisions on policy formulation have already been made. This resentment among the stakeholders may prove detrimental to the effectiveness of PPP project. The ULB can win the trust of stakeholders by initiating dialogue with these stakeholders in the initial phase of the project and incorporating contributions of the stakeholders in the implementation of urban PPP projects.

The extensive stakeholder consultation exercise may be perceived by politicians as a threat to their powerful positions in decision making process; therefore they may become reluctant to actively participate in the deliberations. The constructive role of politicians can be ensured by including the stakeholder consultation within the formal decision making framework. Hence, it is important to provide appropriate and transparent process for reducing the potential political risks and define the new role of the politicians in the process.

Written by Administrator

Wednesday, 10 April 2013 10:05 - Last Updated Tuesday, 23 April 2013 12:02

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#### 4.11. PPP process management

The lifecycle of urban PPP projects consists of distinct processes; each process involves different stakeholders, competencies, governmental procedures and constraints. Given the complexity of processes, the ULB has to ensure effective management of these processes for achieving long term benefits of the urban PPP projects. The success of PPP project cannot be judged merely based on the structuring of a win-win deal or selection of private operator but realizing value for money in provision of urban services. It draws attention to the fact that the achievement of value for money is the sum total of effective management of diverse processes involved in implementation of urban PPP projects.

The PPP process management competency aims to manage the processes associated with the urban PPP projects. A review of literature has shown various styles of managing PPP projects viz. process and project management, and institutional arrangements for managing these projects. Urban PPP projects evolve over the course of project implementation and it is very difficult to accurately predict the exact course the PPP project. Process management scores higher over project management in PPP projects because of advantages in terms of traits like openness, support, research as joint fact finding, relation orientation and flexible. The focus of process management is on guiding the process by reacting flexibly to changes and by bringing actors together in implementation of urban PPP projects (Edelenbos and Klijn 2009).

Each process associated with implementation of urban PPP projects requires different competencies and it may involve creation of teams for realizing these competencies. The ULB has to play a key role in formation and management of these teams in tune to requirements of project processes, governmental policies, rules and regulations. When managing these processes, the ULB should not lose the overall picture, as the management of these processes in a fragmented manner could affect long term benefits of urban PPP projects.

The difference in the corporate culture and interest between the public and private sector has possibility of creating tension during project shaping and delivery of urban services. The private sector perceives the public sector as a multi headed monster with absence of clear accountability framework (Koppenjan 2005); this belief is not far from reality wherein current institutional arrangement for delivering urban services shows overlapping of roles and responsibility of government agencies. The PPP process management is expected to bridge this gap by formulation a systematic process for organization of urban PPP projects. It involves formulating clear decision making processes, regular communication between stakeholders as well as within the ULB, realistic planning, and coordinating stakeholders. The ULB has to take the project through a labyrinth of problem contexts and solutions, political influences and administrative bottlenecks, with an objective of keeping the project processes on course and project completion within optimal time and budgeted resources.

127

URBAN INDIA

#### 4.12. Project governance

The heightened importance to governance of PPP projects resulted in release of guideline by United Nations Economic Commission for Europe on promoting good governance in PPPs (UNECE 2008). This guideline described the following six core elements of good governance in implementing PPPs - fair and transparent selection process, assured value for money, improvement of essential public services especially for the socially disadvantaged, fair incentives to all parties and fair returns for risk takers, sensible negotiation of disputes and general improvement in the safety of services provided under PPP arrangements. The focus of project governance competency is to integrate these six core elements into implementation of urban PPP projects.

Before embarking upon urban PPP projects, the urban local body has to formulate strategic objectives by gaining better understanding of infrastructure development and organizational goals. The urban local body may have to weigh objectives such as social, economic, environmental and financial, which may orient towards a shared goal (Dominguez et al. 2009). The ULB has to provide strategic direction during the lifecycle of the urban PPP project while considering both the long and short term implications of the decisions. The decisions taken during the lifecycle of urban PPP projects has influence on the issues like regional planning priorities, meaningful community consultation, community benefits, risk transfer to private partner, policy flexibility to plan and meet future community needs, and project level innovation (Murphy 2008). When finding solution to these issues, the ULB should understand that the "outcome of decision making" is as important as "how decisions are made".

The ULB has to maintain public confidence during implementation of urban PPP projects by showing that decisions made are in the interest of public. In this scenario, ingraining the principle of transparency and fairness in urban PPP projects plays a major role. The process of consultation and cooperation with the private sector in policy formulation is an accepted practice; however it should not lead to collusion between the government and the private sector. The ULB has to ensure fairness in procurement process by providing equal opportunity to all private players for participation in bidding process, reprimanding private players that attempt to influence the procurement process and sharing information about changes in bidding documents and minutes of period meeting.

Urban PPP projects may require resources in terms of finance and competencies; the ULB has to provide the resources commensurate with the urban PPP projects. The optimal risk allocation between stakeholders associated with the project forms the crux of the urban PPP projects. In order to achieve optimal risk allocation it is necessary to determine which party has the best capabilities to accept the risk along with when and how these risks / risk factors could be allocated plays an important role (Abednego and Ogunlana 2006).

Accountability is the hallmark of the public procurement process and it is necessary to create an

accountability framework for urban PPP projects. This involves designing clear roles and responsibilities of different players such as municipal councillors and bureaucrats, who are responsible for management of resources and deliver required outcomes. The governance of PPP project requires the public sector body to play multiple roles in urban PPP project viz. project promoter, facilitator, provider of financial resources and protector (Miller and Hobbs 2005). The ULB should be in a position to manage these conflicting roles to ensure that the project outcomes are consistent with the strategic objectives.

#### 5. Conclusions

The weak competencies in ULBs for implementing PPP projects is one of the key bottlenecks in mainstreaming PPP model for delivery of urban services. The first step in the direction of addressing this bottleneck is to investigate the competency requirement of urban PPP projects. In this research study, competencies for implementing urban PPP projects are identified as project identification, project conceptualization, project development process management, transaction design, evaluation, project marketing, contract management, relationship management, service handover management, stakeholder management, project governance and PPP process management. These competencies are represented in the form of a competency framework, which comprised of four competency categories and functional indicators associated with each competency.

It could be realized from the framework that the competency requirement for a PPP project is dynamic in nature and it changes across different phases of the PPP project lifecycle. These competencies are substantially different from the competencies nurtured by the urban local bodies for implementing urban infrastructure project with traditional models. The PPP model demands the role transition of ULB from provider to manager of urban services. The competency profile of urban PPP project puts forth challenges to the ULBs to acquire, develop and manage these competencies. The competency framework can provide guidance in formulation of policy frameworks for addressing weak competencies in ULBs for implementing PPP projects.

The PPP competencies framework is generic in design and can be extended to any urban infrastructure like municipal solid waste management, urban water supply and sanitation, urban roads, street lights etc. This framework can provide the basis for development of a tool, which can be used for assessing competencies in ULBs for implementing urban PPP projects in a specific urban infrastructure sector. Further, this framework can assist analysis of various dimensions of competency development in ULBs for implementing urban PPP projects, namely, approaches for development of competencies, areas of involvement of external agencies for supplementing competencies and constraints faced by ULBs in competency development.

Written by Administrator

Wednesday, 10 April 2013 10:05 - Last Updated Tuesday, 23 April 2013 12:02

129

URBAN INDIA

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- 131
- URBAN INDIA
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