

# Development of Smart Cities and role of Joint venture as a Public-Private Partnership (PPP) : a major vehicle of resource mobilisation

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## Abstract

Infrastructure is a key enabler and empowers the economy to grow. The Government, both at the Centre & State level, has realized this and there is a conscious thrust by them to build the infrastructure of the Nation in a big way. Government has put a step forward by announcing the concept of smart cities. Instead of being “intelligent”, a Smart City simply tried to create a more pleasant city innovative technologies that aim to build the city of tomorrow with one major objective: to simplify, optimize and streamline cities and the services they offer, for the benefit of all citizens.

Infrastructure development has limitations due to scarcity of funds and scare budgetary resources. Hence, government has allowed the participation of private firms, in public beneficial programme. Government is trying to attract private sector investments to this sector by taking appropriate steps to issue the clearances and by simplifying the procedure in this regard.

Joint ventures (JVs) facilitate the combination of economic resources, skills and knowledge required for projects. The use of the JV set-up in the construction industry has become necessary in order to secure a large scale project or one that is beyond an individual firm's capability. This paper deals with the concept of Joint Venture. Much of the discussion in this paper relates to the smart city development and role of PPP along with advantages, disadvantages and risks related to JV .

Keywords:-Infrastructure, Smart Cities, Joint Venture, Risk, SWOT analysis

## 1 Introduction

The idea of smart city came into formulation owing to the need to accommodate rapid urbanization. Interest in smart cities continues to grow, driven by a range of socioeconomic and technological developments across the globe. It is due to the increasing number of smart cities that established suppliers from energy, transport, buildings, and government sectors are moving into the smart city market, while start-ups are addressing a range of emerging opportunities in the same field.

India is drawing on the development of smart cities at the global level. Prime Minister Narendra Modi's vision 'Digital India' has a plan to build 100 smart cities across the country. Smart Cities would be developed as satellite towns of larger cities and by modernizing the existing mid-sized cities. Government of India (GoI) has recently pledged to create 100 new Smart Cities in the country. It has a sense of urgency , the first 20 cities will be selected for funding with development beginning in 2015-16.

The smart city project in India is part of a \$1.5tn global market opportunity. The business opportunities that come along the smart cities mission in India can be seen as a source of great potential for Flemish businesses who are involved in products and solutions within the smart technology, sustainable solutions and hi-tech space. A smart city can contribute towards improved governance and efficient management of infrastructure such as water, energy, transportation and housing and to a higher quality of life.

The Government of India released the list of the first 20 smart cities first week of February 2016. Tenders for the shortlisted 20 cities will be floated over a span of next few months. 1. Bhubaneswar 2. Pune (Maharashtra) 3. Jaipur 4. Surat 5. Kochi 6. Ahmedabad 7. Jabalpur 8. Visakhapatnam 9. Solapur (Maharashtra) 10. Davangere 11. Indore 12. New Delhi (NDMC) 13. Coimbatore 14. Kakinada 15. Belgaum 16. Udaipur 17. Guwahati 18. Chennai 19. Ludhiana 20. Bhopal

Smart City is not a destination but a series of steps in that direction. Given that the urbanisation level in India is still at just around 31 per cent, far lower than China's 54 per cent, Brazil's 90 per cent and well over 80 per cent in most developed economies. The short list of 20 cities is a decisive step in this direction, considering that these cities have already furnished plans to cumulatively mobilise resources over the next five years .These include an integrated urban planning effort with a sharper focus on infrastructure, land use planning, transport, design and architecture. The core infrastructure elements in a Smart City would include:

- Adequate water supply
- Assured electricity supply
- solid waste management

- Efficient urban mobility and public transport
- Affordable housing, especially for the poor
- Robust IT connectivity and digitalization
- Good governance, especially e-Governance and citizen participation
- Sustainable environment
- Safety and security of citizens, particularly women, children and the elderly
- Health and education

As far as Smart Solutions are concerned, an illustrative list is given. This is not, however, an exhaustive list, and cities are free to add more applications.

These 20 cities will be the first to receive funds, hence kick starting the process of developing them into 'smart cities'. The 20 selected cities will now set up special purpose vehicles (SPV's) and start implementation of their proposals, prepare detailed project reports, float tenders etc. All the cities have proposed public-private partnership (PPP) as a major vehicle of resource mobilisation, said the minister. 10 of the 20 cities have proposed to mobilise Rs 8,521 crore (Euro 1.12 Billion) under public-private partnership (PPP) model, while others have also indicated this option. A total investment of Rs 50,802 crore (Euro 6.7 Billion) has been proposed in the selected smart cities. Public Private Partnerships (PPP) approach is best suited for finding the resources. Better construction management is required for optimizing resources and maximizing productivity and efficiency.

There is a massive investment flow into the infrastructural development in India and other Asian countries. New business entities are venturing into the sector with the advent of BOOT, BOLT concepts in India. Mega fast track projects which are not even thought earlier are into the pipeline. Large volume, complexities in design and execution and excessive risks call for multidisciplinary expertise and specialized construction technology. They can only be met by strategic alliances and joint ventures.

Joint ventures, may be in the form of PPP (public private partnership) or FDI (Foreign Direct Investment) or JV between two domestic partners, help a contractor in increasing his credibility in prequalifying for the projects. Even though it apparently look lucrative there are lot more risk involved in joint ventures. For the success of joint venture it is very much necessary to understand the role of joint venture, types of JV, Necessity of SWOT analysis and risk associated with joint venture.

## 2 Joint Venture

A joint venture takes place when two parties come together to take on one project. In a joint venture, both parties are equally invested in the project in terms of money, time, and effort to build on the original concept. While joint ventures are generally small projects, major corporations also use this method in order to diversify. A joint venture can ensure the success of smaller projects for those that are just starting in the business world or for established corporations. Since the cost of starting new projects is generally high, a joint venture allows both parties to share the burden of the project, as well as the resulting profits.

### 2.1 Joint Venture

A **joint venture** is a business agreement in which parties agree to develop, for a finite time, a new entity and new assets by contributing equity. They exercise control over the enterprise and consequently share revenues, expenses and assets. There are other types of companies such as JV limited by guarantee, joint ventures limited by guarantee with partners holding shares.

On the other hand, when two or more persons come together to form a temporary partnership for the purpose of carrying out a particular project, such partnership can also be called a joint venture where the parties are "co-ventures".

The venture can be for one specific project only - when the JV is referred to more correctly as a consortium (as the building of the Channel Tunnel) - or a continuing business relationship. The consortium JV (also known as a cooperative agreement) is formed where one party seeks technological expertise or technical service arrangements, franchise and brand use agreements, management contracts, rental agreements, for "one-time" contracts. The JV is dissolved when that goal is reached.

A joint venture is not to be taken lightly. For a businessperson to embark on a joint venture, he or she needs to be committed and willing to work cooperatively with the other party involved. A person involved in a joint venture can no longer make all of the decisions for the business alone. For it to be truly a "joint venture," there has to be 100% commitment from both sides.

When determining whether or not to embark on a joint venture, it is important to ensure both parties are a match with the projected client base. In a joint venture, each party must complement the other in business. Sometimes, a misunderstanding or a lack of communication can destroy a joint venture. Therefore, it is necessary for both parties to be capable of communicating what they are able to offer to the project and what their expectations are.

Since money is involved in a joint venture, it is necessary to have a strategic plan in place. In short, both parties must be committed to focusing on the future of the partnership, rather than just the immediate returns. Ultimately, short term and long term successes are both important. In order to achieve this success, honesty, integrity, and communication within the joint venture are necessary.

**A joint venture can be defined as “An enterprise, co-operation or partnership, formed by two or more companies, individuals, or organizations, at least one of whom is an operating entity that wishes to broaden its activities for the purpose of conducting a new, profit motivated business of permanent duration. In general the ownership is shared by the participants with more or less equal equity distribution and without absolute dominance by one party.”**

## 2.2 Motivation for Joint Venture

A joint venture is a business entity owned and operated by two or more organisations. Pooling resources may allow you to:

- Take on projects that are larger than you would normally bid on, with a view toward spreading the risk.
  - Tap another company's unique skills.
  - Combining two contractors to generate bonding capacity that each contractor would not possess individually.
  - Teaming up two contractors with special expertise (a civil and mechanical contractor teaming up to construct a power plant).
  - Teaming up a contractor that has an established organization in a country with a contractor with little or no experience in the country but with specialized engineering knowledge or skill.
  - Teaming up a foreign contractor with a local contractor that may have political or other valuable relationships in the country where the project is.
  - Enter new markets.
  - Increase your ability to raise capital.
  - Take advantage of local knowledge.
  - Increase bidding power and bonding capacity.
- While most joint ventures are limited in scope to a single project, they can be left open indefinitely.

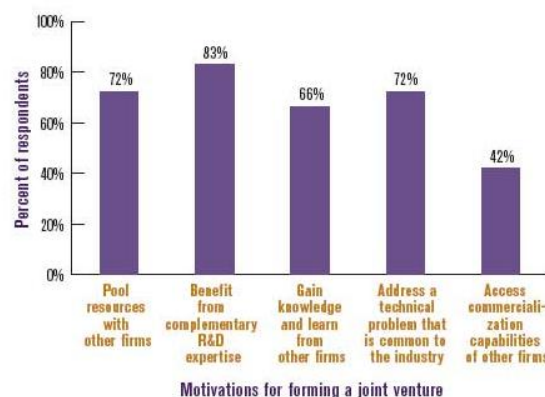


Fig .No. 1

## 3 Partner selection

The ideal partner in a joint venture is one that has resources, skills and assets that complement your own. The joint venture has to work contractually, but there should also be a good fit between the cultures of the two organizations. Creating a joint venture could mean a major shift in direction, or, at the level of a strategic alliance, it may be just another profit center. Either way, you must first decide how much of yourself and your business you will devote to partnering with another organization. The more you contribute, the more you can expect to gain.

Next, calculate what you want to achieve by collaborating. One of the root causes of joint venture failure is lack of clarity, failing to decide what you want the end result to be.

You must know what your objectives are in order to plan for their accomplishment. You cannot hit a target, you cannot see and the more you plan, the more you can expect to achieve.

This is an excellent time to carry out a S.W.O.T. analysis of your company - strengths, weaknesses, opportunities and threats. While an overall examination can be informative, a SWOT analysis can be the most effective if the partner is already decided and the desired end result is already known. Very often one of those factors is awaiting decision. You might have a person or company in mind with whom you want to joint venture but must decide on what the joint venture will do, or you know what you want to do and are looking for someone with whom you can joint venture. SWOT analyses can help you focus on the attributes you are looking for.



Fig. No. 2 A balanced Perspective

By identifying the strengths, weaknesses, opportunities and threats of partners and projects, you will know to look for a partner whose strengths balance your weaknesses and vice versa; and projects that exploit your opportunities and minimize any threats. SWOT analysis of external opportunities and threats as well as the internal strengths and weaknesses of the enterprises is important for strategy formulation and development.

The purpose of the analysis of external opportunities and threats is to evaluate whether an enterprise can seize opportunities and avoid threats when facing an uncontrollable external environment, such as fluctuating prices, political destabilization, social transition, change in the rule of law, etc. The purpose of the analysis of internal strengths and weaknesses is to evaluate how an enterprise carries out its internal work, such as management, work efficiency, research and development, etc.

Before starting a joint venture, the parties involved need to understand what they each want from the relationship. Smaller businesses often want to access a larger partner's resources, such as a strong distribution network, specialist employees and financial resources. The larger business might benefit from working with a more flexible, innovative partner or simply from access to new products or intellectual property. Similarly, you might decide to build a stronger relationship with a supplier. You might benefit from their knowledge of new technologies and get a better quality of service.

You can benefit from examining your own business. be realistic about your strengths and weaknesses - consider performing a SWOT (strengths, weaknesses, opportunities and threats) analysis to discover whether the two businesses are a good fit. You will almost certainly want to find a joint venture partner that complements your own business' strengths and weaknesses. The objectives both parties agree should be turned into a working relationship that encourages teamwork and trust.

## 4 Types of joint venture

### 4.1 Integrated joint venture:

Primary characteristic is that it can represent a true partnership, in that the parties share profit and losses. The interest may be 50:50% or some other division and there may be two or more members. The members share the profit and losses in proportion to their interest in joint venture. The parties combine resources and personnel in an agreed upon manner.

This type of joint venture is used in projects which are of immense size and task of splitting the work is very difficult. As a result planning and programming can become complicated and required highly structured and authoritative central management.

### 4.2 Non-integrated joint venture:

Primary characteristic is that it is not a partnership in that there is no sharing of profit and losses.

Each member is taken for specific scope of work and is responsible for the profit or losses associated with that scope of work. Each member is solely responsible for the resources necessary to perform its specified scope of work. The advantage of this type of joint venture is that for the contractor entering in to the joint venture, each can complement the others skills. But the disadvantage is that some contractors have put more efforts than others, thus leading to internal conflicts.

This type of joint venture is used in projects where total work can be divided in to different sections. These sections can be subcontracted out to separate partners, who are responsible for technical and administrative element of those sections.

### 4.3 Combination joint venture:

They present a combination of an integrated and non-integrated joint venture. Each member takes on specified scope of work and responsible for the profit or losses associated with that scope of work<sup>19</sup>. But the member also agree to act as partners with respect to a portion of the necessary work, which may include sharing the preliminaries and general condition necessary for each member's separate scope of work, as well as the actual performance of portion of the work of the project.

This type of joint venture is used in larger and complex projects.

### 4.4 Other types of joint ventures used can be classified and described as follows:

- a. Equity joint ventures
- b. Contractual joint venture

#### 4.4.1 Equity joint ventures

Equity joint ventures involves the participation of two or more partners in the creation of a new corporate entity in which each partner owns a given share of the equity capital, or in the redistribution between the parties of the shares of an existing company.

Equity in existing company is shared with and transferred to the other party in the joint venture.

In equity based type, the inputs can be of capital, staff, plant and other resources and need not be on equal basis. The furnishing of bonds and sharing of profit has to be agreed upon.

#### 4.4.2 Contractual joint ventures

There is no equity participation between the partners and their relations, rights and liabilities, as among themselves and in respect of third parties, are principally governed by contract or agreement. Contractual JVs have their drawbacks. First, since all contractual JV contract details need to be negotiated, establishing a contractual JV can be time consuming and expensive. Indeed, contractual JV negotiations can deal potential ventures as

parties discover that they cannot reach agreement on every detail. Second, contractual JVs are sometimes not the most appropriate business structure for the project.

## 5 Risks in joint venture project:

A number of risks related to joint ventures can result in loss of control, lower profits, conflict with partners and transferability of key assets. As per the studies, failure rates varying from 2% to 90%, depending on the partners involved in JV. JV risks stem from many sources, including the following:

- **Communication:** The firms may not communicate their objectives clearly, resulting in misunderstanding. These communication issues can be exacerbated by geographic and cultural distance among partner firms and by the use of language such as “us versus them”.
- **Strategy:** The firms may have divergent strategies for the joint venture, and fail to reach a set of mutually agreeable objectives regarding business and exit strategies. Risks can also emerge from a lack of agreed processes regarding governance, accountability, decision-making, HR, and conflict resolution.
- **Imbalanced resources:** The firms may bring imbalanced resources to the table, a source of great conflict. Another source of conflict may be that the JV disproportionately allocates resources among the firms. For example, one firm may find that its technology is being appropriated by another firm.
- **Culture:** The JV partner firms may have distinct corporate (and in the case of cross-border JVs, national) cultures and management styles, resulting in poor integration and cooperation

Because of the complex nature of construction business activity, process, environment, and organization, the participants are widely exposed to a high degree of risk. Risk management is an important component to make sure the success of the construction project or to make sure the profitability for the contractors.

The risks of failure of construction joint ventures (JVs) are high and the financial consequences are expensive. They are managed, through the study of the critical factors that contribute to successful JVs and the risk factors associated with JV operations. The risk factors that may prompt JV partners to share their risks are said to include one or more of the following aspects:

- **Financial risks** relating to inflation, foreign exchange, cost of financing due to late payment by client and interest rates fluctuation.
- **Country related risks** such as difficulty in fund repatriation, change in statutory requirements, host government expropriation, reversal in policy toward-foreign investment, imposition of unfavorable conditions, complexity of legal and tax systems.
- **Construction risks** such as cost over-run, cost estimate's deficiency, disruption to construction

works, default of sub contractors and productivity of workforce.

- **Commercial aspects** such as material or manpower shortages, price controls, different interpretation of legal requirements or regulation between the parties

It is observed that most of the projects of joint venture nature where involving parties are from different countries fail because of their respective cultural differences, inefficient management system, local labour problems etc. That is, they either (a) never make any money, (b) break down and have to be terminated, or (c) both of the above. The reasons behind such failure are as follows;

### 5.1 Lack of trust:

The most common reason of JV failure is lack of trust. For two partners to work together under any circumstance it is necessary that mutual trust and respect be developed. It is for this reason that the negotiations leading up to the establishment of a joint venture are often so long-winded; the terms of the agreement may be fairly easy to agree, but both parties have to be sure that they can trust the other to live up to their part of the bargain. Western, especially US, companies usually try to sign terms quickly, confident that they can resort to law if the other party breaks the agreement. Asian companies are more reluctant to go to court and will try to make sure that the grounds for trust are established in the first place.

Much of the problem of lack of trust can be got over by agreeing precise terms at the outset and ensuring each party understands those terms and their own commitments. As well as lack of trust, lack of goal alignment can be a serious problem. Too many partners, with the best will in the world, pick a partner company that does not want the same thing as them. This does not mean that ideal partners are always of the same type or size; very often, opposites attract. Some of the most successful east-west joint ventures have been between relatively small, technologically advanced western companies with a narrow market focus and larger, more traditional Asian companies with a broad market focus. Before searching for potential partners, it is first important to decide what kind of partner they need. The potential partners can be categorized into three classes as follows:

1. The nuts and bolts partner, whose primary function is to provide access to resources, distribution systems and so on;
2. The well-endowed godfather, who can help kick-start new ventures by providing capital and other resources or help deal with local regulations and licenses and cut through red tape;
3. The four hands on the wheel partner, who comes in as an equal and works actively to develop its own strategic position through the partnership.

## 5.2 Lack of shared goals:

To form a successful joint venture it is necessary to first be absolutely clear about one's own goals; second, be clear about the attributes one is seeking in a partner; and third, when negotiating with potential partners, be open and prepared to give as well as take. It is possible that potential partners will not reciprocate; at which point it is time to politely break off negotiations and start over somewhere else. Having got the right deal, stick to the terms. Good joint ventures are highly profitable and offer the promise of future, even more lucrative deals. Bad joint ventures are worse than no deal at all.

## 6 Risks at various stages of project

Understanding and addressing the risks of a construction projects early on are important to protecting our financial exposure as well as that of our clients assignments. Various risks include:

- **Design risks:** This risk relates to any defect in the design of the infrastructure facility or the design requirements stipulated for the project
- **Construction risks :** The construction risks relate to the factors adversely affecting the very ability to undertake construction activities such as availability of resources, industrial relations, safety during construction, quality of raw materials, workmanship, delay in supplies and construction activities, construction techniques, failure to comply with construction milestones, cost of construction, insolvency etc.
- **Operating risks :** this risk includes **Performance risk**( The completed facility cannot be effectively operated or maintained to produce the expected capacity, output or efficiency), **Operation cost overrun, Operating Contractor Default, Force Majeure or Environmental Damage, Default** ( The default may be caused by the actions of a third party)
- **Financial risks:** This risk is the totality of all risks that relate to financial developments external to the project that are not in the control of the project developer. This results from consequences that may have adverse economic effects. Financial risks fall into these categories: **Exchange rate risk, Interest rate risk, Cost Overruns and Time and Quality. Increased Financing Costs.**
- **Political risks :** The project company and the lenders face the risk that the project execution may be negatively affected by acts of the contracting authority (Government), another agency of the Government or the host country's legislature.
- **Legal risks:** Some of the legal risks that a construction projects can face are related to: Title/lease of property, Ownership of assets, Ownership of assets, Corporate and security structure, Financial failure or insolvency of concession company, Breach of financing documents, Enforceability of security.

- **Environment risks:** The main environmental risks associated with hydro power projects are Loss of flora and fauna, Loss of fertile lands Rehabilitation and resettlement problems
- **Force Majeure:** The defining of force majeure events, these include:  
 Natural force majeure events, Direct political force majeure events, Indirect political force majeure events

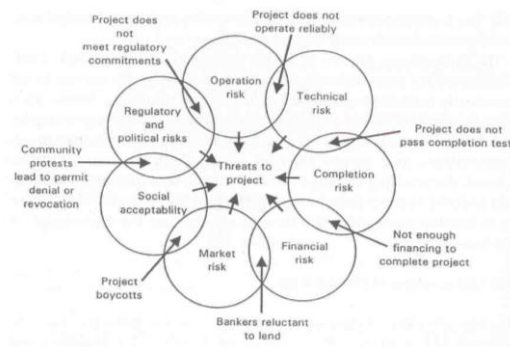


Fig. No. 3, Risks associated with construction project

## 7 Advantages & Disadvantage of a Joint Venture

### 7.1 Joint venture advantages:

Businesses of any size can use joint ventures to strengthen long-term relationships or to collaborate on short-term projects. There are many good business and accounting reasons to participate in a Joint Venture. Partnering with a business that has complementary abilities and resources, such as finance, distribution channels, or technology, makes good sense.

Parties enter Joint Ventures to gain individual benefits, usually a share of the project objective. This may be to develop a product or intellectual property rather than joint or collective profits, as is the case with a general or limited partnership.

A successful joint venture gives rise to following benefits:

- Combining complementary R&D or technology:
- Provide companies with the opportunity to obtain new capacity and expertise
- Efficient commercialization of a technology or business concept
- Developing or acquiring marketing or distribution expertise
- Sharing of scientists or professionals with unique skills- The complexity of the knowledge to be transferred is a key factor in determining the contractual relationship between the partners. One or more participants may seek to learn more about a relatively new product market activity. This might concern all aspects of the activity or a

limited segment like R&D, production, marketing or product servicing.

- Allow companies to enter into related businesses or new geographic markets or obtain new technological knowledge
- Have a relatively short life span (5-7 years) and therefore do not represent a long-term commitment
- Improving access to financial resources for both partners: - financial resources increases because when to parties undertake economic activity together then they share expenses this leads to more access to each others financial sources .Financial support, or sharing of economic risk- It reduces the risks in a number of ways as the activities can be expanded with smaller investment outlays than if financed independently. A small firm with a new product idea that involves high risk and requires relatively large amounts of investment capital may form a joint venture with a large firm. The larger firm might be able to carry the financial risks and be interested in becoming involved in a new business activity that promises growth and profitability. In addition, the larger firm might thereby gain experience in the new area of activity that may represent the opportunity for a major new business thrust in the future.
- Proper utilization of resources- Resources are inputs into a firm's production process, such as capital, equipment, the skills of individual employees, patents, finance, and talented managers. Resources are either tangible or intangible in nature. With increasing effectiveness, the set of resources available to the firm tends to become larger. Individual resources may not yield to a competitive advantage. It is through the synergistic combination and integration of sets of resources that competitive advantages are formed.
- Acceleration of revenue growth
- Ability to increase profit margins
- Expansion to new domestic markets and international markets- It also helps in expanding the firm's operations into foreign countries. The local partners contribute in the form of specialized knowledge about local conditions, which are essential to the success of the venture.
- New product development
- Higher rate of profit and more control over the operations.
- Sharing of risk and ability to combine the local in-depth knowledge with a foreign partner with know-how in technology or process.
- Tax advantages are a significant factor in many joint ventures.
- A joint venture can also be very flexible. For example, a joint venture can have a limited life span and only cover part of what company needs,

thus limiting the commitment for both parties and the business' exposure.

- Allow companies to enter related businesses or new geographic markets or gain new technological knowledge
- access to greater resources, including specialised staff and technology
- Joint ventures can be flexible. For example, a joint venture can have a limited life span and only cover part of what you do, thus limiting both your commitment and the business' exposure.
- In the era of divestiture and consolidation, JV's offer a creative way for companies to exit from non-core businesses.
- Companies can gradually separate a business from the rest of the organisation, and eventually, sell it to the other parent company. Roughly 80% of all joint ventures end in a sale by one partner to the other.

## 7.2 The disadvantages of joint venture

Partnering with another business can be complex. It takes time and effort to build the right relationship. Problems are likely to arise if:

- The objectives of the venture are not 100 per cent clear and communicated to everyone involved
- The partners have different objectives for the joint venture
- Varied organizational structures may lead to less efficient decision-making
- There is an imbalance in levels of expertise, investment or assets brought into the venture by the different partners
- Cultural difference: Different cultures and management styles result in poor integration and co-operation
- The partners don't provide sufficient leadership and support in the early stages
- High level of commitment of staff and management
- Time consuming (especially where a new venture is involved)
- Political risks in the country where the joint venture is based
- Working in a different legal and commercial system
- It takes time and effort to build the right relationship and partnering with another business can be challenging. Problems are likely to arise if: Different cultures and management styles result in poor integration and co-operation.

A joint venture may be subjected to several difficulties. As circumstances change, the contract might

be too inflexible to permit the required adjustments to be made. While most of joint ventures have been seen to be very successful & fruitful for the parties involved, there have been few comes where JVs have failed to give the desired results for the parties involved & ended in long, painful litigations.

## 8 Conclusion

There is a massive investment flow into the infrastructural development in India and other Asian countries. New business entities are venturing into the sector with the advent of BOOT, BOLT concept in India. Mega fast track projects which are not even thought earlier are into the pipeline. Large volume, complexities in design and execution and excessive risks call for multidisciplinary expertise and specialized construction technology. They can only be met by strategic alliances and joint ventures. For a successful JV, it should be properly worked out by feasibility study of the project and the life cycle of the project. At every stage of the project, it should be well executed to result a very successful & fruitful JV for the parties involved.

Joint ventures, may be in the form of PPP (public private partnership) or FDI (Foreign Direct Investment) or JV between two domestic partners, help a contractor in increasing his credibility in prequalifying for the projects. It also helps him in reducing risk and getting exposure to better technology and management skills and venturing into a new areas and countries with lesser risk. Thus JV is one of the most rewarding forms of entering in a new market which welcomes foreign exchange and wants the domestic sector to prosper. However the JV partners should always understand that without mutual trust a JV cannot be successful in long term.

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