

CHAPTER - 3

PRIVATE SECTOR PARTICIPATION IN RAJASTHAN

Background

3.1 In the decade starting 1990, India witnessed a significant policy reform – liberalisation. Since then, liberalisation of economy has thrown up fresh challenges as well as also exposed critical lacunae in the policy and regulation in the country. Today, with opening up of economy and moving further from liberalisation to globalisation, the states as administrative entities with a goal of reducing dependence on the national exchequer, need to develop a competing edge to attract investments and achieve the goal of sustainable development.

3.2 One of the key strategic areas is infrastructure, which is critical for sustainable development the new regime of global economies. Infrastructure is critical to kick-start the economy in terms of attracting investments and thus resulting in growth in GDP. Good infrastructure raises productivity and lowers production costs and has to expand fast enough to accommodate growth. It can be established that infrastructure capacity grows step for step with economic output reportedly, a one percent increase in the stock of infrastructure is associated with a one percent increase in Gross Domestic Product (GDP) across all countries.

3.3 Government of Rajasthan recognises the need to augment assets and services in the infrastructure sector since it forms a vital link to the economy. Investments in the core infrastructure sector are considered essentially for improving the overall attractiveness of the State and facilitate investment flows.

Facilitation framework for Private Sector Participation

3.4 Due to the significant nature of the investment required and paucity of funds available with the State Government, private sector participation in infrastructure projects is essential to fructify the above investments. In addition, the private sector participation would also facilitate improvement in the service quality and develop models for operation and maintenance practices in the infrastructure sector.

3.5 In order to provide the necessary administrative framework for developing projects prior to seeking private sector resources, the State Government has set up the following mechanism: -

- Bureau of Investment Promotion (BIP) is the nodal agency for single window system, put into operation to expedite clearance of private sector projects.
- The Board of Infrastructure Development and Investment Promotion (BIDI) have been set up to facilitate approval of concessions and clearances for large infrastructure projects.

- Economic Policy & Reforms Council (EPRC) comprising of leading corporations, eminent educationists, specialists and economists with Chief Minister as chairperson has been constituted which acts as a think tank.
- Empowered Committee on Infrastructure Development (ECID) under the chairmanship of Chief Secretary has jurisdiction over all projects developed under the Public-Private Partnership (PPP) format. It is the nodal body for conceptualizing, approving projects and resolving all inter-departmental issues and provides necessary directions in this regard.
- Rajasthan Project Development Fund (RPDF) created with the contribution from Government of Rajasthan (Rs. 4 crore), IL&FS (Rs. 25 lakhs) and HDFC (Rs. 25 lakhs) for meeting the costs and expenses relating to conducting feasibility studies for project development work for identified projects.
- Social Sector Viability Gap funding scheme has been launched.

Focus areas

3.6 The key focus of the State Government would be inviting in private sector investment in Roads, Power, Tourism, Urban Infrastructure, Industrial Infrastructure etc. State has also opened social sectors such as Health, Education, Drinking Water, Housing etc. for private sector investment. The major initiative in this regard has been the setting up of a dedicated project development company, PDCOR Limited, in association with Infrastructure Leasing & Financial Services Limited (IL&FS). The primary mandate of PDCOR is to structure and attract private sector investment into various infrastructure projects in the State.

Policies / Legal Framework

Power

3.7 In Rajasthan, power sector reforms were initiated in 1998. The reforms include reduction in establishment costs, rationalization of power tariff, mobilization of private capital for power generation and transmission and lower capital-power generation ratio. In order to achieve these goals, RSEB was restructured on functional lines in to one generation, one transmission and three regional distribution companies. A State Electricity Regulatory Commission was also set up.

3.8 State Government has launched a policy on 15th September, 2005 for Promotion of Private Sector Investment for setting up of Power Generation Projects in Rajasthan.

Non-Conventional Energy Sources

3.9 With a view to promote generation of power from non-conventional energy sources, State Government promulgated a policy on 11.3.1999

which ended on 31st March, 2004. Besides this, a separate policy was issued on 4th February, 2000 exclusively for promoting generation of electricity from wind, which ended on 31st March, 2004.

3.10 In Rajasthan, Solar, Wind, Bio-mass etc. have good potential for generation of electricity. After having gathered the experiences from the earlier policies and identifying the impediments in the process of generation of electricity from non-conventional sources, State Government has issued a comprehensive policy on 25.10.2004 for generation of electricity from various sources of non-convention energy which offers solution to various problems faced by developers, investors and utilities.

Road sector

3.11 Rajasthan has been in the forefront of successfully implementing a number of road sector projects in the recent past. Rajasthan was the first State to announce a State Road Policy in 1994 to facilitate the entry of private sector in the roads sector. A Model Concession Agreement was put in place for inviting private sector to develop roads on Build, Operate and Transfer (BOT) basis.

3.12 A new policy was launched in 2002 with the enactment of Rajasthan Road Development Act, 2002 to encourage a greater level of participation of entrepreneurs in the development of the road sector.

3.13 State Road Development Fund Act, 2004 enacted under which non-lapsable State Road Fund (SRF) created by levy of 50 paisa cess on petrol/diesel. SRF is being leveraged to take up large/mega State Highways project.

Tourism

3.14 With its rich cultural heritage, Tourism is a focus sector in Rajasthan. Keeping this in view, Government of Rajasthan granted status of the industry to tourism sector in 1989, therefore, all the facilities and concessions available to industries in the State also available to tourism units.

3.15 First 'Tourism Policy of Rajasthan' was announced by State Government in 2001, which was designed to ensure optimum utilisation of rich tourism resources of the State to generate employment specially in rural areas, to develop already market for the rich and varied handicrafts, to preserve and to accelerate contribution of tourism industry in socio-economic development of the State by making tourism a truly People's Industry in Rajasthan.

3.16 With a view to bridging the gap between current demand and supply of hotel accommodation in Rajasthan and in view of the projected growth of tourism in the coming decade a new 'Hotel Policy-2006' was announced by the State Government in June, 2006.

Art & Culture

3.17 Rajasthan Government has launched Adopt-a-Monument scheme for heritage conservation. The scheme envisages adoption of a monument by any person with a view to restoring and maintaining it for a period of 10-30 years. Under this scheme, State Government is creating a Heritage Fund to finance the different conservation projects. Individuals and business houses can make contributions to this fund to support the endeavours of the State.

Investment Policy

3.18 Investment Policy was launched by the State Government in 2003. The principal objective of the policy is to provide investors an attractive opportunity to invest in Rajasthan and to make the Rajasthan the most preferred State for investment in the identified sectors and to ultimately achieve global competitiveness.

SEZ Policy

3.19 The Government of Rajasthan enacted Special Economic Zones (SEZ) Act on 10.09.2003 and framed SEZ policy. The prime objective of the Government is to develop specially delineated economic zones conforming to the guidelines of the Government of India to provide enabling infrastructure and a hassle free environment to promote exports from the State. Special emphasis will be laid on development of product specific SEZs to harness inherent potential of the State in the fields of Gems & Jewellery, Handicrafts, Woollen Carpets etc. which would result in increase in exports of these commodities with high value addition. The State Government has also worked out a package of concessions and incentives for SEZ developers and units to be set up in the SEZ.

Health Policy

3.20 State Government has recently announced policy to promote private investment in health care facility-2006 to supplement State Government efforts in the fields of secondary and tertiary health care and diagnostic services. With the help of private sector participation (PSP), the State will maximize the benefits which might accrue from the opportunities in medical tourism, expand availability and access of quality health care services and integrate allopathic treatment with Indian and other alternative systems of medicine.

Agriculture

3.21 Rajasthan Agricultural Produce Markets Act has been amended to provide for contract farming, direct purchase and development of mandi yards in private and cooperative sector.

Rajasthan Social Sector-Viability Gap Funding Scheme

3.22 Rajasthan Social Sector Viability Gap Funding Scheme 2007 has been launched. The scheme intends to address viability gap for

establishment of new social service facilities and handing over operation and management of existing government facilities through private sector participation.

IT and ITeS Policy

3.23 The IT and ITeS Policy, 2007 of the State has been launched. The Policy is intended to leverage Information & Communication Technology (ICT) as a tool for improving governance by facilitating the electronic delivery of public services, create an environment favourable for investment in the knowledge economy and take effective steps to encourage the talent pool of the youth so as to make them employable.

Successful Implementation of PPP projects

- **BOT Projects** - 30 road projects of estimated cost of Rs. 389.71 crores have been completed under BOT policy, 2 projects of Rs. 60.94 crores are under construction and 6 projects of Rs. 138.29 crores are under pipeline.
- **Rajasthan Mega Highways Project (I)** for improvement and maintenance of 1053 km of road at an investment of Rs. 1500 crore is under way. This project is being implemented by RIDCOR, a JV company of Government of Rajasthan and IL&FS. The company would also be responsible for the operations and maintenance of the project roads. Project will be completed by May, 2008.
- **Solid Waste Management** - M/s Grasim India Ltd. has constructed a waste conversion plant in Jaipur to prepare fuel pellets at a cost of Rs.15 crore. Grasim experiment is being replicated in four other cities of Rajasthan namely Kota, Ajmer, Bikaner and Udaipur.
- **Common Bio-medical Waste Treatment Facility Plant** exists in Bikaner, Jaipur, Hanumangarh, Sikar, Jodhpur, Alwar and Ajmer. Plants at Jhalawar, Jaipur (additional), Kota & Sawai Madhopur are underway. These plants are being established under the PPP mode on BOO basis.
- **Special Economic Zones (SEZs)** - Multi product SEZ is being developed by Mahindra World City (Jaipur) Ltd., a joint venture of Mahindra Gesco Ltd. and RIICO Ltd. This Public Private Partnership project envisages investment of Rs.1069 crores, in phases. In the first phase implementation IT SEZ has commenced after the approval of GoI on about 188 acres of land. Leading IT company namely Infosys has already started work on their establishment in this SEZ.
- **Rajasthan Education Initiative** - The Rajasthan Education Initiative is an umbrella under which innovative multi-stakeholder

partnerships are catalyzed by engaging the global and local private sector, foundations and charitable organisations and other grass roots level NGOs in support of Rajasthan's education objectives. The REI focuses on improving the delivery of educational services, and in particular on promoting equitable access, enrolment and retention of children in schools, reducing gender disparities, promoting skill development and enhancing learning levels. 24 MoUs have been signed so far with co-partners and 7 proposals are in pipeline.

- **e-Mitra Programme** – This is an integrated e-platform to provide information and public utility services pertaining to various government departments to urban & rural population. Over 700 kiosks are operational. This programme is under statewide implementation through Public-Private Partnership.
- **Wind Energy** – 448.995 MW of capacity of wind energy power plants has been installed up to November, 2007 through private investment. Projects of 204.8 MW are under execution.
- **Biomass Power Plants** – Five Biomass based power plants with aggregate capacity of 46.3 MW have been commissioned in the State. All these plants are in the private sector, with an estimated investment of Rs.185 crores.
- **Mid-day-meal Scheme** – For private sector participation, a PPP policy is under operation. Presently, 4.30 lac children in 4500 schools are being supplied hot cooked meals prepared under hygienic conditions in mechanised centralized kitchens set up by Charitable Trusts and NGOs like Akshaya Patra Foundation, Naandi Foundation, QRG Foundation, Adanya Chetna Trust, JAY GEE Humanitarian Society, ISKCON etc. For providing hot cooked meals to another 3 lac children, 8 projects are underway.
- **Indian Institute of Crafts & Design** – Indian Institute of Crafts and Design is an autonomous institute of excellence, set up by the Government of Rajasthan, to act as a catalyst for the crafts sector. Presently, the institute is being managed by the Ambuja Educational Institute (AEI) under the Public Private Partnership (PPP) model.

Major Projects under Pipeline

- **Mega Highways Project-II** - Government of India has 'in principle' approved 7 road projects for funding under Viability Gap Funding (VGF) scheme. Mega Highways Project – II consists construction of 1267 km road length with the estimated cost of Rs. 1258 crore.
- **Bus Rapid Transit System (BRTS)** - BRTS project is being developed under JNNURM under which roadwork of the project will be done through EPC contract and the Bus Operations through

PPP framework. The total estimated cost of the project is Rs. 783 crores.

- **Desalination Project, Matasukh** - Desalination plant for setting up 20 Million Litres per Day (MLD) at Matasukh (Nagaur) on DBOOT basis is under consideration of RSMML. The treated water conforming to WHO standards will be supplied to the water deficient villages in and around Nagaur. The payment shall be based on the water processed & supplied at ex works. Water distribution will be the responsibility of RSMML in association with local authorities and PHED.
- Development of International Convention Centre and Golf Course at Jaipur.
- Drinking / Industrial Water Supply Projects for Jalore and Bhilwara.
- Annuity based water supply projects.
- Computer Education on Wheels.
- Integrated automated border check posts.
- Development and running of the District Hospital and setting up a Medical College in Jhalawar.
- Restoration and Re-development of Nazool Properties.