

CHAPTER - 4

PUBLIC PRIVATE PARTNERSHIPS

Background

4.1 Governments worldwide are increasingly encouraging public-private partnerships (PPPs), as a modality of private participation, to provide infrastructure services that were once exclusively delivered by the public sector. Availability of additional resources, increased efficiencies, access to advanced technologies, and sustainable development of infrastructure facilities/services are some primary reasons for encouraging PPPs.

4.2 The existing deficit in infrastructure services and the rising demand for additional services have been recognized as critical areas to be addressed during the 11th Five Year Plan. The Government of India's 11th Five Year Plan estimates that investment in infrastructure as proportion of GDP should be increased from 5% per annum at the beginning of the 11th Plan to about 9% per annum in the terminal year of the 11th Plan. The Government of India is committed to expand Public Private Partnerships (PPPs) to facilitate private participation in infrastructure so as to reach the target of investing 9 percent of Gross Domestic Product (GDP) in infrastructure by the year 2011-12.

4.3 A number of initiatives have been taken by the Government of India for evolving a policy and regulatory framework for PPPs that would ensure time bound creation of world class infrastructure. With the objective to attracting private capital in public projects, a number of important Schemes, Guidelines, and Model Documents/Reports have been prepared by the Government of India to facilitate PPP projects. The Government of India has operationalised the Viability Gap Funding Scheme that enables PPP projects of the States to get central assistance of up to 20% of the project costs. The India Infrastructure Finance Company Limited (IIFCL) has been set-up to provide long-term loans. It raises funds against sovereign guarantees and provides up to 20% of capital costs as long term debt. India Infrastructure Project Development Fund (IIPDF) has been created for supporting the development of bankable Public Private Partnership (PPP) projects. Government of India has also issued Model Request for Proposal (RFP) documents for the selection of Technical Consultants, Financial Consultant and Transaction Adviser, and Legal Advise.

4.4 The Government of Rajasthan also recognizes that the investment requirements in infrastructure are very large and require a significant flow of private capital in public infrastructure projects through public-private partnership (PPP). The involvement of PPPs is useful both for building infrastructure as well as for improving the provision of services.

Accordingly, the State Government has undertaken certain measures in support of its PPP initiative.

4.5 An Empowered Committee on Infrastructure Development (ECID), headed by the Chief Secretary, is the nodal body for approving projects on PPP mode. The ECID has jurisdiction over all the projects to be developed on public-private partnership mode. The revised terms of reference for the ECID are:

1. To approve the projects to be implemented on Public Private Partnership mode,
2. To finalize roadmap for project development and prescribe time limits for clearances of any PPP project,
3. To select the PPP and other infrastructure projects for which project development costs will be funded with the assistance of Rajasthan Project Development Fund,
4. To set the terms and conditions under which the funding will be provided and recovered,
5. To approve viability gap support for projects under the Rajasthan Social Sector Viability Gap Funding Scheme,
6. To decide issues pertaining to user levies including but not limited to prescribing mechanism and procedure for setting, revising, collecting and/or regulating user levies and to decide and settle disputes relating to user levies,
7. To resolve all inter-departmental issues relating to PPP projects and issues leading to bid processes, and
8. To issue necessary directions for developing PPP projects.

4.6 Rajasthan Project Development Fund (RPDF) with the contribution from Government of Rajasthan (₹ 4 crore), IL&FS (₹ 25 lacs) and HDFC (₹ 25 lacs) existed, till recently, as a revolving fund for meeting the costs and expenses related to conducting feasibility studies and other project development activities for identified projects. It is now proposed to launch an alternate fund with a corpus of ₹ 25 crores, Rajasthan Infrastructure Project Development Fund (RIPDF). This fund would be utilized for meeting the expenses related to conducting feasibility studies and other project development activities for identified projects.

4.7 The Rajasthan Social Sector Viability Gap Funding Scheme has been formulated for promoting public-private partnership in social infrastructure sector. All Administrative Departments, Autonomous Organizations under the Government of Rajasthan and local bodies of the State are eligible to get social sector infrastructure and services supported under the scheme to give impetus to PPPs. A 50:50 joint venture company of the State Government and Infrastructure Leasing & Financial Services (IL&FS), namely, PDCOR Ltd. provides services for

project development on PPP format and other innovative services for infrastructure projects.

4.8 Considering the huge investment involved, the benefits of leveraging the budgetary resources of the State and to attract private sector investment in the road sector, the State Government decided to implement the road development programs through a public-private partnership framework. Towards this end, an ambitious programme has been embarked to build world class infrastructure facilities in the State under a Project titled 'Mega Highways Project'. Road Infrastructure Development Company of Rajasthan (RIDCOR) was formed as a 50:50 joint venture company between the Government of Rajasthan and IL&FS in 2004.

4.9 The other infrastructure and social sectors where the State Government is intensively pursuing PPP projects include urban Infrastructure including metro rail in Jaipur, water supply, industrial infrastructure, education and health.

Public -Private Partnership Projects:

Roads:

4.10 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. The Rajasthan Road Development Act was enacted and launched in 2002 to encourage a greater level of participation of private sector in the development of the road sector. The Act provides formal framework to mainstream PPP modalities in the Roads sector. Under the State Road Development Fund Act, 2004 a non-lapsable State Road Fund (SRF) was created through levy of 50 paise Cess on petrol / diesel. SRF is being leveraged to take up large / mega State Highways project.

4.11 Fifty six (56) road projects entailing investment of ₹ 852.84 crores have already been completed on BOT format of PPP, out of which 34 road projects entailing investment of ₹ 288.04 crores have already recovered investment, through toll, and transferred back to the Government. Other 22 road projects involving investment of ₹ 564.80 crores are being build/operated on BOT format of PPP.

4.12 Rajasthan Mega Highways Project for improvement and maintenance of 1053 km of road at an investment of ₹ 1500 crore has been completed through a joint venture company, RIDCOR. The road corridors, spread over 13 districts and traversing through 386 towns / villages, are:

Road Corridor	Districts	Length (km)
Phalodi to Ramji-ki-Gol	Jodhpur (109 km) and Barmer (183 km)	292 km
Hanumangarh to Kishangarh	Churu (154 km), Hanumangarh (98 km), Ajmer (38 km) and Nagaur (117 km)	407 km
Alwar to Sikandra	Dausa (28 km) and Alwar (53 km)	81 km
Lalsot to Kota	Kota (10 km), Bundi (90 km), Sawai Madhopur (75 km) and Dausa (20 km)	195 km
Baran to Jhalawar	Kota (8 km), Baran (19 km) and Jhalawar (51 km)	78 km

4.13 A total of 23 important corridors (12 of State Roads and 11 of National Highways) have been identified for improvement under PPP/BOT/ VGF Scheme. An amount of about ₹ 8,000 crores is likely to be invested in NH projects which are being awarded by the National Highways Authority of India (NHAI). These will be completed within about three year. Similarly, under a new initiative of the Central Government, some of the PPP projects in National Highways would be awarded through the agency of the State PWD. Under this initiative, 11 projects have already been selected for initiating the bid process. These projects, involving an investment of ₹ 2284 crores, are likely to be awarded within the next six month.

Water Supply

4.14 Rajasthan, a water deficient province, has many water transmission and distribution projects which are pending resource allocation and subsequent implementation. In-principle, the State Government is inclined to proceed with annuity-based and other appropriate PPP modalities in the water sector. Project development and structuring for a few water supply projects on PPP format have been initiated. These include two projects of water supply in Ajmer (₹ 1500 crore) and Udaipur (₹ 790 crore) towns, one project of Bisalpur-Tonk-Uniyara drinking water supply (₹ 385 crore) covering 2 towns and 436 villages of Tonk District, and two pilot projects for water supply in Jaipur (Mansarovar) (₹ 25 crore) and Kota (₹ 15 crore) with focus on reduction in non-revenue water and achieving 24 x 7 water supplies. In case of the Bisalpur-Tonk-Uniyara drinking water supply project, eligible applicants have been short listed after issuing the Request for Qualification (RfQ) and the Draft Concession Agreement is being finalized for which the Asian Development Bank has facilitated services of a legal firm. Other four projects entail assistance under the IIPDF Scheme of the

Government of India for project development. Partial cost of project development is proposed to be met by the Asian Development Bank. For the Ajmer and Udaipur projects, technical consultants have already been engaged to prepare the feasibility report. It is expected that all these projects will be structured as PPP projects during 2011-12.

Jaipur Metro Rail

4.15 The Government of Rajasthan (GoR) is undertaking the development of a metro rail urban transport project in Jaipur for the provision of affordable connectivity solutions for the city's citizens. It has been decided to implement the Jaipur Metro Rail Project under two stages - Stage I for development entailing civil works and electrification (excluding rolling stock and signaling/telecom systems) of Mansarovar – Chandpole part of the Corridor Mansarovar – Badi Chaupar (about 11.5 Kms); Stage II for development of the Corridor Ambabari - Sitapura (about 23.5 Kms) and Chandpole - Badi Chaupar part of the Corridor Mansarovar – Badi Chaupar plus acquisition of all rolling stock for the entire metro system (both corridors) plus operations and maintenance of the entire metro system (both corridors). The Stage II of the project is proposed under the PPP mode. The project is estimated to cost ₹ 10000 crore. The project has been sanctioned assistance under the IIPDF Scheme of the Government of India for project development. Partial cost of project development is proposed to be met by the Asian Development Bank. Jaipur Metro Rail Corporation (JMRC) has requested Government of India for approval of the project as well as for providing 20% of the total project cost (Stage-I and II both) as viability gap funding.

Education

4.16 The Government of Rajasthan intends to engage private sector participants to design, finance, establish, operate, manage and maintain 165 secondary schools (from 6th to 12th) for a period of 30 year 5 schools per districts are proposed to be built under the project. Phase-I of this project aims at procuring 50 schools in the Ajmer (4 districts) and Udaipur (6 districts) Divisions. The land for these PPP schools will be provided on a 30 year lease basis to the private sector partner After expiry of the concession period of 30 years, the assets of these schools will be transferred to the Government.

4.17 These PPP schools will be run by the private sector autonomously. The private partner(s) will bear the entire capital cost. Government will provide capital assistance at the rate of INR 500 per sq ft of constructed area subject to maximum of INR 5.0 million to be paid depending upon the progress of construction and use of own funds by the private developer. The private partner will have full independence in operational matters such as teacher recruitment and running of schools. PPP schools will have to attain a high performance benchmark apart from seeking an affiliation with either the State Board or the CBSE.

4.18 There will be a mix of voucher students and private fee paying students in these schools. Voucher students would at least 50% of the students' strength in classes IX to XII and 25% of students' strength in classes VI to VIII. The Government will issue Education Vouchers to eligible recipients for payment of fee at the rate of INR 8000 per annum which may be utilized against contracted "Government Seats", over the entire concession period. Total investment in the Phase – I comprising 50 schools is estimated to be INR 1500 million.

4.19 The Government of India has approved financial assistance for the Project under the IIPDF for Project Development entailing project structuring, financial modeling, bid documents preparation, bidding process assistance, etc. Asian Development Bank (ADB) has also provided partial financial support for project development activities. The eligible Applicants have been short listed consequent upon the Request for Qualification for the Project.

Ghat Ki Guni Tunnel

4.20 This project is based on the Design-Build-Finance-Operate-Transfer (DBFOT) format of PPP to provide an alternate route to Ghat Ki Guni by construction of tunnel in Jhallana Hills to connect with NH-11 (Agra Road). The total cost of the project is 150.00 crores. Total Length of the road is 2.80 Km consisting of 858 mt. tunnel (parallel twin tunnel), one fly-over, five cross drainage works (culverts) and four-lane divided cement concrete roads each of 9.00 Mtr width. The private developer has already been procured. The concession period is of 13 Years 05 Months 20 Days, which includes the construction period and commercial operation period. The construction work is in progress and is expected to be completed by June 2012.

Ring Road

4.21 The project for construction of the Ring Road connecting the various highways to reduce the congestion of heavy traffic passing through the Jaipur city, is proposed under phases. In the first phase, JDA has taken up the work of construction of Ring Road joining Ajmer road (NH-8)- Phaggi Road (SH-12)- Tonk Road (NH-12)- Agra Road (NH-11), that is, the Southern Corridor of 47.00 Km, in PPP mode on DBFOT format. The total cost of the project is anticipated as ₹ 890 crores and is anticipated to be completed in 24 months after appointment of the concessionaire and execution of concession agreement. The toll tax will be charged as per the rate specified in the "Rajasthan State Toll Fee Rules". Request for Qualification for appointment of concessionaire has been floated inviting applications up to 10.01.2011. The link between Agra Road (NH-11)- Delhi Road (NH-8), that is, the Northern Corridor is expected to be taken up by the National Highways Authority of India, in future.

Exhibition-cum-Convention Centre

4.22 The Rajasthan State Industrial Development and Investment Corporation Limited (RIICO) proposes to undertake development of the Exhibition-cum-Convention Centre Project through Public-Private Partnership on Design, Engineer, Finance, Construct, Market, Operate, Manage and Transfer basis. The Centre is proposed in the Sitapura Industrial Area (Jaipur) at an estimated cost of ₹ 200 crores. The eligible Applicants have been short listed consequent upon the Request for Qualification for the Project. The Transaction Advisor has been appointed for project development.

Jaipur International Convention Center, Pratap Nagar, Jaipur

4.23 Keeping in view the possibility of convening the NRIs Conclave in 2012 in Jaipur, the Rajasthan Housing Board intends to develop the International Convention Center (ICC) at Pratap Nagar, Jaipur under PPP mode on DFBOT basis. The lease period will be of 60 year Expression of interest for development of the ICC was released in October 2010. The scope of work includes planning, designing, engineering, financing, construction, marketing, operation and maintenance of all the facilities and infrastructure created in the premises. The operator will recover the investments and share the revenues with minimum guaranteed return to be quoted by the highest bidder. The land will be made available by the State Government to the developer free of all encumbrances. Technical bids have been received from five companies, which are under examination.

Transmission of Electricity

4.24 With a view to encourage private sector participation for development of transmission projects in the State, the Government of Rajasthan has constituted a State Level Empowered Committee (SLEC). This Committee identifies projects to be undertaken in PPP mode. Rajasthan Rajya Vidyut Prasaran Nigam Limited has been authorized to act as the Bid Process Coordinator (BPC) for the purpose of selection of Bidder as Transmission Service Provider (TSP). Rajasthan Rajya Vidyut Prasaran Nigam Limited has already awarded following two projects in favour of the successful bidder on Build, Own, Operate and Maintain (BOOM) basis.

Project No.	Project Details
RAJ/PPP-1	400 kV S/C Bikaner- Deedwana- Ajmer Line with 400 kV/220 kV GSS at Deedwana at estimated cost of ₹ 285 crore.
RAJ/PPP-2	400 kV S/C Hindaun-Alwar Line with 400/220 kV GSS at Alwar at estimated cost of ₹ 189 crore

4.25 Following two projects are also proposed on PPP mode of Build, Own, Operate and Maintain (BOOM).

1. 400 kV D/C Babai Jhunjhunu-Jaipur (North) (Twin Moose) line along with 400/220 kV GSS at Jaipur (North) at an estimated cost of ₹ 222 crore.

2. 400 kV D/C Jodhpur (New)-Udaipur (Twin Moose) Line along with 400/220 kV GSS at Udaipur at an estimated cost of ₹ 380 crore.

Computed Tomography (CT) Scan facilities

4.26 Medical & Health Department intends to establish, manage and operate the multi slice Computed Tomography (CT) Scan facilities in selected 21 District Hospital's on public-private partnership mode. The bidding process for selection of private participant(s) as bidder(s) to whom the project(s) may be awarded has been initiated. The districts have been categorised in three clusters of seven districts each. The Government shall provide the required space for establishing the Project. The Project will be awarded for a period of 7 (Seven) year Expression of Interest (EoI) was issued in November 2010.

Heart-Care Hospital & Research Institute in Jaipur

4.27 The State Government has constructed a state-of-the-art building (Manas Arogya Sadan Hospital). The Heart-care and Multi-Specialty Institute is proposed to be developed on PPP basis in this building in Mansarovar, Jaipur. The Project is being structured on finance, equip, operate and transfer basis. Project development work is currently under process and Request for Proposal (RFP) document is expected to be issued shortly.