

# **CHAPTER - 21**

## **PUBLIC PRIVATE PARTNERSHIP**

### **Introduction**

21.1 Rapid economic growth, growing urban population, increasing rural –urban migration, and all-round social and economic development have compounded the pressure on the existing infrastructure, and increased the demand–supply gap in most of the States. The governments are experiencing increasing pressure from their citizens, civil society organizations, and the media to provide accessible and affordable infrastructure and basic services. While the infrastructure gap is rising, government budgetary resources are increasingly constrained in financing this deficit. Governments also face insufficiency in technical resources and the executive capacity to cope with the rising demand for public infrastructure.

21.2 The emergence of Public Private Partnerships (PPPs) is seen as a sustainable financing and institutional mechanism with the potential of bridging the infrastructure gap. Apart from enabling private investment flows, PPPs also deliver efficiency gains and enhanced impact of the investments. The efficient use of resources, availability of modern technology, better project design and implementation, and improved operations combine to deliver efficiency and effectiveness gains which are not readily produced in a public sector project.

21.3 PPP projects also lead to faster implementation, reduced lifecycle costs, and optimal risk allocation. Private management also increases accountability and incentivizes performance and maintenance of required service standards. Finally, PPPs result in improved delivery of public services and promote public sector reforms.

21.4 Sufficient capacity across infrastructure sectors leads to higher productivity, lower transport and logistics cost, and enhanced competitiveness. The Government of Rajasthan recognizes that constraint-free infrastructure provisioning, both physical and social, fosters economic and industrial activities conducive to development and inclusive growth.

21.5 Typically, the Government of Rajasthan has sought to deal with infrastructure provisioning by implementing various programmes and projects departmentally and through its agencies. These are being financed through various sources including budgetary resources, grants and loans from Government of India, and bilateral and multi-lateral agencies. Budgetary provisions towards development and upkeep of these services have, however, remained inadequate over the years.

21.6 The Government of Rajasthan recognizes that the private sector can play a prominent role in infrastructure development. PPP is evidently emerging as the preferred route to leverage private capital as well as to induct private sector. A closer partnership between the public and private sectors can support sustainable development, reduce poverty, and ultimately foster greater prosperity.

21.7 As per the 'Rajasthan Vision 2020' document of the State Government, GSDP Growth Rate is required to be accelerated and maintained at 12 per cent per annum by increasing capital investment, both public and private. To achieve the targeted growth rate, efforts will be made to pursue the PPPs, wherever possible.

21.8 The State Government has decided to initiate a large programme of Public Private Partnership (PPP) in order to attract the requisite investment for creation of assets and provision of quality services. The main objective is to improve the investment and business climate in the state to provide services at least costs by mobilising private investment and efficiencies. However, the success of PPP projects is substantially determined by the enabling environment comprising the policy and regulatory framework. It has been decided to take up some pilot PPP projects especially for medical and nursing colleges/hospitals as well as universal healthcare, urban water supply, electricity distribution and affordable housing.

### **Institutional Framework**

21.9 The PPP Cell created under the Planning Department in the year 2007-08 is the Nodal agency to coordinate efforts of the State Government regarding projects entailing public-private participation. It serves as the repository of all the information relating to PPP in the State including best practices, guidelines, schemes etc.

21.10 State Government has set up a Council for Infrastructure Development (CID) in the year 2014-15 under the chairpersonship of the Hon'ble Chief Minister, with a view to decide on the policy issues pertaining to infrastructural projects, specifically in relation to projects being developed on Public Private Partnership (PPP). The CID decides on various policy issues with approval of PPP projects, if project cost is higher than ₹ 500 crore.

21.11 To facilitate the functioning of the CID, the State Government has also constituted an Empowered Committee for Infrastructure Development (ECID) under the chairpersonship of the Chief Secretary. The ECID will formulate, review, recommend policy papers and proposals for submission to CID and also will monitor, follow up on implementation of the decisions of the CID. It will also undertake such other actions as may be necessary in furtherance of the objectives of the CID.

21.12 An Empowered Committee has also been constituted under the chairpersonship of Chief Secretary for consideration and approval of the road sector projects forming part of the Rajasthan State Highways Development Programme (RSHDP) comprising development of 20,000 kms of State Highways and other roads.

21.13 The State Government has engaged the former Principal Advisor (Infrastructure), Planning Commission, Government of India as Advisor (Infrastructure & PPP) to advise on the policy and regulatory framework relating to Infrastructure and Public Private Partnership. Since preparation, processing, bidding and award of a PPP project normally requires extensive documentation and expert advice, especially in respect of their technical, financial and legal aspects, therefore, a PPP Cell has also been created at New Delhi to provide logistical and secretarial support to the Advisor (Infrastructure & PPP). Three experts comprising financial, technical and legal have been engaged in the PPP Cell at New Delhi.

21.14 The State Government has constituted a Bureau for Partnerships in Rajasthan (BPR) as a registered society under the Rajasthan Societies Registration Act, 1958 with Chief Secretary as Chairperson and the Advisor (Infrastructure & PPP) as Member Secretary of its Governing Body. The Registered Office of the Bureau is situated at Udyog Bhawan, Jaipur and its jurisdiction will extend to the whole of Rajasthan. Its head office shall be in Delhi or at such other place as the Governing Body may decide from time to time. Main objectives of the Bureau are as under:

- To aid and advise in the reforms and re-structuring of various sectors with a view to attract private sector investment through Public Private Partnership.
- To provide hand-holding support to structure, or cause to be structured, PPP projects based on best practices and to engage experts and consultants for the purpose.
- To formulate and provide standard bid documents or project-specific bid documents for PPP and other forms of procurement with the assistance of experts and stakeholders.
- To undertake consultations with experts, stakeholders and relevant departments and institutions in furtherance of its objectives.
- To provide expert advice and other support on payment of fee or otherwise and to assess the progress of PPP projects with reference to the amount of investment and value of assets created.

21.15 PDCOR Limited (PDCOR) is a company developed as a joint venture between the Government of Rajasthan (GoR) and Infrastructure Leasing & Financial Services Limited (IL&FS) in 1998 to facilitate private sector investment in the infrastructure sector Rajasthan. It works in the

sectors of urban renewal, rural development, social sectors, tourism, industries, urban transport and renewable energy.

21.16 RIDCOR is a company developed as a joint venture between the Government of Rajasthan (GoR) and Infrastructure Leasing & Financial Services Limited (IL&FS) in 2004 to implement 'Mega Highways Project' in the State.

21.17 Enabling environment for PPPs is also facilitated by the following:-

#### **State Road Policy, 1994**

21.18 Rajasthan was the first State to formulate a policy for Build-Operate-Transfer (BOT) projects 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. Consequently, the State has been in the forefront of successfully implementing a number of road sector projects in the recent past.

#### **Rajasthan Road Development Act, 2002**

21.19 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. The Rajasthan Road Development Act, 2002, encourages private sector participation in the construction of financially viable bridges, bypasses, rail over-bridges, tunnels, etc.

#### **Rajasthan Road Development Fund Act, 2004**

21.20 State Road Development Fund Act, 2004 was enacted. Under the Act, a non-lapsable State Road Fund (SRF) was created through levy of 50 paisa cess on petrol / diesel. SRF is being leveraged to take up large/mega State Highways projects.

#### **Rajasthan State Highways Bill, 2014**

21.21 Rajasthan State Highways Bill, 2014 has been passed by the State Assembly on 9th April, 2015 and it has become an Act on May 1, 2015.

21.22 Certain other sector-specific policies/acts also provide and support increasing role of PPPs. A number of innovative policies announced by the State Government have boosted the investment prospects in the State. Various investment promotion policies currently in force are as follows:

- Rajasthan Special Economic Zone Policy, 2003
- Policy for Promoting Generation of Electricity through Non Conventional Sources 2004
- Policy for Promotion of Private Sector Investment for setting up of Power Generation projects in the State of Rajasthan 2005.

- Policy to Promote Private Investment in Healthcare Facility 2006
- IT & ITES Policy 2007
- Tourism Unit Policy of Rajasthan 2007
- Scheme to establish Technical Institutes in lagging areas
- Rajasthan Micro, Small and Medium Enterprises (MSMEs) Development Assistance Scheme, 2008
- Policy for generating electricity from biomass, 2010
- Rajasthan State Environment Policy, 2010
- Rajasthan Industrial and Investment Promotion Policy (RIIPP) 2010
- Policy for Promotion of Agro-Processing and Agri-Business 2010
- Policy for Promoting Generation of Electricity from Wind, 2012
- Biotechnology Policy
- Rajasthan Solar Energy Policy - 2014
- Rajasthan Investment Promotion Scheme-2014
- Udyog Sansthan Sahabagita Yojana for private parties to run second shifts in existing government ITIs Scheme for establishing engineering college under PPP mode in districts, where facility of engineering college is not available

### **Capacity Building**

21.23 The National PPP Capacity Building Programme (NPCBP), launched by Department of Economic Affairs, Ministry of Finance, Government of India in the year 2010 with support of KfW (German Development Bank), has been rolled out successfully in the State to enhance the capacities of staff at various levels of Government for conceptualizing, structuring, awarding, implementing and monitoring of PPP projects. The PPP Cell of Planning Department, Government of Rajasthan has been awarded for commendable contribution in the implementation of NPCBP to mark the culmination of the programme.

### **General Scenario of PPP in Rajasthan**

21.24 Till December 31, 2014, total 132 PPP projects costing ₹ 9,101.10 crore have been completed since the year 1997. Construction works under 49 PPP projects costing ₹ 6,496.03 crore are in progress; while 146 PPP projects amounting to ₹ 36,311.95 crore are under different stages of projects development. Thus, total of 327 PPP projects with estimated cost of ₹ 51,909.08 crore are at different stages. Sector-wise PPP projects as on December 31, 2014 are depicted at a glance in Table No. 21.1.

**Table No. 21.1**  
**Sector-wise PPP Projects at a glance**  
*(As on December 31, 2014)*

(□ in crore)

S. No.	Sector	Projects completed so far		Projects under implementation		Projects under planning or in pipeline	
		No.	Amount	No.	Amount	No.	Amount
1.	Roads (SH & NH)	50	3365.64	11	4640.45	132	22445.00
2.	Urban Infrastructure *	21	136.07	9	707.71	7	11392.95
3.	Power	1	5000.00	4	889.13	3	722.00
4.	Water	1	46.00	-	-	2	1700.00
5.	IT	1	54.01	-	-	-	-
6.	Social	47	372.50	20	184.69	1	10.00
7.	Others **	11	126.88	5	74.05	1	42.00
<b>Total</b>		<b>132</b>	<b>9101.10</b>	<b>49</b>	<b>6496.03</b>	<b>146</b>	<b>36311.95</b>

\* 610 completed projects, 85 projects under implementation and 09 projects in-pipeline for Operation of Public Convenience in various cities, have been shown as single project in each category.

\*\* 71 completed projects, 57 projects under implementation for Operation of Stage Carriage Services in rural areas of various districts, have been shown as single project in each category.

21.25 A brief description of major PPP projects being implemented is as follows:

### **Road Projects**

21.26 Fifty (50) road projects entailing investment of □ 3365.64 crore have been completed on PPP format including the Ghat Ki Guni Tunnel Project costing □ 150.00 crores.

21.27 Eleven (11) road projects entailing investment of □ 4,640.45 crore are under implementation including the Ring Road Phase-I Project, Jaipur costing □ 890.00 crore. Eight major road projects, namely, Jaipur to Bhilwara, Chomu-Mahla via Renwal Jobner, Bikaner-Suratgarh, Chittorgarh-Neemach, Ajmer-Nagaur, Sikar-Bikaner, Jodhpur-Pali and Nagaur-Bikaner road projects have been taken up with VGF assistance. Another 132 road sector projects costing □ 22,445.00 crore are under Planning or in pipeline on BOT/DBFOT basis.

21.28 Rajasthan State Highways Development Programme (RSHDP) envisages upgradation of 20,000 kms of State Highways and Major District Roads through Public Private Partnership. According to the phase-wise action plan, works would be awarded for 160 kms roads in 2014-15, 6,840 kms road length in 2015-16, 6,000 kms road length in 2016-17 and 7,000 kms road length in 2017-18, subject to viability of projects and approval by Department of Economic Affairs, Govt. of India.

21.29 In Phase-I of the programme, 132 road stretches (29 Packages) with 8,910 kms road length have been identified for feasibility studies.

Works have been awarded for feasibility studies to ascertain their viability on different modes of PPP. Request for qualification for five road stretches have been invited; works would be awarded in the year 2015-16.

### **Ghat Ki Guni Tunnel Project, Jaipur**

21.30 Jaipur Development Authority implemented the Ghat Ki Guni Tunnel Project 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 was 150.00 crore. Total Length of the road is 2.80 Km consisting of approximately 870 meter tunnel (parallel twin tunnel) with interconnector at two locations at an interval of approx 275 meter, one fly-over, three cross drainage works (culverts) and four-lane divided cement concrete roads each of 9.00 meter width. The concession period is 13 years 5 months and 20 days. Tunnel(s) have been opened to traffic on February 01, 2013.

### **Ring Road Project, Jaipur**

21.31 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), i.e. Southern Corridor of 47.00 Km, in PPP mode on DBFOT format. The works under the project includes six lane roads with three meter median, three inter changes, two RoBs, one major bridge on Amani Shah Nallah, two minor bridges, 26 under passes and electrification/horticulture works. The total cost of the project is anticipated as ₹ 890 crore.

21.32 The concession agreement has been executed with successful bidder namely M/s Sanjose-Supreme Tollways Dev. Pvt. Ltd. New Delhi on June 24, 2011. According to the concession agreement, the concessionaire will pay an amount of ₹ 23.99 crore, as annual premium to JDA after Commercial Operation Date. Financial closure has been approved. Land acquisition under the project has been completed. Tripartite supplementary agreement was signed on November 26, 2013 to start the work on 60% available land (28.30 Km). Conditional appointed date conveyed to the concessionaire is October 09, 2013.

### **Exhibition-cum-Convention Centre Project, Jaipur**

21.33 The Rajasthan State Industrial Development and Investment Corporation Limited (RIICO) has undertaken development of the Exhibition-cum-Convention Centre Project through Public-Private Partnership on Design, Engineer, Finance, Construct, Market, Operate, Manage and Transfer basis in the Sitapura Industrial Area, Jaipur at an

estimated cost of ₹ 216.65 crore. The concession period is 60 years. Agreement has been signed with M/s Diligent Pink City Center Pvt. Ltd. Bhopal for the project on March 10, 2012.

21.34 RIICO has handed over the physical possession to the Concessionaire on July 30, 2012 and the construction works have almost been completed by the concessionaire. Against envisaged cost of ₹ 92.91 crore towards minimum development obligations, the concessionaire has incurred an expenditure of ₹ 139.95 crore till December 31, 2014.

21.35 The work on minimum development obligations is expected to be completed by the end of current financial year. In the mean time, two events namely 'VASTRA' 2014 and 'Jaipur Jewellery Show' 2014 have been organized in the Jaipur Exhibition cum Convention Center (JECC), Sitapura Jaipur from October 29 to 31, 2014 and December 20 to 23, 2014 respectively.

### **Jaipur Street Lighting System Project**

21.36 Jaipur Street Lighting System Project entails implementation of Energy Conservation Measures (ECMs) to existing public lighting network having total 70,652 lamps spread across eight zones (Hawa Mahal East, Hawa Mahal West, Amer, Vidya Dhar Nagar, Civil Lines, Moti Dungri, Mansarowar, and Sanganer) in 77 wards. These 77 wards have been clustered in 23 geographical areas, each constituting a phase of the project.

21.37 There are two revenue streams for the Energy Savings Company (ESCO); One, Payment by Local Self Government Department for an amount equivalent to 90% of the achieved energy savings over and above the baseline energy consumption, computed on the basis of actual power tariff, and second, payment by Jaipur Municipal Corporation for an amount computed at the rate of ₹ 300 per lamp per annum for 2013-14 (to be escalated annually @ 5%). Under the project, Jaipur Municipal Corporation (JMC) shall execute the repair and maintenance works of cables at its own cost. The selected private entity has to achieve guaranteed energy savings with minimum 35% energy saving, which has been discovered through bidding.

21.38 The product of guaranteed energy saving to be offered (with 35% as minimum) and share of JMC to be offered in the achieved energy saving (with 10% as minimum) was adopted as the bidding criteria. The bidder whose bid gave highest such product was selected for implementation of the project. SMC Infra Ltd., Pune, Maharashtra quoted 73% guaranteed energy saving with 30% share of JMC in the achieved energy saving.

21.39 Concession agreement has been signed with successful bidder i.e. SMC Infra Ltd., Pune on 24.12.2014 for 10 year period for the project.



### **Manas Arogya Sadan Hospital, Mansarovar Jaipur**

21.40 The State Government constructed a state-of-the-art hospital building in Mansarovar, Jaipur. A project has been structured on finance, equip, operate and transfer basis to function a hospital (Manas Arogya Sadan Hospital) out of this building. Preferred bidder has been identified, through a competitive process and concession agreement has been executed for 30 years. As per the agreement, the concessionaire will invest entire capital and operational cost required to renovate/upgrade and maintain and equip the building. The concessionaire will also share its 7.20 per cent revenue with the State Government. The concessionaire has to bear the expenses towards providing treatment to BPL patients equal to 20% of the total numbers of patients admitted to hospital. OPD facilities have been started and other modernization works have been completed.

### **Technical Institutions**

21.41 State Government has set up Polytechnics, Engineering Colleges and ITIs on PPP mode in lagging areas. State Government provided free-of-cost converted land (not exceeding 10 acres) on 25 years lease basis to the selected private developer. Capital subsidy of ₹ 2.90 crore has been provided for only the women polytechnics. The non-recurring and entire recurring expenditure of these institutions have been borne by the selected private developer. Till December 31, 2014, construction works on eighteen (18) Polytechnic/ Engineering Colleges and twenty two (22) ITIs have been completed and the construction works on other fourteen (14) Polytechnic/Engineering Colleges and four (4) ITIs are under progress.

### **Transmission Projects**

21.42 Looking to the huge requirement of funds for the power sector and to facilitate smooth and rapid development of transmission capacity, a part of investments is being sought from the private sector. Rajasthan Rajya Vidyut Prasaran Nigam Limited is implementing the various transmission projects on Build, Own, Operate and Maintain (BOOM) basis. Total seven transmission projects with an investment of ₹ 1611.13 crore are either under implementation or under planning.

### **Common Service Center Project**

21.43 This project intended for e-Delivery of Government to Citizen Services to the common man through common service center across the State in rural areas. Under the CSC project, as per the mandate of Government of India, more than 7,500 kiosks have been set up across the State against the target of setting up 6,626 kiosks. The total cost of this project is ₹ 54.01 crore. These CSCs are being managed by Village Level Women Enterprises (VLWEs) through service center agencies. A comprehensive Web-based application has been developed for on-line

monitoring of progress of implementation of CSC Scheme up to Village Level Entrepreneurs (VLE) level. The URL of portal is [www.cscmis.emitra.gov.in](http://www.cscmis.emitra.gov.in). There are approximately 18-20 lakh transactions per month at CSC/e-Mitra portal kiosk.

**Operation of Stage Carriage Services in Rural Area of Rajasthan on PPP Basis – for Financing, Procurement, Running, Operation and Maintenance of buses**

21.44 Rajasthan State Road Transport Corporation (RSRTC) has identified total 128 clusters in various districts to provide safe, reliable and affordable bus services in rural areas on PPP mode.

21.45 The project(s) (one cluster constitute one project) entail preferred private operator(s) to purchase/procure specified number of 32+ seat Midi buses, operate in identified/specified cluster(s), maintain these buses, receive per kilometer viability gap funding from RSRTC for a period of six (6) years (extendable by another one year) or 7 lac kilometers of bus running, whichever is earlier. Each cluster has specific number of routes, daily trips, number of buses to be operated, etc.

21.46 Till December 31, 2014, operation of buses has been commenced by the selected private operator(s) in 71 clusters of 21 districts. Total 440 private midi buses are being run by selected private operator(s) till December 31, 2014, by which 1525 gram panchayats have been connected to their district headquarters. Further, agreements have been signed for operation of rural buses in other 57 clusters of various districts.