

CHAPTER - 5

PRIVATISATION IN RAJASTHAN

Background

5.1 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.

5.2 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 - a one percent increase in the stock of infrastructure is associated with a one percent increase in Gross Domestic Product (GDP) across all countries.

5.3 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

5.4 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.

5.5 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 under the chairmanship of Chief

Minister 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.
- Setting up of the Empowered Committee on Infrastructure Development (ECID) under the chairmanship of Chief Secretary. The ECID 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.
- 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.
- Setting up of a joint venture company Road Infrastructure Development Company of Rajasthan Ltd. (RIDCOR) in association with IL&FS for implementing Mega Highway Projects.
- Setting up of a group for empanelment of project development companies who are willing to work on the "success-fee" model.

Financing of Project Development Expenses

- Creation of Rajasthan Project Development Fund (RPDF) for meeting the costs and expenses relating to conducting feasibility studies for project development work for identified projects.
- Initially a corpus of Rs. 2 crore was created with the contribution from Government of Rajasthan (Rs. 1.50 crore), IL&FS (Rs. 25 lakhs) and HDFC (Rs. 25 lakhs). Besides this, State Government sanctioned Rs. 2.50 crore.
- The fund is recouped by the sale proceeds from the successful bidder on bidding out of the project.
- Drawdown from RPDF only for those projects that have been approved by the ECID.

Focus areas

5.6 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.

Policies / Legal Framework:

Power:

5.7 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 into one generation, one transmission and three regional distribution companies. A State Electricity Regulatory Commission was also set up.

5.8 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:

5.9 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.

5.10 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:

5.11 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.

5.12 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.

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

Tourism:

5.14 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.

5.15 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.

5.16 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:

5.17 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:

5.18 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:

5.19 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:

5.20 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:

5.21 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.

Policies under preparation:

5.22 State Water Policy, Information Technology & Information Technology Enabled Services Policy are under consideration of the State Government.

Successful Implementation of PPP projects:

- BOT Projects - 29 road projects of estimated cost of Rs. 366 crores have been completed under BOT policy, 2 projects of Rs. 55.12 crores are under construction and 5 projects of Rs. 93 crores are under pipeline.
- Rajasthan Mega Highways Project - For improvement and maintenance of 1053 km of road at an investment of Rs. 1500 crore is under way. Under this project, 11 ROBs and 28 Bye-passes will also be constructed. This project is being implemented by RIDCOR. The company would also be responsible for the operations and maintenance of the project roads. It is proposed to complete this project by December, 2007.
- Jal Mahal Tourism Infrastructure Project - The project envisages development of tourism and recreation products, such as resorts hotels, museum, craft village and food courts etc. The development would also include common facilities such as internal roads, boating jetties, parking facilities, public convenience etc. The Private Sector Developer has been selected through competitive bidding and work is under progress. The cost of the project is approximately Rs.250 crores.
- Solid Waste Management - M/s Grasim India Ltd. is constructing a waste conversion plant in Jaipur to prepare energy pellets at a cost of Rs.15 crore. 25 acre land has been given for 30 years at a token

of Rs. 1/- per sq.mt. per year at village Langriawas (Jaipur). It is likely to be operational in January, 2007. 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 Jaipur, Ajmer and Udaipur. These plants are proposed to be established in another 9 cities which will cover whole State. Plants at Jodhpur and Bikaner have been erected and they are under trial run. Plant at Alwar is to be commissioned by July, 2007. Plant at Hanumangarh, Sikar, Jhalawar, Jaipur (additional) & Sawai Madhopur are likely to be functional by January, 2007. Plant at Kota is likely to be operational by June, 2007.
- Special Economic Zones (SEZs) - RIICO has developed three SEZs in the State – two units for Gems and Jewellery at Sitapura (Jaipur) and one SEZ for Handicraft at Boranada (Jodhpur). The State Government has received 20 new proposals from private developers for setting up of SEZs. One multi product SEZ is being established by Mahindra and Mahindra Limited on Public Private Partnership model along the lines of the Mahindra World City (Chennai) SEZ.

GoI has already given formal approval for 135 acres of IT SEZ which would be part of multi product SEZ. The GoI has also accorded in-principle approval for multi product SEZ to be established on 2500 acres of land. The IT-SEZ, a part of multi product SEZ would lead to creation of large number of jobs for the unemployed youth of the State. It is expected that the multi product SEZ once functional, would catalyze investment to the tune of Rs.14000 crores and about 1 lac jobs would be created in the 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, 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.

Presently the likes of Microsoft, Intel, CISCO, Azim Premji Foundation, IBM, American Indian Foundation, ICICI Bank, Educate Girls Globally, Nandi Foundation & CII are working with the State on wide range of issues like deployment of e-content, capacity building, school health programme and gender related issues.

- 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 500 kiosks are operational. This programme is under statewide implementation through Public-Private Partnership.
- Wind Energy – 342.6 MW of additional capacity of wind energy power plants was installed, as on June, 2006, which includes 35.2 MW of RREC and balance being private investment. Projects of 195.8 MW are under execution. At the end of the Xth plan period, the total installed capacity in the wind energy sector would be 565 MW and the investment is likely to reach about Rs. 2575 crores.
- Biomass Power Plants – Three Biomass based power plants with aggregate capacity of 30.3 MW have already been commissioned in the State during the Xth Plan and 3 more plants with capacity of 23.5 MW would be completed by March, 2007. All these plants are in the private sector, with an estimated investment of Rs.216 crores.
- Mid-Day-Meal Scheme – The mid-day-meal programme is being implemented in 74,500 government, government aided, education guarantee centres and alternative and innovative education centres located in rural and urban areas of the State. More than 76 lac students studying in classes 1 to 5 have been covered through this programme.

For private sector participation, a PPP policy is under operation. Presently, 4.12 lac children in more than 2062 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, Adamyia Chetna Trust, JAY GEE Humanitarian Society, ISKCON etc. This figure is likely to reach 6.67 lac by the end of March, 2007.

Major Projects under Pipeline:

- Mega Highways Project-II - State Government has sent proposal of 7 road projects for funding under Viability Gap Funding (VGF). Mega Highways Project – II consist construction of 1267 km road length with the estimated cost of Rs. 1258 crore. Government of India has already 'in principle' approved 4 road projects having length of 846 km with estimated cost of Rs. 831 crore. Remaining 3 projects having length of 421 km with estimated cost of Rs. 427 crores are under consideration of the Government of India.
- Bus Rapid Transit System (BRTS) - Jaipur will be one of the first four BRT and the first Heritage City in India to develop the BRT system. BRTS project will be 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. Government of India has 'In Principle' approved the project proposal and permitted to go ahead with the preparation of Detailed Project Report (DPR) for the project.

- Desalination Project, Matasukh - RSMM Ltd. has invited Expression of Interest (EoI) for setting up 20 Million Litres per Day (MLD) desalination plant at Matasukh (Nagaur) on BOOT basis and about 15 bidders have responded to the EoI. 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.

Sector-wise Approach for the XIth Plan:

5.23 The State Government had constituted various Working Groups for Eleventh Five Year Plan. The Terms of Reference (TOR) of the Working Groups inter alia included scope for leveraging resources through Public-Private Partnership for economic and social development. In this connection, sector-wise approaches recommended by Working Groups are as follows:

1. Agriculture

- Greater involvement of private sector
 - for popularization of low cost inputs,
 - for seed production and water management activities etc.
 - in laying out of water saving devices and imparting trainings on efficient water management issues.
 - for better extension / inputs

2. Fisheries

- Private sector may be encouraged for
 - for development of nursery and rearing areas for fish seed production
 - for establishing commercial hatcheries and nurseries.
 - to procure the post larvae, specified feed and by-back of the product.

3. Water Resources

- Develop performance improvement plans through local private sector participation.
- Introduce BOT system as a strategy to ensure private sector participation on pilot basis.
- Possibilities are being explored to plan future irrigation projects to be implemented on PPP mode.

4. Power

- Private Sector Participation in generation, outsourcing and franchising.
- The incentives and facilitation should continue for private investment in the sector.

5. Industry

- The State Government will encourage and facilitate private sector participation for development of SEZs.
- Industrial areas would be developed, preferably on PPP model for the following sectors – leather, stone, handicrafts, handlooms, engineering goods, agro base products and food processing units. These areas would be cluster specific or investment size specific.
- Upgradation of the ITIs can be ensured through a well designed PPP.

6. Mines

- Accelerate the pace of mineral exploration by adopting modern technique of mineral exploration and achieving better coordination with other government, public sector and private sector agencies engaged in the mineral exploration in the state.

7. Transport

- It is proposed that all viable ROBs / Flyovers be taken up on BOT basis.
- It is proposed that as many bye-passes as possible be constructed on BOT basis.
- Setting up of modern computerized mechanical fitness centers, construction of driving tracks and driving schools, computerized automated check posts and smart card scheme will be introduced on Build, Own, Operate and Transfer (BOOT) basis.

8. Science & Technology

- For developing Knowledge Park to attract Bio-technology industries in the State.

- Developing advance Technology Resource Centre and bioinformatics centre to take up advance research work on proteomics, genomics and protein & drug designing.
- To mobilize for setting up of Science City at State capital Jaipur and developing Science Park at divisional head quarters.
- PPP is also envisaged in the area of technology development, venture promotion and social diffusion.

9. Elementary and Secondary Education

- Raising of funds for overall development of government institutions in the State.
- Overseas assistance and soft loans for development of government schools.
- Disinvestment of the assets of the government school in leasing / sell out land / space for commercial residential activities.
- Public participation may be increased in the XIth Five Year Plan, if a good and reputed registered educational society or institute decides to run a school.
- The efforts will be made to provide a suitable platform for accelerating the pace of private sector.

10. Higher Education

- Partnership with public and private agencies for infrastructure development and quality research. (MDS University, Ajmer)
- In order to generate funds / facilities from public participation efforts will be made through Development Council to be constituted for the purpose. (University of Bikaner).
- Scholarship may also be invited from private sector for needy and deserving students.
- Funds may also be generated from the private sector by arranging training programmes for their human resource as per needs.

11. Art & Culture

- Private national/international foundations can be used for augmentation of technical and financial resources for museums, Amber Palace and other monuments.

12. Medical & Health

- Encourage private sector investment
 - to ensure corporate level hospitals
 - to establish state of art diagnostic facilities in tertiary care and secondary care hospitals

- to establish medical schools and paramedical institutions
- in medical tourism
- Outsourcing of monitoring and management of health facilities.
- Developing a self sustainable mechanism through cost recovery.
- Public-private and public-civil society partnerships to provide efficient, timely and reasonably priced diagnostic services to the patients will be encouraged.

13. Urban Development and Housing

- In housing sector, Housing Board intends to undertake projects under the PPP format also.
- Projects like 'Scheme for NRIs', 'Club Centre', and 'Rajasthan Habitat Centre' will be undertaken on BOT basis.

14. Tourism

- Promoting private sector participation in Travel & Tourism related infrastructure developments, in order to build required hotel capacity and other related service provisions.
- Incentives to private sector investors for investment in tourism-related infrastructure

15. Information Technology

- Special Economic Zones should be established in the State to encourage growth of IT industry in the state.
- PPP is being used in the rollout of e-Mitra project. As per NEGP, PPP would be used in extension of Common Services Centers (CSC).