

CHAPTER - 7

PUBLIC PRIVATE PARTNERSHIPS

Introduction

7.1 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. 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.

7.2 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.

7.3 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. 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.

7.4 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. Also, there is huge demand of modern urban infrastructure facilities in Rajasthan as most of the State's cities do not have equal/adequate provision of basic and modern infrastructure services - safe drinking water, waste water treatment, sanitation, waste collection and treatment, continuous electricity (and energy, in general), multi-level parking, public transport, etc. Therefore, PPPs would be encouraged for both building and maintaining the urban infrastructure during the Twelfth Five Year Plan period. PPP being useful both for building infrastructure as well as for improving the provision of services, the State Government has undertaken certain measures in support of its PPP initiative.

Institutional and other Measures

7.5 A three-tier institutional mechanism has already been established in the State:

- Empowered Committee on Infrastructure Development (ECID), headed by the Chief Secretary, to approve the project to be implemented on PPP format.
- PPP Cell, under the direct supervision of the Principal Secretary, Planning Department, who is the State PPP Nodal Officer, acts as the Nodal Agency to coordinate and monitor the PPP projects. This Cell serves as the secretariat of the ECID and being strengthened to support departments in project development, appraisal and evaluation. This Cell provides all hand-holding support for development of these projects.
- Implementing Agencies – the respective administrative departments/agencies to identify, develop and execute the PPP projects. Respective administrative departments have nominated one of the officers as nodal officer for PPP projects.

7.6 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.

7.7 The Road Infrastructure Development Company of Rajasthan (RIDCOR) set up in 2004 with 50:50 equity contributions from the Government and IL&FS is executing the Rajasthan Mega Highways Project. As part of the Mega Highways Project, development of

important road corridors/road stretches has been taken up in the State.

7.8 The State procures Transaction Advisors for developing the PPP projects presently through the following options:

- open advertising route. Model documents of Request for Proposal for procuring Financial Consultants, Technical Consultants and Legal Advisers.
- through limited bidding amongst transaction advisors (at least five) empanelled by the Department of Economic Affairs, Ministry of Finance, Government of India, if the cost of the proposed project is up to Rs. 250 crore.
- engage PDCOR Ltd. on single source basis for consultancy services up to Rs. 2 crore.

7.9 A new fund titled "Rajasthan Infrastructure Project Development Fund" (RIPDF) has been created with an initial corpus of Rs. 25 crore for supporting the development of credible and bankable PPP projects that can be offered to the private sector and the other infrastructure projects wherein Government of Rajasthan reimburses project development expenses. The RIPDF is not a source of grant funding for the Administrative Departments. The Fund assists ordinarily all the project development expenses to the department. On successful completion of the bidding process, the project development expenditure is recovered from the successful bidder. However, in case of failure of the bid, the assistance need not be recovered. The Administrative Departments are liable to refund the amount of assistance received, in case it does not conclude the bidding process for some reason or does not contract out the project after completion of the bid process.

7.10 Rajasthan Social Sector Viability Gap Funding Scheme has been notified for promoting PPPs. All Administrative Departments, Autonomous Organizations and local bodies of the State are eligible to get viability gap support for their social sector infrastructure and services. Viability Gap Support can be in the form of any of the following or a combination thereof:

- (a) Capital Subsidy;
- (b) Interest free or concessional loan;
- (c) Land free of cost or at concessional price on lease basis;
- (d) Building free of cost or at concessional price on lease basis;
- (e) Subsidy in lump sum or related to outputs;
- (f) Norm based recurring expenditure grants;
- (g) Any other appropriate mode of providing support.

7.11 Rajasthan is a participant State with the Department of Economic Affairs (DEA) of Government of India under the Technical Assistance Project of Asian Development Bank (ADB), namely, “Deepening Capacity Building for Mainstreaming Public Private Partnership”. Advisory technical assistance of two experts is available to the State Government to enhance capacity of State PPP cell to prepare, evaluate, and appraise PPPs in infrastructure and significantly improve monitoring of overall progress in PPPs through databases.

7.12 As per the budget announcement of the Hon’ble Chief Minister, an Infrastructure Development Act has already been drafted. The draft Act provides an overarching and transparent legislative framework for a level playing field for private participants in the State’s infrastructure development. The Act shall lay down the legal basis for grant of concessions to private parties, apart from defining the decision making powers and processes, including with respect to selecting of projects and of concessionaires.

7.13 The Act has already been drafted for seeking approval for enactment of a legal enabling framework. Rules and Regulations under the Act are also to be framed as subordinate legislations to support the Act with procedural modalities. The draft Act is presently under consideration and subsequently it will be placed before the State Assembly for its approval. The enactment of Act may take some time, given the procedural and other requirements; therefore, Draft Public-Private Partnership Guidelines have also been prepared, for the time being.

7.14 Rajasthan is one of the States selected under the National PPP Capacity Building Programme (NPCBP) launched by Department of Economic Affairs, Ministry of Finance, Government of India in 2010 with support of KfW (German Development Bank) and the World Bank. A MoU has already been signed with the India PPP Capacity Building Trust (I-Cap) appointed by the DEA as the Project Executing Agency for the program. Five officers selected from the State have completed the Training of Trainers (ToT) under the program. This program is being rolled out seriously in the State to enhance the capacities of staff at various levels of Government in better conceptualizing, structuring, awarding, implementing and monitoring PPP projects.

7.15 To build a virtual market place for the PPP stakeholders, Government of Rajasthan has created a PPP website that is a one stop site for all information relating to PPP initiatives in the State. It carries information relating to PPP projects in the State. The site

carries a link to database on PPP projects in India as well as all policy issues on PPP projects.

7.16 These interventions would definitely promote PPPs in the State during the Twelfth Five Year Plan. The task of mainstreaming PPPs in infrastructure is humongous and would require continuous and rapid response to the changing aspirations of the people and pressures of a high performing economy. Efforts would be made to work closely with all the stake-holders to expand the horizon of PPPs in infrastructure development of the State.

7.17 A brief sector-wise description of major PPP projects are as follows:

Road Sector

7.18 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 formulate a policy for Build-Operate-Transfer (BOT) projects in 1994. The Rajasthan Road Development Act, 2002, encourages private sector participation in the construction of financially viable bridges, bypasses, rail over-bridges, tunnels, etc. The Act provides formal framework for projects on BOT 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 projects.

7.19 Sixty four (64) road projects entailing investment of Rs. 2521.62 crore have already been completed on BOT format, out of which 42 road projects entailing investment of Rs. 570.92 crore have already recovered investment through toll and transferred back to the Government. Other 21 road projects involving investment of Rs.1899.30 crore are being built/operated on BOT format.

7.20 Two major projects namely Jaipur to Bhilwara project and Chomu to Mahla via Renwal, Jobner project have been taken up with VGF assistance for State Highways having length 294 km and costing Rs. 354 crore. Another 13 projects have been taken up under BOT and Annuity pattern for development of state highways and major district roads entailing length of 961Km and costing Rs.1440 crore, by RSRDCC.

7.21 Seven projects have been taken up under BOT and Annuity pattern for development of state highways and major district roads entailing length of 272 Km and costing Rs.779 crore, by RIDCOR. Similarly, 13 projects have been taken up under BOT for development of state highways and major district roads entailing length of 993 Km and costing Rs.779 crore by Public Works Department. Also, five projects have been taken up under BOT with Viability Gap Fund

(VGF) for development of the State highways and major district roads entailing length of 430 Km and costing Rs.370 crore by Public Works Department.

7.22 During the 12th Five Year Plan period, sixteen mega highways comprising length 2929 km of State highways and major district roads costing to Rs. 3586 crore are proposed. The project development process for these projects is in different stages.

Urban Infrastructure

7.23 PPP projects in the Urban Infrastructure sector are being intensively pursued. These include the Metro Rail Project in Jaipur, Exhibition-cum-Convention Centre in Sitapura, Jaipur and Ring Road Project in Jaipur.

7.24 The metro rail urban transport project in Jaipur is 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 of the Corridor Mansarovar – Badi Chaupar (about 11.5 Kms); Stage-II for development of the Corridor Ambabari - Sitapura (about 23.5 Kms). The Stage-II of the project is proposed under the PPP mode. The project is estimated to cost Rs. 10000 crore. The project has been sanctioned under the India Infrastructure Project Development Fund (IIPDF) Scheme of the Government of India for project development.

7.25 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 Rs. 225 crore. The preferred bidder has been identified consequent upon the Request for Proposal for the project.

7.26 Jaipur Development Authority is implementing 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 is 150.00 crore. Total Length of the road is 2.80 Km consisting of approximately 860 meter tunnel (parallel twin tunnel) with interconnector at two locations at an interval of approx 300 meter, one fly-over, three cross drainage works (culverts) and four-lane divided cement concrete roads each of 9.00 meter width. The concessionaire M/s Rohan Rajdeep Rajasthan Infra Projects Private Ltd., Pune 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 expected to be completed by

June 2012. According to the concession agreement, recovery of the project cost will be done by the concessionaire by collecting toll fee from the road users as per the provisions of toll rates in Rajasthan Road Development Act 2002. The light vehicles like two wheelers, cars, jeeps, taxis, tractor trollies etc. would be exempted from the toll fee.

7.27 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 works under the project includes six lane roads with three meter median, three inter changes, two ROBs, one major bridge on Doond river, two minor bridges, 25 under passes and electrification/horticulture works. The total cost of the project is anticipated as Rs. 890 crore and is expected to be completed in 24 months. The concession agreement has been executed with concessionaire M/s Sanjose-Supreme Tollways Development Private Limited, New Delhi. According to the concession agreement, the concessionaire will pay an amount of Rs. 23.99 crore, as annual premium to JDA after commercial operation date. The toll tax will be charged as per the rate specified in the "Rajasthan State Toll Fee Rules". Land acquisition for the ring road is under progress. 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.

Social Sector

7.28 The State Government is actively pursuing PPP projects in the social sector. 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 bear the expenses towards providing treatment to BPL patients equal to 20% of the total numbers of patients admitted to hospital.

7.29 In its endeavour for more PPP projects in social sector, 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. Five schools per district 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 partner. After expiry of the 30 years concession period, the assets of these schools will be transferred to the Government. Total investment in the Phase – I comprising 50 schools is estimated to be INR 1750 million. The Government of India has approved financial assistance for the Project under the India Infrastructure Project Development Fund (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. Further procurement is pending as the request for viability gap funding for the project(s) is under consideration of the Government of India.

7.30 In the higher education segment, the State Government has initiated a project for establishment of a University for Physical Education and Sports in Jhunjhunu on PPP mode. Project entails assistance under the India Infrastructure Project Development Fund (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. Transaction advisor has been procured and has commenced project development work. It is expected that the private developer will be identified in 2012-13 and the project will be implemented during the Twelfth Five Year Plan.

7.31 State Government has also set up some ITIs, Polytechnics and Engineering Colleges on PPP mode in lagging areas. State Government provides free-of-cost converted land not exceeding 10 acres on 25 years lease basis to the selected private developer specifically for women polytechnics and reimburses capital cost amount up to Rs. 2.90 crore per polytechnic. The remaining non-recurring and entire recurring expenditure are borne by the selected private developer.

7.32 Indian Institute of Information Technology (IIIT) is proposed to be set up on PPP mode at Kota. The project cost is approx Rs. 128 crore. The State Government will provide free of cost land and contribute state share of Rs. 45 crore for the project. Land has already been identified in Kota and an ‘in-principle’ approval has been sent to the Government of India after identifying the private partners for the project. As per the provisions, the central government will bear 50% of the cost, state government 35 per cent while the selected private partners will contribute 15% of the total cost.

7.33 Some projects to provide houses to the economically weaker sections of the society have also been developed on PPP mode under the State's Affordable Housing Scheme.

Water Sector

7.34 Rajasthan, a water deficient province, has many water transmission and distribution projects which are pending resource allocation and subsequent implementation. Private investment in surface water projects has not evoked much interest. Unresolved public policy issues in environment and social sphere impinges on large scale private investment in development of water resources. However, private markets, particularly in irrigation may be justified and feasible.

7.35 The State Government is encouraging and promoting private partnership in all aspects of water sector. In order to develop a sense of ownership as well as to share the financial responsibilities, private investment has been invited in water sector. Response has been received in drinking water supply sector, but in irrigation sector also private initiatives will be explored during the 12th Plan period. This will be in the form of maintenance of irrigation systems and collection of revenues. Attempts for private investments would be made and pilot projects or studies would be undertaken to justify private participation and investment in the water sector.

7.36 Project development and structuring for a few water supply projects on PPP format have already been initiated. These include two projects of water supply in Ajmer (Rs. 1500 crore) and Udaipur (Rs. 790 crore) towns, and two pilot projects for water supply in Jaipur (Mansarovar) (Rs. 25 crore) and Kota (Rs.15 crore) with focus on reduction in non-revenue water. These 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 reports.

Power Sector

7.37 Looking to the huge requirement of funds for the power sector and to facilitate smooth and rapid development of transmission capacity, a sizable part of investments is being sought from the private sector. 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 is implementing the various transmission projects on Build, Own, Operate and Maintain (BOOM) basis.

7.38 Lignite based Power Plant in Bhadresh (Barmer) (Total 8 Units) is being implemented on BOOM basis with an investment of Rs. 5,000 crore.

Tourism Sector

7.39 The State Government is also executing some projects on PPP mode in tourism sector. These include Jal Mahal Integrated Tourism Project, Jaipur costing to Rs. 200 crore, Restoration and Conservation of Tijara Fort, Alwar costing to Rs. 25 crore, which are being implemented by Rajasthan Tourism Development Corporation (RTDC) in phases. Development of ropeways at Udaipur has already been completed. Phase-I of Jal Mahal Project is nearing completion and phase-II is scheduled to be completed in next two years. The conservation of Tijara fort is nearing completion.

Information Technology Sector

7.40 To modernize the communication infrastructure with an aim to grow the administrative efficiency and effectiveness, the Government of Rajasthan is implementing the RajSWAN project on BOOT basis. The total cost of the project is Rs.120.21 crore.

7.41 To make available all government and private sector services in areas of agriculture, health, livelihood, FMCG products, banking and financial services, utility payments, delivery of various Govt. certificates, online submission of applications and fees deposition for RPSC etc. at the citizen's doorstep at an affordable cost, Common Service Centres Project is being implemented in the State. A total of 6,626 kiosks are being set up across the State under the project. These CSCs will be managed by Village Level Women Enterprises (VLWEs) through service center agencies. The total cost of this project is Rs. 106.40 crore.