

**Infrastructure Policy – 1997**  
**for the State of Karnataka**

**Infrastructure Development Department**  
**Government of Karnataka**  
**Bangalore**  
**1997**

PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

Sub: Infrastructure Policy of Karnataka .

PREAMBLE:

1. Karnataka has already announced policy statements which cover some sectors of infrastructure, such as the Industrial Policy (1996), the Tourism Policy (1997) the Ports Policy (1997), the Information Technology Policy (1997) and the Power Sector Policy (1997). However, it is also considered necessary to formulate a general policy on infrastructure for the following reasons:

(a) To demonstrate that the Government recognises the crucial role played by infrastructure in economic development and that it accords the highest priority to infrastructure development;

(b) To unambiguously declare to potential investors the Government's commitment to encouraging private investment in infrastructure in the State;

(c) To demonstrate that the Government recognises that a coordinated and integrated approach to infrastructure development is necessary;

(d) To provide guidelines to individual departments and expedite the investment process for infrastructure projects in different sectors.

2. Global experience has shown that the development of infrastructure and economic development are inseparably linked. Inadequate or poor quality infrastructure acts as an obstacle to rapid economic growth. It is not possible to tackle the problem of poverty without providing basic infrastructure. Moreover, the improvement of infrastructure, especially drinking water and sanitation, enhances the quality of life in the community. The World Development Report 1994, published by the World Bank, observes that "Infrastructure is no longer the grey backdrop of economic life underground and out of mind. It is front and centre in development."

3. In Karnataka, there is an imperative need to expand and upgrade the infrastructure facilities so as to give a boost to industrial and economic growth in the State. Bottlenecks in infrastructure in Karnataka are constraining the growth of the economy. For example, Karnataka has a 1,22,430 km network of roads. Of these only 1.6% are National Highways, 9% are State Highways and 23% are major district roads. On the National Highways there has been a 20% increase in traffic each year, and on the State Highways the annual growth has been 25% but in the past two decades the road network has expanded at an average rate of 2.6% per year only. Most of the highways require widening to accommodate the vastly increased volume of traffic. Inadequate road networks and poor quality of roads with inadequate carriage width have led to high transport costs, regional disparities and restricted access of rural people to markets and medical and educational facilities.

4. There is only one major seaport and nine minor ports in Karnataka. "Of the minor ports, Karwar and Old Mangalore handle a small volume of cargo and the cargo traffic in the other ports is negligible." The facilities in Karnataka ports are inadequate in view of the various mega-projects coming up in the State in power, petrochemicals, steel etc. Development of the handling capacity in the ports is urgently required. Moreover, development of ports will also stimulate fresh industrial investment in the hinterland.

5. Only two airports in Karnataka have commercial operations, whereas most states of comparable size have three or four operating airports each. Airfields exist at Mysore, Hubli and Bellary but they have not been developed and are not being used for commercial flights. There is also need to develop an airport at Gulbarga. Development of these airports will vastly improve the accessibility of these important cities and will catalyse development of the surrounding regions.

6. Of the 205 towns in the State(excluding Bangalore) only 4 receive water supply at the rate of about 100 litres per capita per day(LPCD). As many as 154 towns get water supply ranging from 7 LPCD to 70 LPCD only, as against the prescribed standards of 100 to 200 LPCD for towns with population above 20,000. Only 37 towns have underground drainage facilities. Most towns do not have satisfactory systems of solid waste management. All these deficiencies have resulted in a low quality of life and occasional epidemics in the urban areas.

7. It is clear that the infrastructure facilities in the State are inadequate. So far the State Government has been creating infrastructure facilities out of its budgetary resources; supplemented with some assistance from international agencies. However, the resources available for infrastructure development have progressively diminished in the face of increasing demands from other sectors. Infrastructure development is highly capital intensive and requires huge funds. Infact, the Government is finding it difficult to maintain the existing infrastructure facilities.

8. Government will continue to give the highest priority to the allocation of government resources to infrastructure sectors. However, in view of the vast funds required for infrastructure development, it will not be possible for Government to mobilise all the resources required. Hence, the Government will encourage the private sector to supplement its efforts. The Government with the assistance of the private sector, will endeavour to expand and upgrade the infrastructure in the State within the shortest possible time.

GOVERNMENT ORDER NO:IDD 1 UIP 97  
BANGALORE, DATED 26TH DECEMBER, 1997

INFRASTRUCTURE POLICY:

The objectives of the Infrastructure Policy are:-

- (a) To ensure that the infrastructure facilities in the State are sufficiently expanded and

upgraded to meet the growing requirements of the industrial and agricultural sectors and also population growth;

(b) To declare that the Government welcomes private investment and participation in developing infrastructure in the State and to stimulate and attract such private investment and participation;

(c) To adopt a coordinated and integrated approach to Infrastructure Development.

2. Government will accord a very high priority to the allocation of budgetary resources to the development of key areas of infrastructure, particularly, power, roads and water supply. Government will also enhance the volume of resources earmarked for maintenance of the existing infrastructure.

### 3. Role of the Private Sector:-

Karnataka has already experienced significant private sector participation in infrastructure projects. The private sector has taken up a number of power generation projects. Construction of the Bangalore-Mysore Infrastructure Corridor has been entrusted to a private consortium. Private investors along with the Government will implement the Elevated Light Rail Transit system in Bangalore. The private sector has also invested in hotels and tourism projects, technology parks, etc., The Government now proposes to substantially involve the private sector in the following:-

- (a) Roads
- (b) Bridges/Flyovers
- (c) Minor Seaports
- (d) Airports
- (e) Water Supply Schemes
- (f) Sewage disposal/ Garbage disposal

- (g) Urban transport
- (h) Tourism infrastructure
- (i) Agricultural/Horticultural/  
Floricultural markets.
- (j) Industrial infrastructures, viz.,  
industrial parks/estates, software/  
science/biotechnology/export promotion/  
floriculture parks.

Government is confident that major investments in the above sectors will give a powerful stimulus to economic growth and will improve the quality of life. All the above sectors offer attractive opportunities for private investment.

4. Government has already identified some infrastructure projects which will be offered to private investors. However, the different departments of Government and the urban local bodies should identify, as a continuous exercise infrastructure projects which are suitable for private investment and participation and which contribute to economic growth and public welfare.

5. Government will play an enabling and facilitating role to promote private sector investment in infrastructure development with the main objective of promoting the rapid economic development of the State.

6. The private investors should use the best technology for construction and installation of infrastructure facilities and should provide infrastructure of international standards.

7. The Government recognises that private participation in infrastructure projects requires the projects to be commercially viable. The Government will make efforts to ensure that the projects are conceived with the objective that they are commercially viable before offering them to private investors.

8. Generally infrastructure projects will be offered to the private sector through open competitive bidding. However, Government will consider executing a Memorandum of Understanding (MOU) in either of the following circumstances:

- (a) Where the investor proposes a project which is of a visionary nature or which is totally new in conception;
- (b) where the investor on his own initiative proposes a project which the government has not contemplated offering to the private sector because it did not appear to be commercially viable.

In all such cases the MOU will be valid for a limited period during which the investor will have to achieve agreed objectives, such as preparation of a techno-economic feasibility report. Further, the MOU will require that the investor follows internationally accepted best practices, such as competitive bidding of construction contracts etc.,

9. In respect of infrastructure projects, several types of agreements are possible, such as ~~Build-Operate-Transfer~~ (BOT), Build-Own-Operate(BOO), Build-Own-Operate-Transfer (BOOT), Build-Operate-Share-Transfer(BOST), etc., Depending on the nature of each project, the State Government will decide upon the nature of the contractual agreement.

10. The State Government will not offer any guarantee for these projects. However, the Government may consider making token investment in a particular infrastructure project if it will facilitate speedy implementation.

11. In respect of infrastructure projects which come under the control of urban local bodies, such as solid waste management and surface drainage, the local body concerned will be responsible for the initial tasks, such as preparation of the project report and calling for bids. A private investor who wishes to propose a project in any such area of infrastructure should approach the local body concerned.

12. An inter-departmental Committee headed by the Chief Secretary shall examine proposals for private sector investment in infrastructure involving Rs.100 crores or more. The Committee will make suitable recommendations to the concerned Minister/Cabinet.

13. The Government, after receipt of the recommendations of the Committee will take a decision of giving approval to the project. The Government may require the investor to amend the proposal and revert to Government with the same. The amended proposal will be considered on a priority basis.

14. The Government gives a commitment to the investor to take a decision on his proposal within 90 days of submission of the proposal or the amended proposal as the case may be, in respect of projects which have been proposed by the investor on his own initiative.

15. After the project is approved by the Government the Committee will ensure that all necessary clearances and assistance are given by the different authorities and will monitor the execution of the project.

16. The Committee will also ensure that there is coordination between different infrastructure projects. Coordination is required to prevent occurrence of problems such as overlapping locations of projects. Coordination is also necessary to ensure integration and synergy between different infrastructure projects. For example, a new power project may come up in the vicinity of a port which is being developed. A coordinated approach would optimise benefits to all users.

17. Where necessary, Government will propose amendment of the relevant Acts and Rules to facilitate private investment and participation in infrastructure. Action will be taken to ensure that all requisite clearances are made

available at one point by a single window agency.

18. Incentives and Concession:

As per the Industrial Policy of the State, incentives, concessions and exemptions are already available for different types of projects. The Government of India has also offered certain fiscal incentives for investment in infrastructure. However, recognising the fact that infrastructure projects require special consideration in view of long gestation periods, low rates of return and higher risks, the Government proposes to offer the following incentives:

- (a) Exemption from payment of entry tax on machines, equipment, capital goods and construction material procured for implementation of infrastructure projects, for a period of three years or till the date of completion of the project, whichever is earlier, subject to the condition that each invoice should be for not less than Rs. one crore (Rs. 25 lakhs for construction materials);
- (b) Exemption from sales tax/works contract tax arising in the construction of the infrastructure facility for a period of three years or till the date of completion of the project, whichever is earlier;
- (c) 100% exemption from payment of stamp duty and registration charges on the first sales of land in the case of infrastructure projects involving second sales of land, such as industrial parks. In the case of other projects the exemption will be to the extent of 50%. There will be 100% exemption from stamp duty and registration charges on transfer of land specifically required for construction of roads on BOT/BOOT basis; This exemption will be available only to the extent of land required for the road construction.
- (d) Government land may be provided, subject to availability, at concessional rates, except in Corporation and City Municipal Council areas;
- (e) where it is not possible for private investors to obtain land required for the project on their own, the Karnataka Industrial Area Development Board will acquire the land

required for the project charging concessional administrative charges and will hand over the same to the investors free of encumbrances;

- (f) The investor will be allowed to charge users fees (tools, port dues etc.,) during the concession period;
- (g) wherever an infrastructure project by itself is not financially viable, the private investor will be allowed to develop any suitable commercial activity, such as commercial complexes, hotels, housing complexes, advertisement hoardings, etc., to ensure a reasonable composite internal rate of (I.R.R) return;
- (h) For projects involving investment of more than Rs.100 Crores, the Government may consider the grant of further concessions/ incentives which are directly related to the project, depending upon the merits of each case.

This order issues with the concurrence of the Finance-Department vide their Note No.FCFD-2130 dated 14-11-1997.

By Order and in the name of the Governor of Karnataka

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Sd/-

(F. R. SAMBARGI)

Under Secretary to Government, Infrastructure Development Department.

(M.V.HIREMATH)

Section Officer, Infrastructure Dev. Deptt.,

TO:

The Compiler, Karnataka Gazette for publication in the next issue of the gazette.

- 1) Accountant General of Karnataka, Bangalore,
- 2) The Chief Secretary to Government of Karnataka.
- 3) The Addl. Chief Secretary to Government of Karnataka
- 4) The Addl. Chief Secretary and Development Commissioner.
- 5) All Principal Secretaries/Secretaries to Government.
- 6) Principal Secretary to Hon'ble Chief Minister.
- 7) Chairman and Managing Director, Karnataka State Indl.-Investment and Development Corporation Ltd., MSIL House, Cunningham Road, Bangalore.

- 8) Chairman and Managing Director, Bangalore Water Supply and Sewerage Board, Cauvery Bhavan, Bangalore
- 9) Chairman, Karnataka Electricity Board, Bangalore.
- 10) The Commissioner of Commercial Taxes, Bangalore.
- 11) Managing Director, Karnataka Urban Infrastructure Development and Financial Corporation, Infantry Road, Bangalore.
- 12) Managing Director, Bangalore Mass Rapid Transit Ltd., Bangalore.
- 13) Commissioner, Bangalore Metro Regional Development Authority, Aliaskar Road, Bangalore.
- 14) Commissioner, Bangalore Development Authority, Bangalore.
- 15) Commissioner, Bangalore City Corporation, Bangalore.
- 16) Commissioner and Director of Industries and Commerce, Nrupatunga Road, Bangalore.
- 17) Executive Member, Karnataka Indl. Area Development Board, Nrupatunga Road, Bangalore.
- 18) Director, Tourism Department, Cauvery Bhavan, B'lore.
- 19) P.S. to Hon'ble Minister for Large and Medium Industries and Infrastructure Development.
- 20) Cabinet Section, (J.P.A.R.)
- 21) Section Guard File.