POLICY BRIEF

REMIT

RAJASTHAN EMPLOYMENT MANUFACTURING INVESTMENT & TRADE

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Strengthening the Investment Ecosystem to Generate Employment in Rajasthan

Rajasthan aims to boost manufacturing-led growth to create employment opportunities, prioritising labour-intensive industries. While employment generation is crucial, the investment-employment relationship is complex. To maximise job creation, recommendations focus on labour-intensive and sustainable sectors like tourism, agro-processing, garments, gems and jewellery.

Empowering Micro, Small and Medium-sized Enterprises (MSMEs), attracting targeted investments and establishing global partnerships is essential. Introducing an Employment Policy alongside skill-based growth is critical to enhance the state's investment appeal. This Policy Brief highlights the potential of such growth, combined with the services where Rajasthan already excels.

Labour-Intensive Growth through Right Investments

Rajasthan serves as a microcosm of India, mirroring the relationship India shares with the global economy, with a ₹15.24 lakh crore GSDP growing at 7.95 percent annually. Investments, 26 percent of Gross State Domestic Product (GSDP), are 78 percent private sector contributions. Rising Rajasthan Global Investment Summit (RRGIS) 2024 secured MoUs worth ₹35 lakh crore across key sectors.

Improving the investment ecosystem in Rajasthan is essential for attracting investments in its labour-intensive sectors. It is important to distinguish between the types of investments pledged during RRGIS, with incentives for greenfield investments creating jobs by establishing new manufacturing units, over brownfield investments involving mergers and acquisitions.

It is important to focus on secondary and tertiary sectors while innovating agriculture to enhance ROI, as these sectors contribute more to the GSDP despite equal employment shares. Attracting greenfield investments into manufacturing is critical for ensuring labour-intensive growth and job creation while boosting ancillary sectors.

Globally, manufacturing-driven growth has catalysed economic transitions, as exemplified by China’s double-digit expansion. Rajasthan can replicate this model, tailoring it to its regional context.

Challenges in Realising Investments

Rajasthan has actively hosted investment summits to attract domestic and foreign investors. However, historical data reveals a sobering reality: MoU realisation rates have been alarmingly low, with only 10 percent and 2 percent of commitments materialising from the summits held in 2015 and 2022, respectively. Concerns about exaggerated investment claims persist.

The Barmer refinery project was conceived in 2008 and reconfigured for commencement in 2018. Delays in permissions and auxiliary industries have blocked the creation of 1.5 lakh jobs. Downstream industries intended for Rajasthan, will now go to Gujarat and Maharashtra, hindering local industrial growth and employment.

Rajasthan requires labour-intensive investments in MSMEs, tourism, agro-processing, and mining. Investors already favour industrial hubs like Jodhpur, Pali, Alwar and Jaipur, but incentives can attract them to other underdeveloped regions. There are further systemic issues in the ecosystem that continue to pose challenges for investors.

A CUTS field survey in the Japanese Industrial Zone in Neemrana, interacting with existing investors, revealed persistent investor challenges, such as inadequate water supply, unreliable power, and inefficient waste management. Escorts Kubota Ltd, a ₹4,500 crore project, planned a greenfield facility but faced setbacks due to inadequate industrial water supply. **This underscores the need for a systematic approach to address investors' specific challenges.**

Employment Potential of Sustainable Growth Sectors

Rajasthan has attracted significant renewable energy investments during RRGIS, including Tata Power's ₹1.2tn, Avaada Group's ₹1tn, NTPC Green Energy Limited's plan to develop 25 GW capacity and others like Serentica Renewables, Mahindra Susten, Jindal Renewable Power, and Essar Renewables. Ahead of the summit, an MoU worth ₹3 lakh crore with the UAE aimed to establish 60 GW capacity solar, wind, and hybrid projects in western districts.

Renewable energy is a key thrust sector for the state. However, the employment sustainability in this sector is debatable as its labour intensity varies by energy source. Wind or solar projects create 250-500 jobs per TWH during construction, but only 20-30 during the operational phase (Thunder Said Energy. August 05, 2022). While in the short-term, expansion in this sector creates jobs, in the long-term, it may reduce them.

The RRGIS investment portfolio has a limited focus on the services sector. The sector remains vital due to Rajasthan's young demographic. Empowering startups and establishing Global Capability Centres (GCCs) can boost employment in this fast-growing sector.

Tourism remains a "gold mine" for Rajasthan, employing local labour and ensuring sustainability. Contributing over 12 percent to the GSDP, the sector is witnessing increasing demand. The state has introduced its new Rajasthan Tourism Unit Policy, designed to harness the benefits of the emerging trends in the sector.

To maximise employment potential, Rajasthan must prioritise investments of the right nature that generate and upskill its workforce while ensuring sustainable growth in terms of ecology, economy, and equity.

Policy Recommendations

- Like Tamil Nadu, Rajasthan should encourage investments in underdeveloped regions with incentives while developing areas like the Jodhpur-Pali belt.
- It is essential to revitalise sick units and ensure that existing industrial parks are fully utilised. This could help unblock the blocked capital.
- Prioritising targeted labour-intensive investments in MSMEs manufacturing, tourism, agro-processing, garments, gems and jewellery, and mining for sustainable job creation.
- Pursue global partnerships aligning with Rajasthan's key sectors of strength. Leverage the China+1 model being adopted by many countries, capitalise on India's FTAs and establish specialised industrial zones to attract foreign investors, particularly from Europe and the U.S.
- Introducing an Employment Policy to support trade. Invest in skill training programmes and provide affordable housing near industrial zones to ensure that the workforce is prepared for the jobs these investments will create.
- Eliminate redundant regulations, through a *regulatory guillotine* and adopt a *regulatory impact assessment* system to evaluate the impact of existing and proposed regulations.
- Establishing a dedicated monitoring cell with a high-level Ombudsman to oversee and fructify the investment resolutions. The Ombudsman should have the authority to mediate and resolve investor issues.
- Prioritise capacity-building for MSMEs to improve access to finance, digital literacy, and global competitiveness.

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Also at Delhi, Calcutta and Chittorgarh (India); Lusaka (Zambia); Nairobi (Kenya); Accra (Ghana); Hanoi (Vietnam); Geneva (Switzerland); and Washington DC (USA).