

PROPOSED SCHEME OF ASSISTANCE FOR LARGE REVENUE GENERATING PROJECTS

Preamble: It is recognized that the development of tourism infrastructure projects require very large investment that may not be possible out of the budgetary resources of the Government of India alone. In order to remove these shortcomings and to bring in private sector resources as well as techno-managerial efficiencies, it is proposed to promote large revenue generating projects for development of tourism infrastructure in public private partnerships and in partnerships with other Government /Semi-Government agencies.

Scope of the Scheme: Large revenue generating project, which can be admissible for assistance under this scheme, should be a project, which is also a tourist attraction, or used by tourists and generates revenue through a levy of fee or user charges on the visitors. Projects like Tourist trains, Cruise vessels, Cruise Terminals, Convention Centres, Golf Courses etc. would qualify for assistance. However, this is only an illustrative list.

Hotel & Restaurant only as a component of the project should be permissible for the projects of Theme Park, Golf Course & Convention Centre subject to the condition that Hotel & Restaurant are not the dominant part of the project.

Promoters of Project: While considering projects for Grant-in-aid under this scheme, priority will be given to projects promoted by private sector and the projects with public private partnership. However, in some cases where private sector participation is not possible or is not forthcoming, then the proposals/projects promoted by State Govts. State PSUs, Central Govt, Ministries/Departments like Railways, ASI and Central agencies like Port Trust and CPSEs.

Public financial institutions, in this case, will include a public financial institution under Section 4A of the Companies Act, 1956 and any institution notified by the Government as authorized to discharge the functions of a public financial institution under this Scheme. Anyone of these institutions could fund the large revenue generating projects admissible under the scheme.

Eligibility for assistance: Justification for providing assistance/subsidy would be ascertained on the basis of feasibility study/DPR at the stage of consideration of the project by the Competent Authority. While selecting projects priority would be given to projects which have strong private sector participation and/or to projects which involve

less assistance/subsidy. The projects selected for assistance under this scheme would not be eligible for subsidy from other schemes of Central Government or State Governments.

Requirement of a Special Purpose Vehicle (SPV): An SPV would have to be set up by the implementing partners in case a private party is promoting the project, prior to the consideration of their project under this scheme. However, where the promoter of the project is a State Govt. State PSU or Central Agencies like Port trust or Central PSU, a separate SPV need not be required. In such cases a separate Project Management Group would be required and the separate Accounts would be maintained for the project.

Appraisal/Feasibility Report: All the project proposals under this scheme must be accompanied by project appraisal carried out by a public financial institution.

Grant-in-aid for preparation of DPR would be admissible at 50% of the actual cost subject to a maximum of Rs.25 lakhs per project. No Grant-in-aid would be admissible for preparation of Feasibility Report.

Norms for funding: The amount of assistance under the scheme would be released to Government agencies or PSUs, if the project is promoted by them. In case a private party is promoting the project, the assistance would be released to SPV. The amount of Grant-in-aid from MOT should not exceed 50% of the equity contribution of the promoter subject to the limit of 25% of the total project cost or Rs.50 crores whichever is the least. The assistance would be released in three installments. The first installment, limited to 25% of the assistance to be provided by the Ministry, will be released only after 25% of the total cost of the project has been contributed by the promoters. The second installment, limited to 50% of the assistance to be provided by the Ministry, would be disbursed only after 50% of the promoter's amount is contributed. The last installment of balance 25% of the assistance, to be provided by the Ministry, will be released after the project is fully functional.

The total project cost in this case will mean the total of:

- i. Capital cost of the project, including cost of land, material, labour, transport, consumables, testing, commissioning, overheads, contingencies, interest during construction, insurance and supervision (including any taxes and levies);
- ii. Pre-operative cost such as formulation, development, design and engineering; and
- iii. Expenses related to fund mobilization if required, such as fees for financial services and brokerage.

Recovery of Government Grant: In case the project does not succeed, and there is any default by the promotees, the Financial Institution can recover its loan component and also recover the Grant-in-aid component on behalf of MOT.

Approval procedures: The project proposals will be appraised by SFC/EFC depending upon the cost of the project before obtaining approval of the competent expenditure sanctioning authority.

Monitoring and Evaluation: The financial institution, which is funding the project, will be responsible for regular monitoring and periodic evaluation of project compliance with agreed milestones and performance levels. In case there is no financial institution involved in the project then an agency will be designated while sanctioning the project for regular monitoring and evaluation as stated above and the cost for the same will be met out of the scheme.
