REVISED SCHEME OF ASSISTANCE FOR LARGE REVENUE GENERATING PROJECTS

1. Preamble: It is recognized that the development of tourism infrastructure projects requires 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, corporate and institutional resources as well as techno-managerial efficiencies, it is proposed to promote large revenue generating projects for development of tourism infrastructure.

2. 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 open for both domestic and international tourists, Health and Rejuvenation facilities and last mile connectivity to tourist destinations (air and cruise including heli tourism) etc. would qualify for assistance. However, this is only an illustrative list and Ministry of Tourism will examine all such cases critically and will have the final say on whether or not the project under consideration has a tourism impact.

Hotel & Restaurant component will not be eligible for assistance under the scheme either on a stand-alone basis or as an integral part of some other project However, catering facility (not open for general public) as integral part of the project to meet the in house needs could be eligible for assistance. Procurement of vehicles and sports facilities like stadiums will also not be eligible for assistance under the scheme.

3. Promoters of Project: The projects promoted by Public Sector Undertakings, Agencies, or Autonomous Bodies of Central/State Governments as well as projects promoted by private sector / PPP Projects recommended by the State Governments/UT Administrations will be eligible for assistance.

4. 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. The projects selected for assistance under this scheme would not be eligible for subsidy from other schemes of Central Government or State Governments. Similarly, the projects which have already availed subsidy/financial assistance from any other scheme of the Central or State Govt., would not be eligible for Government of India assistance under this scheme.

5. Requirement of a Special Purpose Vehicle (SPV): A SPV would have to be set up by the implementing partners in case a private party is promoting the project on its own or in PPP mode, prior to the consideration of their project under this scheme. However, where the promoter of the project is a State PSU, Agency, Autonomous Body or Central Govt. PSU, Agency or Autonomous Body, a separate SPV need not be required. In both the cases, a separate Project Management Group would be required and separate accounts would be maintained for the project. The Project Management Group, where SPV has to be set up will consist of , (i) MD/CEO of the SPV (ii) Project Director/Manager (iii) Finance Director (iv) A representative of the State Govt. to be nominated by them. In the other cases, the Project Management Group will consist of (i) MD/CEO of State PSUs/Central PSUs/Statutory Body, (ii) State Tourism Secretary(where State Govt. is directly involved), (iii) Project Director/Manager (iv) Finance Director of the Central/State PSU/Statutory Body or the Director-Finance Department of State Government.

6. Appraisal/Feasibility Report: All project proposals under this scheme must be accompanied by project appraisal carried out by an independent public financial institution. The public financial institution should clearly state that the project is financially viable. In case of private sector/PPP projects the financial institutions should also indicate their willingness to provide loan for the project. In case the promoter wants to take loan from another financial institution/bank, their appraisal and a letter from them clearly indicating willingness to grant loan for the project should be enclosed with the proposal.

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

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 also fund the large revenue generating projects admissible under the scheme.

7. Norms for funding: The amount of assistance under the scheme would be released to Public Sector Undertakings, Agencies or Autonomous Bodies of Central/State Governments if the project is promoted by them. In case of private sector / PPP project, the assistance would be released to SPV through the financial institutions. The quantum of subsidy for Private Sector/PPP projects will be determined through a competitive bidding process undertaken by the concerned State Governments/UT Administrations. Specific reasons will be required to be brought on record in case competitive bidding process is not adopted for determining the quantum of subsidy. In such cases a High Level Committee constituted by the Ministry of Tourism will recommend the exemption from competitive bidding process as well as quantum of subsidy. There should be a minimum loan component of 25% in the case of private sector/ PPP projects.

The subsidy under the scheme will have a cap of Rs.50 Cr. subject to a maximum of 25% of total project cost or 50% of equity contribution of the promoters, whichever is lower.

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

expenses related to fund mobilization if required, such as fees for financial services and brokerage.

In case of Public Sector projects 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 promoter and the implementation of the project has started. 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.

In case of private sector/PPP projects the assistance would be credit linked. 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 and proportionate loan amount has also been disbursed.

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 and proportionate amount of loan is also disbursed. The last installment of balance 25% of the assistance, to be provided by the Ministry, will be released after the project is fully functional.

Release of funds for projects sanctioned till 31.3.2007 will however; be in accordance with the guidelines in operation from 2.11.2006 to 31.3.2007.

8. <u>Recovery of Government Grant</u>: In case the project is not completed after release of one or more installments of grant due to some reasons including omissions and commissions of the promoters, the amount of grant will be recoverable. The amount of grant will also be recoverable for failure on the part of promoters to comply with the terms and conditions specific to tourism development in each case. Recoveries will be with penal interest.

9. <u>Approval procedures</u>: 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.

10. <u>Monitoring and Evaluation:</u> 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. Ministry of Tourism will have a separate Monitoring Group consisting of the concerned Joint Secretary & Director in charge of the scheme along with Financial Advisor to regularly monitor and review the sanctioned projects.

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