

F. No: 2(10)/2017 - IDD

VIABILITY GAP SCHEME FOR REVENUE GENERATING TOURISM PROJECTS

(Valid from 23/01/2018 to 31/03/2020)

1. **PREAMBLE:** Development of tourism infrastructure requires large investments that cannot be undertaken out of public financing alone, and that in order to attract private capital as well as the techno-managerial efficiencies associated with it, the Scheme is meant to promote Public Private Partnerships (PPPs) in tourism infrastructure development, it is proposed to extend Viability Gap Scheme to improve the viability of such projects. Meeting the funding gap to make economically essential projects commercially viable would obviate the need for Government funding for such projects and allow private sector participation in the projects, thus facilitating private sector efficiencies in tourism infrastructure development. Viability Gap Funding under the Scheme would be normally in the form of a capital grant at the stage of project construction.

2. **SCOPE OF THE SCHEME:** A Revenue Generating Tourism Project which involves an investment in infrastructure, used by tourists and earning revenue through levy of a fee or user charges on the visitors. Revenue Generating Tourism Projects are Tourist Trains, Inter-Island/ Intra-Island/ Inland Waterway Ferries, Sea Cruise Vessels, Convention Centre's, Rope-ways/ Cable Cars/ Funicular Rail, Theme Parks, Amusement Parks, Ski-Cable, Heli-Tourism, Spas.

Ineligible under this scheme would be Hotels, Restaurants, Resorts, Motels, Transport Vehicles, Sports Stadiums.

3. **PROMOTERS OF PROJECT:** The tourism projects promoted by Stand Alone Private Company incorporated and existing under the Companies Act, 2013/ Public Private Partnership Project where a tourism project is based on a contract or concession agreement, between a Government or statutory entity on the one side and a private sector company on the other side, for delivering an infrastructure service on payment of user charges would be eligible for Viability Gap Funding. Assistance would be in the form of a capital grant.

4. **ELIGIBILITY FOR ASSISTANCE:** These guidelines will apply only to PPP projects posed by the Central Ministries, State Governments, Statutory Authorities, and, a Stand Alone Private company incorporated and existing under the Companies Act, 2013, as the case may be, which own the underlying assets.

In order to be eligible for funding under this Scheme, a PPP project which shall be implemented i.e. developed, financed, constructed, maintained and operated for the Project Term by a Private Sector Company must be selected by the Central/ State/ UT Public Sector Undertaking, Central/ State/ UT Agency or Autonomous body through a process of transparent and an open competitive bidding process. The criterion for bidding shall be the amount of Viability Gap Funding required by a Private Sector Company for implementing the project where all other parameters are comparable. The Government or statutory entity proposing the project shall certify that the bidding process conforms to the provisions of this Scheme.

In cases where competitive bidding process is not adopted it will be at the discretion of the High Level Committee constituted by the Ministry to recommend such cases where a Stand Alone Private company incorporated and existing under the Companies Act, 2013, will implement i.e. develop, finance, construct, maintain and operate the Project as the case may be, which own the underlying assets.

Projects meeting the eligibility criteria will be funded on a first come, first served basis.

Lead Financial Institution means the financial institution (FI) that is funding the PPP project, and in case there is a consortium of FI's, the FI designated as such by the consortium. FI means an institution mentioned under Section 4A of the Companies Act, 2013 notified by the Government as authorized to discharge the functions of a Public Financial Institution.

Letter of approval of loan by the FI is also required. **Proposal is to be submitted in the requisite application form of the scheme, which is attached.**

5. **REQUIREMENT OF A SPECIAL PURPOSE VEHICLE (SPV):** In case a private company is promoting the project on its own or even in PPP mode, a SPV would have to be set up, prior to the consideration of the project under this scheme.
6. **NORMS FOR FUNDING:** In the case of the Private Party or in PPP mode, funds would be released to the SPV through the Lead Financial Institution (FI), to an Escrow Account (as per the VGF Scheme of DEA) which is a partner of the project.

Viability Gap Funding under the Scheme would be normally in the form of a Capital Grant of 20% of the Capital Cost of the project.

The total cost of the project would mean:

- (i) Capital Cost of the project means the cost of land, material, labour, transport, consumables, testing, commissioning, overheads, contingencies, interest during construction, insurance, supervision, 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.

7. RELEASE OF FUNDS: 25% as first instalment of the Capital Grant will be released only after it has been ascertained that 25% of the total loan component for the project has been disbursed by the Financial Institution or 25% of the equity contribution of the promoter has been released for the project and that the project has commenced on the ground.

50% as second instalment of the Grant will be released only after it has been ascertained that 75% of the total loan component for the project has been disbursed by the Financial Institution or 75% of the equity contribution of the promoter has been released for the project and the project is being implemented on the ground.

25% as last instalment of the Capital Grant will be released only after it has been ascertained that 100% of the total loan component for the project has been disbursed by the Financial Institution (FI) or 100% of the equity contribution of the promoter has been released for the project and the project has been completed. The project/project site has to display a signboard acknowledging the financial support by the Ministry of Tourism with the Incredibleindia logo inscribed supported by a photograph to be eligible for receiving the final instalment of the Capital Grant.

8. RECOVERY OF CAPITAL GRANT: Only in the case when the project has not been implemented on the ground and the promoter has failed its obligations to complete the project. The Financial Institution (FI) which had appraised the project and had disbursed the loan to the promoter would be asked to recover the Capital Grant amount disbursed and return it to the Ministry where it is a PPP project.

In all the cases an undertaking in the form of an affidavit would be taken from them that non-fulfillment of their obligation for being unsuccessful in completing the project the Capital Grant amount would be returned to the Ministry within two weeks of closure of their project with penal interest. Recovery would also be made with penal interest in the event that the agency fails to carry out the O&M of the project.

9. PROCEDURE FOR APPROVAL: The appraisal and approval of the Viability Gap Funding in the form of a capital grant will be approved by the High Level Committee comprising of the following officials: -

For projects whose Capital Cost is less than Rs. 100.00 Crore:

- (i) Secretary (Tourism)
- (ii) AS &FA (Tourism)
- (iii) Concerned Joint Secretary (Tourism) level officer
- (iv) Dir/ DS dealing with the subject
- (v) Representative from the Department of Legal Affairs
- (vi) Representative from the PPP Cell of the Department of Economic Affairs
- (vii) Representative from NITI Aayog

For projects whose Capital Cost is more than Rs. 100.00 Crore, in addition to the above officials:

- (i) Joint Secretary (Department of Economic Affairs) will also be part of the High Level Committee

10. MONITORING: The financial institution funding the project will be responsible for regular and periodic monitoring of project compliance as per milestones indicated in the Detailed Project Report and Feasibility Report appraised by them.

In case there is no financial institution involved in funding the project, the Ministry will assume the responsibility for regular and periodic monitoring of project compliance by setting up of a Monitoring Committee headed by Secretary (Tourism), with AS & FA (Tourism), JS (T)/ JS Level Officer, Dir/ DS/DDG of the concerned Division, RD of the concerned region, one representative each at Dir/DS Level from DEA & Infra Div. of Ministry of Finance and NITI Aayog as members.

11.O&M OBLIGATION OF THE CONCESSIONAIRE OF THE PROJECT: During the Operation Period, the Concessionaire shall operate

APPLICATION FORM FOR VIABILITY GAP SCHEME

S. No:	Item	Description
1.	General	
1.1	Name of the Project	
1.2	Type of PPP (BOT, BOOT, BOLT, OMT) or State/Central Govt. or Agency	
1.3	Location (State/District/Town)	
1.4	Administrative Ministry/ Department	
1.5	Name of the Sponsoring Authority	
1.6	Name of the Implementing Agency	
2	Project Description	

2.1	Brief Description of the Project	
2.2	Justification for the Project	
2.3	Possible Alternatives, if any	
2.4	Estimated Capital Costs with break – ups under major heads of expenditure. Also indicate the basis of cost estimation	
2.5	Phasing of investment	
2.6	Project Implementation Schedule (PIS)	
3	Financing Arrangements	
3,1	Sources of financing (equity, debt,	

	mezzanine Capital etc.)	
3.2	Indicate the revenue streams of the project (annual flows over project life). Also indicate the underlying assumptions	
3.3	Indicate the NPV of revenue streams with 12 % discounting	
3.4	Who will fix the tariff/use charger? Please specify in detail	
3.5	Have any FI's been approached? If yes, Appraisal and letter of approval of loan by the FI for the project is also required	
3.6	Has any Escrow Account opened?	
4	IRR	

4.1	Economic IRR (if computed)	
4.2	Financial IRR, indicating various assumptions (attach separate sheet if necessary)	
5	Clearances	
5.1	Status of Environment Clearances	
5.2	Clearance required from the State Government and other local bodies	
5.3	Other support required from the State Government	
6	GOI Support	
6.1	Viability Gap Funding if required	

6.2	Capital Grant sought on 20% of the total project cost	
6.3	GOI Guarantees being sought, if required	
7	Concession Agreement	
7.1	Is the Concession Agreement based on MCA? If yes Indicate the variations, if any, in a detailed note (to be attached)	
7.2	Details of Concession Agreement (Attached at Appendix - A)	
8	Criteria for shortlisting in the bidding process	
8.1	Is shortlisting to be one stage or two stages?	
8.2	Indicate the criteria for shortlisting (attach separate sheet if necessary)	
9	Others	

Appendix – A

BRIEF PARTICULARS OF THE CONCESSION AGREEMENT

A. Sponsoring Ministry

B. Name and Location of the Project

C. Legal Consultant

D. Financial Consultant

S. No:	Item	Clause No.	Description
1	General		
1.1	Scope of the project (in 200 words		
1.2	Nature of Concession to be granted		
1.3	Period of Concession and Justification for fixing the period		
1.4	Estimated Capital Cost		
1.5	Likely Construction Period		
1.6	Conditions precedent, if any, for the concession to be effective		
1.7	Status of land acquisition		
2	Construction and O.M		
2.1	Monitoring of construction; whether an independent agency/engineer is stipulated		
2.2	Minimum Standard of Operation and Maintenance (O&M)		

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| 2.3 | Penalties for violation of prescribed O&M standard |
| 2.4 | Safety related provisions |
| 2.5 | Environment related provisions |
| 3 | Financial |
| 3.1 | Maximum period for achieving financial closure |
| 3.2 | Nature and extent of capital grant stipulated |
| 3.3 | Bidding parameter (Capital Grant or other parameter, if any) |
| 3.4 | Provisions for change of scope and the financial burden thereof |
| 3.5 | Concession fee, if any payable by the Concessionaire |
| 3.6 | User charges/ fee to be collected by the Concessionaire |
| 3.7 | Legal provisions if any in support of user fee (attach relevant rules/ notification), and , the extent and nature of indexation for inflation |
| 3.8 | Provisions, if any, for mitigating the risk of lower revenue collection |

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| 3.9 | Provisions relating to escrow account, if any |
| 3.10 | Provisions relating to insurance |
| 3.11 | Provisions relating to audit and certification of claims |
| 3.12 | Provisions relating to assignment /substitution rights relating to lenders |
| 3.13 | Provisions relating to change in law |
| 3.14 | Provisions, if any for compulsory buy-back of assets upon termination/ expiry |
| 3.15 | Contingent liabilities of the Government <ul style="list-style-type: none">a. Maximum Termination Payment for Government / Authority Defaultb. Maximum Termination Payment for Concessionaire Defaultc. Specify any other penalty, compensation or payment contemplated under the agreement |

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| 4 | Others |
| 4.1 | Provisions relating to competing facilities, if any |
| 4.2 | Specify the Dispute Resolution Mechanism |
| 4.3 | Specify the governing law and jurisdiction |
| 4.4 | Other remarks, if any |