CORRIGENDUM

Subject: Selection of Consultant for Analysing the Feasibility of Development of Special Tourism Zones in India

With reference to Clause 1.1.2 of the RFP document floated by the Ministry through e-publish portal and tourism.gov.in on April 18th, 2019, the draft scheme guidelines are enclosed, to be considered as an addendum to Schedule-I of the RFP.

This issues with the approval of Competent Authority.

(Nikita Garg)
Assistant Director
Scheme Guidelines for Development of Special Tourism Zones in India

Introduction

Tourism in India has the potential to be a major source of employment and revenue in the tourism regions and at the same time use it as a tool for conservation and regional economic development.

India needs to approach this currently fragmented industry by global standards in a planned and orderly fashion by undertaking long term strategic tourism development. As extracted from the Hon’ble finance minister’s budget speech:

"Tourism is a big employment generator and has a multiplier impact on the economy. Five special tourism zones anchored on SPV (Special purpose vehicle) will be set up in partnership with the states,"

Establishment of the five zones in the country shall trigger a high level of competitiveness between the states and also within the states between the regions. The process will foster new thinking and new ideas which are both visionary and grounded with a very comprehensive SWOT analysis.

Objectives of the scheme

a. To position tourism as a major engine of economic growth and job creation;

b. Promote cultural and heritage value of the country to generate livelihoods in the identified regions;

c. Enhancing the tourist attractiveness in a sustainable manner by developing world class infrastructure;

d. Should create both direct and indirect employment.

e. Create livelihood and improved living standards for the local community.

f. Overall development of the area

g. To leverage the advantages in terms of available infrastructure, culture and unique facets of every region.

Definition of a Special Tourism Zone

State Government shall formulate a plan for development of Special Tourism Zone with stakeholder consultations. A National level committee shall
evaluate the proposal in a 2 stage process on the lines of smart cities challenge proposal.

A successful project shall have the following attributes:

<table>
<thead>
<tr>
<th>Criteria</th>
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<tbody>
<tr>
<td>Potential to be showcased as world class destination with diverse tourism experiences</td>
</tr>
<tr>
<td>Development of an area of at least 300 acres which will be provided by respective State Government</td>
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<tr>
<td>Should have an overall tourism theme with feasibility of various sub-themes</td>
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<tr>
<td>Proximity to existing destinations with connectivity and other infrastructure</td>
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<tr>
<td>Proximity to transport hub like airport, sea port etc.</td>
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<tr>
<td>Should generate accommodation of about 3000 hotel rooms</td>
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<tr>
<td>Potential for job creation and livelihood enhancement in the region</td>
</tr>
<tr>
<td>Conservation and promotion of the local arts, cultural, handicrafts, cuisine etc. at the destination</td>
</tr>
<tr>
<td>Ability to attract investment in private sector/PPP with specific provisions</td>
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<tr>
<td>Follow a comprehensive area development approach for ensuring all the facilities required by the tourists in the identified zone</td>
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<tr>
<td>Robust Operation and Management plan (O&amp;M) as per pre-agreed service standards evaluated periodically by an independent agency</td>
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<tr>
<td>Should be able to leverage incentives like reduced stamp duty, registration charges etc. offered by the State Governments</td>
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Indicative list of components of Tourism Zone/Cluster

1. Hotels
2. MICE facilities
3. Theme Parks
4. Entertainment Zones
5. Film Tourism Areas

Definition of a Special Tourism Cluster
State Government shall formulate a plan for development of Special Tourism cluster with stakeholder consultations. A National level committee shall evaluate the proposal in a 2 stage process on the lines of smart cities challenge proposal

A successful project shall have the following attributes:

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<tr>
<td>Potential to be showcased as world class destination with specialised</td>
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<tr>
<td>tourism product</td>
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<tr>
<td>Development of an area of at least 25 acres which will be provided by</td>
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<tr>
<td>respective State Government</td>
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<tr>
<td>Should have a compelling tourism theme; preferably an existing</td>
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<td>destination of tourism</td>
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<tr>
<td>Proximity to transport hub like airport, sea port etc.</td>
</tr>
<tr>
<td>Should generate accommodation of about 300 hotel rooms</td>
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<td>standards evaluated periodically by an independent agency</td>
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<td>registration charges etc. offered by the State Governments</td>
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The Process

GOI, State Governments with Industry Associations/Groups of Entrepreneurs would be potential promoters of the STZs.

- The Conceptual Project Report (CPR) in a format prescribed by the ministry of Tourism, GOI shall be formulated by the State Government after conducting a diagnostic study of the requirements of Tourism theme and infrastructure in the specific location and based on demand and potential.
- The CPR shall be evaluated by Project Scrutiny Committee (PSC) which will be assisted by the National PMC appointed by MoT.
• The proposal will be evaluated on the lines of the Smart City Challenge.
• The shortlisted project will be recommended for approval to Project Approval Committee (PAC).
• The Project would be site and theme specific and shall take into consideration techno-commercial feasibility of members of STZ.
• Once the CPR is approved from PAC, at each STZ, a separate Special Purpose Vehicle (SPV) will be formed with the representatives of Government of India, State Government, Private Infrastructure Developers & financial institutions etc. wherever feasible
• Detailed Project Report in prescribed format will be prepared by the Design and supervision consultant (DSC) appointed by the SPV.
• Part of the DPR would be a 10- to 20-year strategic vision, strategy, and action plan for developing tourism in a sustainable manner for the benefit of local residents, investors, and tourism operators.
• Once DPR is submitted to the Ministry of Tourism, Project Scrutiny Committee will vet the project and recommend it to Project Approval Committee for further approval and disbursement of funds.
• SPV would be responsible for execution of the project and will be assisted by the appointed DSC.
• PMC would support SPV and DSC on timely and efficient closure of the project.
• Third Party evaluation of the scheme and individual projects shall be done from time to time.

Role of Central Government

The role of the Central Government is envisaged in the following areas:

• Ministry of Tourism, Government of India will champion the scheme and will be a part of Special Purpose Vehicle to be constituted for implementation of individual STZs. The SPV thus, created will implement the entire STZ.
• Ministry of tourism shall nominate a member to the SPV.
• Government of India will fund:
  a) The development of basic infrastructure/utilities in the STZ
  b) The basic infrastructure shall include non-exhaustively: site development, inter-connectivity, basic utilities, common area development, plotting and demarcation of STZ and internal zones, Administration Control Block, Safety & Security. This will be the equity contribution of MoT towards the SPV.
c) Upgrade the tourism attractions around the STZ to world class which will also be covered towards the equity contribution, if any.

d) Any additional expenditure towards the STZ approved by the PAC based on project requirement, shall be considered as equity contribution towards the SPV from the Ministry of Tourism.

Role of State Government

The role of the State Government is envisaged in the following areas:

- Identification and transfer of suitable land for the STZ to the SPV. The land shall be the equity of the State Government in the SPV and the State Government shall also nominate a representative on the board of the SPV.
- Facilitate the requisite clearances, wherever needed, for setting up the STZ and providing the necessary assistance for access to Power, Water and other utilities to the STZ.
- The State Government agencies like Infrastructure/Industrial Development Corporations may also participate in the projects by way of subscribing to the equity of SPV or by providing grants from other State Government schemes.
- Dovetailing of other related schemes for overall effectiveness and efficiency of the project.

Role of PMC

The PMC will be appointed by the Ministry of Tourism, which shall directly supervise the implementation of projects and the PMC will discharge the following functions:

- Prepare the formats, toolkits and best practices manuals as part of scheme guidelines.
- Conduct preparatory workshops with State Governments on scheme guidelines.
- Assist the MoT (PSC and PAC) in evaluating the CPR submitted by the State Governments for setting up the STZs.
- Facilitating formation of SPV with the participation of local industry.
- Assist the SPVs and respective DSC in selection of agencies for preparation of bid documents, construction, operation and maintenance of the facilities in the Project.
- Monitor the implementation of the STZ and submit periodical progress reports to the MOT.
- Liaise with the Central Ministries/Central Agencies/State Government as necessary.

Role of the SPV

The SPVs would be the key institutions for implementation of the Scheme and shall have the following role:

- SPV shall invariably be a Corporate Body registered under the Companies Act. Any different structure for the SPV requires the approval of the Project Approval Committee.
- The SPV will take ownership of the land transferred by the State Government.
- The SPV would appoint a Design and Supervision Consultant (DSC) and the fee of the DSC shall be built into the project cost. The DSC will prepare the DPR, detailed drawings, and tender documents. DSC shall support SPV in obtaining all statutory approvals.
- The SPV would conceptualize, formulate, achieve financial closure, implement and manage the infrastructure.
- After developing the infrastructure, SPV would allocate sites to various players for setting up their units.
- SPV would be responsible for maintaining the utilities and infrastructure created for STZ by collecting service and user charges.
- The SPV will enter into an agreement with the MoT for timely completion of Tourism Zone and proper utilization of GOI Equity
- In order to ensure timely completion of the project, SPV will obtain appropriate performance guarantee from DSC and implementing contractors.
- The revenue sharing after completion of the project shall be on the basis of the shareholding pattern of the SPV, including Central/State Governments & any other government entities.
- All expenses of the SPV till implementation shall be borne by the Central Government as part of the Equity Investment.
- The Articles of Association of the SPV will grant the Preferential Voting/Veto voting rights to the nominee of Ministry of Tourism and State Government on all matters pertaining to section 114(2) (Special
Resolution) of the Companies Act of 2013 as notified by Government of India. The detailed list is annexed herewith.

Project Approval Committee

The project proposals submitted by State Governments will be appraised by the Project Approval Committee (PAC) headed at the level of Secretary, Ministry of Tourism. Composition of the PAC is as under:

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<tbody>
<tr>
<td>1.</td>
<td>Secretary, MoT</td>
<td>Chairperson</td>
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<tr>
<td>2.</td>
<td>Financial Advisor, MoT</td>
<td>Member</td>
</tr>
<tr>
<td>3.</td>
<td>Additional Secretary, MoT</td>
<td>Member</td>
</tr>
<tr>
<td>4.</td>
<td>Joint Secretary/ADG, MoT</td>
<td>Member-Secretary</td>
</tr>
<tr>
<td>5.</td>
<td>Representative of Niti Aayog</td>
<td>Member</td>
</tr>
<tr>
<td>6.</td>
<td>Representative of DIPP, Ministry of Commerce and Industry</td>
<td>Member</td>
</tr>
<tr>
<td>7.</td>
<td>Representatives of other concerned GOI Ministries</td>
<td>Member</td>
</tr>
<tr>
<td>8.</td>
<td>Stakeholders (Travel Trade and Hospitality Industry)</td>
<td>Member</td>
</tr>
</tbody>
</table>

Key responsibilities of PAC:

- Appointment of PMC
- Finalization of challenge parameters for evaluation of proposals
- Evaluation of proposals
- Selection of sites
- Sanctioning of projects
- Oversee all operations, steer, review and monitor overall performance of the scheme and provide guidance on specific issues relating to the scheme;
- Recommend mid-course corrections in the implementation tools;
- Periodical oversight and review of proposed/ongoing projects.

Project Monitoring & Evaluation

The Ministry of Tourism (MOT) will periodically review the progress of the projects under the Scheme. PMC would devise a suitable monitoring and evaluation system and shall furnish monthly reports/returns to the MoT. A
Monitoring Committee headed by Secretary (Tourism) and Joint Secretary (Tourism) as members will be monitoring the projects.

Funding Pattern and provisions

The total project cost, shall be funded through a mix of Equity –from the Ministry of Tourism, State Government, State & Central Agencies, Private Infrastructure Developers and Loan –from Banks/ Financial Institutions wherever possible.

Once the land is transferred to the SPV, Ministry of Tourism, Government of India will infuse funds as necessary for setting up basic utilities, common infrastructure and facilities as per pre-agreed cash flow pattern, based on the DPR approved by the PAC.

Concurrently, identified tourist destinations in the vicinity may also be transformed into world class destinations with GOI funding under various schemes.

a. Land for Tourism Zones shall be provided by the State Government. The registered value of land would be taken in the project as equity of the State Government. The GOI equity shall not be used for procurement of land.

b. The SPVs would forward their claims to the MOT after verification by PMC supported by documents such as Utilisation Certificate in the format of GFR, Pre-Receipt Bill, Surety Bond etc., as required under the relevant rules.

c. Separate accounts shall be kept by SPV for the funds released by GOI, which shall be subject to audit by the Comptroller & Auditor General of India.

d. In the event of an SPV withdrawing from executing a project before completion of the project, the SPV should immediately return the Government of India assistance together with interest accrued. Payment of penal interest by the SPV shall be decided by the Project Approval Committee (PAC) on a case to case basis.

e. Any revision in the period of implementation must have the approval of the PAC. In case of delays in implementation of the project beyond the agreed time schedule as approved by PAC. The Ministry of Tourism shall have the right to impose penalties on the SPV.

f. In the event the Tourism Zone is cancelled by PAC for any reason whatsoever then the SPV shall immediately return the Government assistance together with the interest accrued thereon.
g. The decision of the PAC would be final and binding on the SPV for all matters related.

h. In event of termination of project, mis-utilisation of the fund or unjustified/untoward delay in completion of the Tourism Zone the SPV will be liable to return the funds with interest thereon and/or penalty as decided by the PAC and MoT shall be within its rights to recover the moneys against land owned by the SPV.

i. User charges would be fixed for various facilities and services by the SPV. There shall be full recovery of Operational & Maintenance (O&M) costs through user charges. The recovery by way of lease rentals & any other revenue stream accruing to the SPV shall be utilised for future expansion.

j. Administrative expenditure, evaluation, studies, research & seminars, information dissemination, publicity, and for putting in an IT enabled monitoring mechanism, etc. shall not exceed 10% of annual budget.