A STUDY OF PUBLIC PRIVATE PARTNERSHIP (PPP) IN TOURISM SECTOR IN INDIA

Gaurav Singh[1]
M.S.Khan[2]

Abstract

The tourism sector plays a significant and vital role in economic and social development of country. This sector is a significant vehicle for economic progress that generates employment, foreign exchange, tax revenues and contributes to poverty alleviation of a country. In fact, tourism is the world's fastest growing industry. But promoting tourism is a critical issue for government, because there is huge need of high quality of infrastructure and services. Government alone cannot develop infrastructure and investment. For arranging all required resource, government has come with the new approach of Partnerships between the public and private sector. Public Private Partnerships (PPP) have become a globally utilized term for the establishment and execution of infrastructure projects and deliver services to society, with cooperation between public and private sectors. PPPs enable the public sector to benefit from commercial dynamism, the ability to raise finances in an environment of budgetary restrictions, innovation and efficiencies, harnessed through the introduction of private sector investors who contribute their own capital, skills and experience. This paper highlights the concept of PPP and growth of PPP projects in tourism sector in India. And analyze its benefits & challenges issues in India.

Key words : PPP, Infrastructure, Tourism Projects, Services, Economic & Social development.

1. Introduction:

Public Private Partnership (PPP) is collaborative action between public and private sectors for arrangement of infrastructure and servicers to the society in a given specific time period. In other way we can say that public-private partnership involves the private sector in aspects of the provision of infrastructure assets or of new or existing infrastructure services that have traditionally been provided by the government. "Arrangements where the private sector supplies infrastructure assets and services that traditionally have been provided by the government." The International Monetary Fund (IMF, 2004: 4).

1. Gaurav Singh[1], Research Scholar, Department of Rural Management, School for Management Studies, Babasaheb Bhimrao Ambedkar University, (A Central University), Lucknow, Uttar Pradesh, India. Email:gaurav.viet08@gmail.com.
2. M.S.Khan[2], Head/Coordinator, MBA & M.Phil Programme, School for Management Studies, Babasaheb Bhimrao Ambedkar University, (A Central University), Lucknow Uttar Pradesh, India, Email:shakeeldrm@gmail.com.

Government of India, Ministry of Finance, Department of Economic Affairs define Public Private Partnership (PPP), Partnership between a public sector entity (Sponsoring Authority) and a private sector entity (a legal entity in which 51% or more of equity is with the private partner/s) for the creation and/or management of infrastructure for public purpose for a specified period of time (concession period) on commercial terms and in which the private partner has been procured through a transparent and open procurement system. "Agreements that transfer investment projects to the private sector that traditionally have been executed or financed by the public sector. To qualify as a PPP, the project should concern a public function, involve the general government as the principal purchaser, be financed from non-public sources and engage a corporation outside the general government as the principal operator that provides significant inputs in the design and conception of the project and bears a relevant amount of the risk." The European Union (EU) (2010: 262)

Tourism sector is a significant vehicle for economic progress that generates employment, foreign exchange, tax revenues and contributes to poverty alleviation. In fact, tourism is the world's fastest growing industry, and it is expected to be world's largest industry very soon. Hence promoting tourism is a critical issue for country and all related firms.

1.1. Roles of Partners: A PPP generally comprises a public sector (it may be local, states, central level) and a private partner, which may be a private company, a consortium of private interests, or a non-governmental agency (NGO). Typically, a consortium consists of contractors, maintenance companies, private investors or financiers, and consulting firms. Roles of Public sector in PPP projects is as a purchaser to specify the desired of outcomes or outputs, and pay the private partner if the assets and services are delivered in accordance with the defined performance standards. Private sector work as a partner andservice providers usually come together as a 'special purpose vehicle' (SPV) to contract with the public agency and with subcontractors to design, construct, operate and maintain the facility. In order to achieve this, the SPV will need to raise the necessary capital. Private financierswork as aequity investors and debt providers the initial outlay either through equity stakes in the project or through loans from fund managers and other financial institutions. Last, Consultants as a Project advisors, provide technical, legal or financial advice to the public agency in structuring the tender or to the private partner in composing a viable PPP proposal.

1.2. Typical tourism PPP products: To date, the following typical tourism products have either been offered to the market on national and provincial state conservation land or have been considered as possible PPPs. The categories and products point to the range of opportunities to which the Toolkit can be applied. This is not a closed list – tourism PPPs may involve any combination or variation of these.

1.2.1. Accommodation: This includes hotels, lodges, self-catering resorts, camping and caravan accommodation, houseboat accommodation, corporate lodges and health spas/healing centres, sometimes including conference facilities. The Tourism Grading Council categorises accommodation to establish the level of service these facilities offer to tourists, providing a useful set of benchmarks for PPPs.to establish the level of service these facilities offer to tourists, providing a useful set of benchmarks for PPPs.

1.2.2. Food, beverage and retail: This includes restaurants, take-away outlets, supermarkets, craft/curio outlets, catering businesses and picnic sites.

1.2.3. Activity-based tourism: This includes open-vehicle safaris, hiking trails, mountain bike trails, hot-air ballooning, aerial walkways, 4x4 routes, elephant-back safaris, bungee jumping, abseiling, and activity-based water sports. This category can include commercialised hunting and fishing activities. It can also include airstrips. But it excludes airports, harbours and other multipurpose transport-related complexes, which are not covered in the Toolkit.

1.2.4. Heritage and culture: This includes museums, interpretation and exhibition centres, and may also include conferencing facilities and specialist cultural tour guiding operators.

1.2.5. Others: Infrastructure improvement, provision of support services and equipment, Information dissemination and marketing,training/capacity building of personnel (e.g. in eco-tourism areas) and civil societies management and organizational development.

2. Objectives of the Study:

2.1. To understand the concept of Public Private Partnership (PPP) on Indian society.

2.2. To analyze the current status of tourism sector PPP projects and its benefits in India.

3. Review Literature: Babli P B (2008) discussed the growth of an economy is always measured in terms of the Infrastructure facilities distributed over the geography of nation. The purpose it serves and the sustainability of the Endeavour will always remain a pre-requisite for the project envisaged. With all the toolkits available to decipher the necessity and viability of an infrastructure project, Public Private Partnership is a mechanism here to stay in the days to follow. Prudent measures arising due to the lack of available legal framework and a systematic regulatory interference shall mark the beginning of a new era.

Mahalingam A (2008) said given India's infrastructure needs, PPPs are a necessity and not just an option. However there are a myriad of issues that need to be addressed and resolved in order to facilitate a better understanding on how to develop infrastructure efficiently and seamlessly via PPPs.

KC Smita & SN Sangita (2008) suggested that the PPP is alternative service delivery model to achieve efficiency and address shortages, although unlikely to replace fully traditional services deliver by governments. And efficiency level of service delivery has improved and shown result in some of the public utilities in area. Charles V K (2009) there is no clear link between policy environment and institutional structures in a state and its success in getting PPP investments. There are no clear and obvious commonalities in policy environment among Indian states which were successful in getting more PPP projects compared to other states.

Barowalia A (2010) discussed Thus PPP emerges as an inevitable mode of providing infrastructure and other basic services. However, for a country like India, poised to be one of the leading economies of the 21st century, PPP is perhaps the best available option. The need is to use PPP extensively both for infrastructure development as well as for social development to transform India into a developed country. PPP is a tool for all-round development and the benefits depend on how such tools are utilized by the policy and decision-makers.

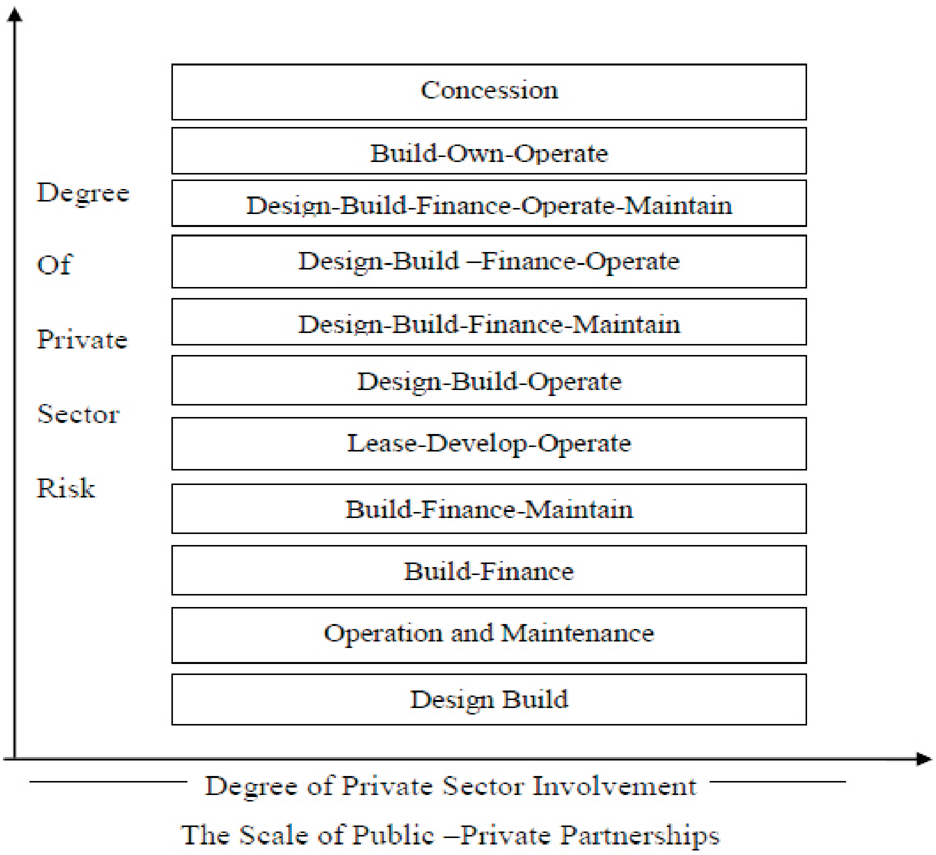
4. Research Methodology:

This research paper is purely based on secondary data collected from various sources. All the data generated from Government of India official website namely http://www.pppinindia.com and this is the official website of the committee on infrastructure, Planning Commission and Investment Commission of India. The data available on these websites are regularly updated and the website is directly under the control of Ministry of Finance, Government of India. The other major tools for the collection of the information has been from available literature as, journals, books, and news of Govt. of India and states Govt. related to the PPP.

5. Result & Discussion:

5.1. PPPs Models in infrastructure Sectors: There are various PPPs model in Indian states. But Ghosh and Gope (2011) classified the different types of PPP models.

Figure 1: PPP Models



Sources: Ghosh and Gope (2011)

They described models like (a) Buy-Build-Operate (BBO), (b) Build-Own-Operate (BOO), (c) Build-Own-Operate- Transfer (BOOT), (d) Build-Operate-Transfer (BOT), (e) Build-Lease-Operate-Transfer (BLOT), (f) Design-Build-Finance-Operate (DBFO), (g) Finance Only, (h) Operation & Maintenance Contract (O&M), (i) Design-Build (DB) and (j) Operation License. They also plotted graph between Degree of Private Sector Involvement and Degree of Private.

Table 1: Current Status of PPP Projects Sector wise in India:

Sr. No.	Name of sectors	No.of Projects	Cost of Projects (in Crore)	Sr. No .	Name of sectors	No.of Project s	Cost of Projects (in Crore)
1	Agri Infrastructure	8	991.90	13	Ports	115	125130.72
2	Agriculture	1	5.16	14	Railways	8	3306.69
3	Civil Aviation	13	24619.29	15	Roads	621	329582.62
4	Education	70	2631.66	16	Rural	1	31
5	Energy	73	96765.67	17	Social	2	101.27
6	Finance & Revenue	1	72.00	18	Sports	3	1125
7	Healthcare	31	3536.50	19	SWM	4	848.34
8	Housing	5	2558.30	20	Tourism	84	7127.80
9	Idustrial Infrastructure	23	3953.18	21	Urban Infrastructure	185	54018.65
10	Metro Rail	3	10047.98	22	Warehousing & Logistics	2	278.50
11	Municipal Infrastructure	25	444.50	23	Water & Sanitation	12	4187.35
12	Others	8	2319.30		**Total**	**1298**	**528501.74**

Source: Master List of PPP Projects in India as on 31 March 2014, pppindia.com.

The above table discuss about current status of PPP projects in India. This table discuss about number of PPP projects sector wise and amount expenditure on the projects. When looking at the total estimated project cost of PPPs in terms of projects, here tourism sectors have 84 projects and amount on expenditure 7127.80 Rs. Crore. Tourism sector have fourth position out of all 23 sectors in term of number of PPP projects. Only roads, urban infrastructure and ports sectors have more number of projects in comparison to tourism sectors.

Table 2: Current Status of PPP Projects in tourism sectors in Indian States:

Sr. No.	Name of States	No. of Project	Cost of Projects (Crore)
1	Andhra Pradesh	35	2887.81
2	Assam	1	90.00
3	Bihar	2	99.50
4	Karnataka	18	532.18
5	Kerala	2	72.00
6	Madhya Pradesh	5	43.21
7	Orissa	4	708.00
8	Punjab	7	1230.00
9	Rajasthan	2	225.00
10	Uttarakhand	8	1240.10
	Total	**84**	**7127.80**

Source: Master List of PPP Projects in India as on 31 March 2014, pppindia.com.

The above table discusses the current status of PPP projects in tourism sectors in Indian states. Total number of tourism projects is 84 and cost of projects is Rs.7127.80 crore. Andhra Pradesh has top position with 35 projects and followed by Karnataka 18 projects, Uttarakhand 8 projects and Punjab with 7 projects.

5.2. Financial Source/Assistentece Scheme on Tourism Sectors PPP Projects: There are four sources of financial capital are available to potential PPPs. Two of these – the Viability Gap Fund (VGF) and the India Infrastructure Finance Company Limited (IIFCL) – provide long-term capital which contribute to institutional capacity-building and help finance PPPs. The other two are the India Infrastructure Project Development Fund (IIPDF), situated within the DEA, which promotes credible and bankable PPP projects, and the Tourism Finance Corporation of India Ltd. (TFCI), cited earlier. These are discussed in detail below.

5.2.1. Viability Gap Funding (V.G.F.): Viability Gap Funding (VGF) is a special facility within the DEA which supports PPPs found to be economically justified but commercially unviable. The GOI announced Viability Gap Funding (VGF) scheme in budget 2005-06. And Cabinet Committee on Economic Affairs in its meeting of 25th July, 2005 approved the Scheme for financial support to Public Private Partnerships in Infrastructure.A project for the revitalization of the Old Mint Complex and development of tourism infrastructure proposed in West Bengal by the tourism department at a cost of Rs. 148.87 crore approved by the PPPAC on 30 April, 2008 and received “in-principle approval” the same day by the PPPAC under the Viability Gap Scheme for an additional Rs. 29.77 crore. Issues that emerge from this example concern the criteria for approval and whether or not cross-checking of the proposed costs is part of the appraisal process.

5.2.2. India Infrastructure Project Development Funds (IIPDF): India Infrastructure Project Development Fund (IIPDF), which was established by the GoI with a corpus fund of Rs. 100 crore to provide financial support for PPPs during the development phase. Public agencies, state governments or central ministries can, for example, engage technical consultants and transaction advisors in order to increase the quantity and quality of successful PPPs. It usually provides up to 75 percent of the development costs typically in the form of an interest-free loan, which is recovered from the successful bidder with a success fee of 40 percent of the funds, or considered a grant if the bid fails. Two tourism projects approved under the IIDPF are in the Union Territory, Dadra and Nagar Haveli sponsored by the Union Territory Administration of Dadra Nagar Haveli. The first, for the development of a golf course in Talavali, was estimated at the cost of Rs. 142.50 lakh. The amount sought from the IIPDF and approved by the Empowered Institution was Rs. 106.87 lakh. The other was for the development of a convention centre in Luhari at an estimated cost of Rs. 90 lakh. It was approved under the IIPDF for Rs. 67.5 lakh.

5.2.3. India Infrastructure Finance Company Limited (IIFCL): GOI in 2006 established IIFCL under the Companies Act, 1956 with an authorized capital of Rs 1000 Crore and paid-up capital of Rs 10 Crore. The SPV was set up following the announcement by the Finance Minister in February 2005, and Cabinet approval in November 2005. India Infrastructure Finance Company Limited (IIFCL) is a wholly government-owned fund manager with the objective of providing long-term financing for infrastructure projects that banks are unable or unwilling to fund. It borrows money, guaranteed by the GoI, from multilateral agencies and lends it to infrastructure projects either directly or through the refinancing of long-term debt. It usually lends up to 20 percent of the total project cost under certain conditions such as commercial viability without VGF and modelled on standardised formats provided by their respective governments. Appraisal, disbursement and recovery, as well as monitoring and evaluation of the project's compliance with agreed standards, are handled by the lead bank, not IIFCL.

5.2.4. Tourism Finance Corporation of India Ltd. (TFCI): Tourism Finance Corporation of India Ltd. (TFCI). Notified as a public financial institution, it was established by nationalised banks and other financial/investment institutions with respect to the recommendation of the 1988 National Committee on Tourism, also known as the Yunus Committee. 14 TFCI provides financial assistance to projects with a capital cost of Rs. 3 crore and more, and will consider other projects.

6. Benefits of PPP in Tourism Sector: There are various benefits to tourism sector through PPP. A flexible approach by partners, along with the will to understand each partner's needs, contributing with the share of resources; Awareness by all partners that the development of tourism must be sustainable, from an economic, but also social and environmental point of view; A long-term commitment that combines strategic vision and planning with specific short-term goals able to be measured. It acknowledge that PPP projects accelerating of infrastructure provision with faster implementation of projects. Here private sectors get value for money with performance-related reward and bear genuine risk. All PPP projects in tourism sectors improve quality of service and give batter output with asset performance & reduced costs, private investment promotion. Unique/ high class quality of tourism sector projects provides identification of country on world level. And provide many opportunities to country in social and economic development. Others benefits like develop new destinations, provide / augment necessary amenities, preservation of heritage sites and promotion and marketing of destinations.

7. Findings and Suggestion:

In the above discussion it is evident that the PPP in tourism sector has several advantages such as huge investment in public infra- structure, efficient delivery of services, cost-effectiveness, performance-based contracts, risk-sharing, optimum use of assets and long-term investment opportunities. The growth of tourism sector PPP projects in Indian states is significant. States like Andhra Pradesh, Karnataka, and Uttarakhand are good example in PPP tourism sector projects. PPP promotes clear customer focus through reduced cost, batter/faster services, and improved service quality. But PPP tourism sector did not achieve growth as require. Further Partnership can bring creativity, dynamic, resilient, innovation, energy, vibrant and capacity building to improve service delivery of tourism projects. There need attentions from government side to initiates for PPP in tourism sectors. Others states also learn from Andhra Pradesh, Karnataka and Uttarakhand. PPP projects has need a balanced structure, with clear role assignment and responsibility for all members, leadership sharing between both sectors, with shared and well-defined goals, realistic expectations and identification of the benefits on both sides.

8. Conclusion:

This research paper discuses the present status of PPP projects tourism sectors in Indian states. Public-private partnership come with the aim of contributing to a better understanding of its implications for governance and pro-poor tourism development by examining the different definitions, modalities, and institutional frameworks at the national and state levels. It is clear that PPP has become new approach to implement the tourism projects. The growth of tourism sector PPP projects in Indian states is significant. States like Andhra Pradesh, Karnataka, and Uttarakhand are good example in PPP tourism sector projects. PPP model produces a more efficient solution for financing and efficient service production. To conclude we can say that tourism growth or rather sustainable growth of tourism is due to growing supportive approach of private and public sector.

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