

**THE SECOND INTERNATIONAL
RESPONSIBLE TOURISM CONFERENCE
ACADEMIC PAPER SUBMISSION**

PAPER SUBMITTED BY: Prem Subramaniam, Principal Business Development, Infrastructure Development Finance Company Ltd

TITLE OF PAPER: Sacred Journeys

ABSTRACT: The earlier compulsion to earn foreign exchange has placed a skewed development model for tourism with a sharp focus on international travellers. Infrastructure too is sought to meet the requirements of this relatively modest segment and the business traveller. Planning has been on circuit based tourism which requires visitors to rush around the chosen circuit ticking off monuments rather than experiencing the destination. Conservation too has been based on built heritage rather than living traditions. There are many good examples of alternate tourism models in India; however the shared knowledge of these small enterprises could do with improvement. Many in this space consider the word tourist to represent a certain kind of urban pest with little or no sensitivity. Often stakeholder meetings tend to be cosmetic and do not engage the true representatives of the local community. PPP has become an oft used terminology, but broadly misunderstood. Infrastructure is conceived to meet "world class standards" often at the cost of the needs of the marginalized local populations. It is therefore important to shift the focus towards creating appropriate infrastructure to improve the quality of life of rural communities and to use tourism as a means of making such an exercise viable and sustainable.

Declaration: Please note that this paper has been submitted as part of the Second International Responsible Tourism Conference. The paper is presented as it was submitted and as such Leeds Metropolitan University and the International Centre for Responsible Tourism are not responsible for any of the content.

SACRED JOURNEYS Prem Subramaniam

INTRODUCTION

At the World Summit for Sustainable Development in Johannesburg in 2002, the World Tourism Organisation launched an initiative to creatively develop sustainable tourism as a force for poverty alleviation. Called ST-EP (Sustainable Tourism-Eliminating Poverty), the initiative focuses on longstanding work to encourage sustainable tourism- social, economic and ecological- which specifically alleviates poverty, bringing development and jobs to people living on less than a dollar a day.

Eradication of extreme poverty has been identified as one of the objectives of the United Nations Millennium Development Goals (UNMDGs). Through its St-EP programme, UNWTO has put in place a framework for poverty alleviation, linking its longstanding pursuit of sustainable tourism with the United Nations Millennium Development Goals.

According to Kofi Annan, the 7th Secretary-General of the United Nations, “ ST-EP will promote socially, economically and ecologically sustainable tourism, aimed at alleviating poverty and bringing jobs to people in developing countries....these objectives are fully consistent with the goals set out in the Millennium Declaration.”

For India it would be relevant to incorporate this interpretation of using sensitive tourism to generate an environment of inclusiveness for the marginalised 700 million people who are currently unable to play a significant role in India’s current economic growth. The intent would be to vitalise the non urban environments through the implementation of the principles of ecotourism.

CURRENT TOURISM SCENARIO IN INDIA

India was one of the first countries to recognize the value of tourism and constituted a separate ministry earlier than most other countries. The focus for a long time remained on the international tourist with an emphasis on the foreign exchange earning capacity. This has only changed in recent times with the focus shifting to the employment generating aspects of tourism and recognition of the scale of domestic tourism.

However measurement and evaluation criteria could do with a lot of improvement as we clearly do not have a clear picture of the contribution of the domestic market and its breakdown in terms of characteristics of motivation, length of stay, seasonality, spend and demographics.

There is no disputing that pilgrimage and religious traffic probably represents an overwhelming proportion of the domestic market. As an illustrative example less than 1.5million domestic visitors enter the Taj Mahal each year

while over 6million people visit Vaishno Devi. Visitors to Tirupathi catapult Andhra Pradesh to the number 1 domestic tourism destination position in India .Those engaged in building the chariot each year for the Annual Jagannath Rath Yatra at Puri consume a substantial chunk of forest produce.

The proposition that I would therefore like to make is that without paying attention to the needs of these teeming masses, any debate on sustainability is incomplete.

This means that we first need to convert the energy of our pilgrimage traffic, shift the focus from ritualistic behaviour to demonstrating a desire for an alternate sustainable lifestyle, and interpret the fulfilment of the pilgrim to regard every component of the journey as sacred.

Once we can demonstrate our capacity to do this, extending the same exercise to more remoter areas, currently labelled as ecotourism destinations would be more meaningful.

DEVELOPMENT OF INFRASTRUCTURE FOR SUSTAINABLE TOURISM

It is critical to define what constitutes appropriate infrastructure and this has a localised context. Too often tourism has been criticised for creating islands of affluence amidst a sea of poverty and for creating a fortress environment which excludes local communities. The other concern is with the debate between progress and development. Obviously in a fragile environment the wrong kind of interventions cause irreparable damage creating situations that can not be reversed.

This is why it is important to look at developments elsewhere and adapt good practises which are relevant for the local site in question. Often we hear echoes of imperialism in India when infrastructure is seen to satisfy the needs of an “international” traveller, satisfy some ill defined global or world standard, and undertaken for the general wellbeing as defined by an elite group of people..

Against this background it becomes imperative to have very clearly defined criteria to establish what relevant infrastructure is and to forecast the costs, the outcome, the revenues, and the viability as well as sustainability as a result of creating the infrastructure.

This calls for an engagement of all the stakeholders and defining a partnership strategy.

Rural areas frequently do not get the benefit of larger scale infrastructure planning, because the taxes generated in rural areas will not provide the internal rate of return governments need to justify building the infrastructure required.

Project developers often find that they have to cope with solving infrastructure issues without the benefit of local municipalities or with any regional infrastructure program that was underway. In order to meet sustainability goals, the project is forced to pay a very high cost to obtain sustainable technologies without the benefit of the economy of scale that could be achieved if more projects were clustered in the area, or if the government were providing sustainable technology solutions as part of a larger program for the region.

The lessons here are that ecotourism and regional sustainable infrastructure planning must be linked, and that sustainable infrastructure planning must incorporate not only the areas where dense tourism development is planned, but where high probability “sprawl” corridors in fragile natural areas with vulnerable local communities exist.

It is also imperative to engage larger stakeholders such as the Railways, Defence, Ministry of Environment and Forests, Rural Development, Agriculture and convert them into adopting good practises of sustainability.

PUBLIC PRIVATE PARTNERSHIP MODELS SUITABLE FOR SUSTAINABLE TOURISM

Successful Tourism destinations create a seamless, superlative, visitor experience in every intervention that a tourist encounters. This calls for integration amongst a vast set of agencies responsible for the diverse services, sought by the visitor. Many destinations have demonstrated the ability to review these complex relationships and arrive at creative solutions to deliver an excellent standard for the visitor without compromising on safety and security aspects, containing their efforts within available resource limits. This has been made possible by embarking a slew of initiatives involving Public Private Partnership models

In India, usually public agencies tend to assume a regulatory attitude, while private organizations, in their bid to woo the visitor and act as a facilitator, often cross undefined boundaries. Relationships between different public agencies tend to be governed by processes, which do not lend themselves easily to be service-oriented, customer friendly and efficient. The only alternate to managing an enterprise in the public domain has been to privatize loss making units and other avenues remain unexplored. The government agencies perceive private enterprise as focused on profit at any cost, without any corporate or social responsibility. The private sector’s view of government agencies is equally skewed.

1. Until a few years ago, in most countries, government departments and governmental organizations were the principal providers of infrastructure services. Budgetary constraints, sub-optimal utilization of resources and unreliable services due to a lack of emphasis on the quality of output have, in recent years, renewed interest in private sector involvement in the provision of infrastructure services.

2. Today, the debate is no longer being focused on the conflict between the public and private sectors, but rather on the most efficient way of sharing risk, joint financing and achieving balanced partnerships between operators and public authorities. While there is a near-universal recognition that the modern state must resist the temptation to get involved indiscriminately, there is also clarity that the public sector will continue to be responsible for setting and enforcing standards of safety, quality and reliability of services.
3. The public and private sectors usually have distinctive, but potentially complementary roles to play. In view of this, partnerships between the public and private sectors, have the potential to enable the delivery of high quality infrastructure services. 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.
4. The positive characteristics of PPP arrangements for infrastructure development appear particularly attractive to developing countries like India given the enormous financing requirements, the equally large funding shortfall, the need for efficient public services, availability of a pool of private finance (banks, institutions, insurance companies, equity/ mutual funds and individual investors), growing market stability and privatization trends creating a favourable environment for private sector participation.
5. A PPP is all about creating a structure in which improved value-for-money is achieved through private sector innovation and management skills delivering significant performance improvement and efficiency savings. PFI is one of the most developed forms of PPP which offers government the opportunity to involve private sector management and capital in modernising and improving the quality of public services, without undermining the government's responsibility to the taxpayer for the quality of the service provided.
6. PPPs are not vehicles for privatising public services since the government retains full political accountability for the service; rather they are simply a means by which the government can use what the private sector offers to improve its own performance. It is done by establishing arrangements through legally binding contracts that will bring benefits to both sectors. The private sector needs to earn a return on its ability to invest and perform. The public sector wants to deliver services to the standard specified and to make the best use of public resources. Crucially, PFI is seen to provide services and facilities considerably earlier than under traditional procurement, which

implies that PFI helps deliver the right projects more quickly, thereby delivering better value to the taxpayer.

7. A concession's fundamental principles are that the private sector is responsible for the design, financing, building and operation of the service. This basic scheme has numerous variations, depending on the risk allocation between the private and the public sectors. The main categories of risks allocated are finance (the public sector can subsidise projects that are not economically viable), design, construction, operation, ownership and transfer of assets at the end of the concession period. The most common types of concessions are build-operate-transfer (BOT), build-operate-own-transfer (BOOT) and design-build-finance-operate (DBFO)
8. The pre-dominant model for a PFI is the DBFO, followed by free standing projects and joint ventures.
9. Under DBFO, services are sold to the public sector and the public sector partner pays only for the services delivered by the private sector. Under this arrangement, PFI is expected to lead to more private sector involvement in the operation of assets, since many of the value for money gains in such projects come from the benefits of combining asset design, construction and operation.
10. Financially free-standing projects are the projects where the role of the public sector is limited to enable project development by undertaking some of the initial planning, licensing, providing ancillary works or assisting with statutory procedures, whereas the private sector undertakes the project on the basis that costs will be entirely recovered through charges for services to the final user.
11. Joint ventures¹ projects are those where the cost of projects is met partly from public funds and partly from other sources of income, while overall project control rests with the private sector.
12. A summary of how the three types of PFI projects compare with other types of concessions is set out below.

	Finance	Design	I
Free Standing	Yes	Yes	`

Joint Venture							Partially	Yes	'
DBFO	Design	Build	Finance	Operate			Yes	Yes	'
DCMF Design	Construction		Management		Finance		Yes	Yes	'

BOT	Build	Operate	Transfer		Yes	Yes	'
BOOT	Build	Own	Operate	Transfer	Yes	Yes	'
BOO	Build	Own	Operate		Yes	Yes	'

The challenge for the public sector is to provide a supportive business climate for the private sector, while keeping safeguards to ensure environmental and cultural enhancement.

In order to promote ecotourism, government should:

- facilitate efficient private sector activity by minimizing market interference and relying on competition as a means of control — even though environmental regulations and monitoring are necessary for ecotourism, government can rely more on incentives and avoid overly restrictive controls that make it difficult for firms to get started or succeed. Further, fiscal and trade policies should promote competition as much as possible;
- ensure a sound macroeconomic environment — governments should support business by helping with grants, loans and incentive programs, having clear guidelines for business operations, and facilitating compliance with environmental regulations;

- guarantee law and order, and the just settlement of disputes — government should ensure the protection of property rights, while finding ways to resolve differences on desired projects in a fair and equitable manner;
- ensure the provision of appropriate infrastructure — government needs to support ecotourism businesses with roads, water, electricity, waste disposal, etc.;
- ensure the development of human resources — government can do much to encourage certification, education and training programs through the educational institutions, offices of tourism, and other agencies;
- protect the public interest without obstructing private sector activity with too many regulations — government should encourage self regulation as much as possible. But where regulations are needed, government can help businesses follow them by providing informational programs and

on-staff specialists for efficient energy use, recycling, design of buildings, etc.;

- promote private sector activity by not competing in the business arena with private enterprise — Governments have an unfair advantage and a conflict of interest when engaging directly in business ventures. They can start business activities before private firms or individuals have an opportunity to do so. This would create scepticism and dampen private sector development, and thus be damaging for the countryside economy in the long run;
- acknowledge the role of small business entrepreneurs and facilitate their activities — they are the hope of the future for providing income and jobs. In other words, the role of the private sector is to make the necessary investments that create the ecotourism businesses. Governments must provide a supportive role in establishing the financial and regulatory environment to facilitate the easy entry and smooth operation of ecotourism enterprises. Both need to co-operate in order to achieve the highest standards possible in business management and environmental protection.

There have been successful PPP models which have emerged in Periyar and Sunderbans and the conceptual framework on which these models have been based have been described below.

Partnership Model involving a Government Agency (e.g. Forest Department), Local Community, and Private Entrepreneur.

The government agency needs to consult with the community on project issues, create the Community Development Fund obligations and provide baseline data and monitor performance.

The community has to keep to usage agreements on site and forest area and manage the CDF.

The private entrepreneur will be chosen after the Forest Department has crystallised its working plan for the specific area. This will include details regarding species, spacing, water bodies, wildlife access and management practises in the concession area. The overall Conservation Area Plan needs to be complemented by a definition of zoning for visitor use.

The preparatory work of the Forest Department includes 1) Type of construction permitted and Ground Coverage limits 2) Limits on the number of visitors to the site by time of year 3) access restrictions 4) ecological constraints e.g. nature of power supply 5) which of the community needs are met from the forest such as fuel, NTFP, access to water, grazing 6) extent and nature of encroachment in site area and in the forest 7) existing condition of land and state of forest cover 8) other development guidelines.

A two stage process of selection based on a technical bid and a financial bid is desirable.

The technical bid would include 1) Quality of Business and development plan including Visitor Site Planning and design 2) Mandated minimum range of activities 3) Manner of engagement with local community.

The financial bid would be based on a fixed area base rental, a fixed contribution to the CDF, and pre-decided share of revenues.

The private entrepreneur is obliged to engage the community by 1) making sustainable arrangements for firewood and alternate energy sources 2) employ JFM practises with respect to NTFP 3) employ local inhabitants for site activities 4) use vernacular architecture 5) adopt conservation and waste management techniques 6) contribute a specified portion of revenue to the Community Development Fund.

The government is obliged to 1) create an institutional mechanism to enable a CDF 2) empower the community to manage the CDF by a participative multi-member society 3) spend on basic local infrastructure including power, water, health, education 4) provide support for alternative livelihoods.

The community is obliged to 1) provide the services to the private entrepreneur as agreed to enable the entrepreneur to offer an acceptable visitor experience 2) take ownership of the CDF and the project implementation 3) regard the enterprise as a facilitation process intended to create opportunities rather than an endless source of largesse.

There is need to put in place a Monitoring mechanism to ensure adherence by each of the stakeholders to their responsibilities and obligations. A multi-member dispute resolution body with representation from each of the stakeholders will need to be created. NGOs can be inducted into this body. A refundable performance bond may ensure compliance with the working plan.

FINANCIAL STRUCTURES THAT ENCOURAGE SUSTAINABLE TOURISM

Ecotourism must achieve a certain minimum return in order for it to have a meaningful social impact (and so reduce environmental impacts) and to justify the infrastructure cost. But its returns are capped by the level of market demand, perceived risk and the environmental and social carrying capacity of the area. This leads to the situation where ecotourism needs to be big enough to achieve the necessary returns on investment, and small enough not to become unsustainable, either environmentally or socially.

A funding institution would evaluate risks associated with the project and these are:

Risk category	Allocation	Comments
Planning Risk	May be retained by concession authority for pilot projects. There may however, be occasions where transfer in whole or part is appropriate or unavoidable.	-
Design & Construction Risk	Transferred to concessionaire through payment	Concessionaire bears risk of cost and time overruns. Concession

	mechanism.	authority retains risk of changes to output specification.
Operating Risk	Transferred to concession contract through appropriate payment mechanisms.	Deductions are made from payments for failure to meet service requirements.
Demand Risk	May be retained by contracting authority or shared. Possible to transfer under the concession contract where the concessionaire can influence demand and forecast revenues with reasonable accuracy.	Demand risk transfer is done typically by permitting the concessionaire to recover costs through user charges.
Residual Value Risk	Could be transferred under concession contracts to ensure fitness of purpose throughout the duration of the contract.	Concessionaire may carry residual value risk if asset is not automatically transferred to the concession authority at the end of the contract.
Other Financial Risk	Other financial risks are often transferred under concession contracts.	-
Legislative Risk	Often retained. The government / agencies are best placed to control regulatory and legislative risks.	In many cases, a key issue could be whether a particular legislative / regulatory change is discriminating against the project or sector.

Revenue-Generating Mechanisms

The major goals of ecotourism are to generate income for conservation and to benefit local communities and other stakeholders that are also participating in the ecotourism programme in or near a protected area. The degree to which a visitor site produces income depends in large part upon its importance as a tourism destination and, secondarily, upon its management and marketing capabilities.

In order to generate revenue, the following questions must be answered: