International Financial Institutions Gaining Ground: Tourism Infrastructure Development in India

By Equations

Since the later part of the 1990s, International Finance Institutions (IFIs) have been gaining ground in India. They have been finding it easy to operate in an environment where an ad hoc attitude ruled the roost, and where a deregulated and fully liberalised tourism economy had erased spaces for local communities to raise their voices. In 1997, four member countries[53] of the South Asian Association for Regional Cooperation (SAARC) agreed to the formation of a sub group termed the South Asian Growth Quadrangle. Cooperation was focused on sustainable utilization of natural resources (water and energy), trade and investment, transportation and tourism. The Asian Development Bank (ADB) vigorously pushed subregional economic cooperation in South Asia modelled after what it had done in Greater Mekong Subregion. Despite serious criticism of projects that are planned away from the public gaze and without community participation, the push for IFI-advised tourism development continues.

Implementation Problems in the 1990s

The 1990s saw a sudden spurt in IFI presence in tourism. But there were problems associated with tourism development projects funded by the IFIs, as highlighted by the Comptroller and Auditor General of India (CAG)[54]. The CAG Audit report on Union Government (Civil) for the year ending March 31, 1999 reported that Ministry of Tourism released funds for 158 tourism infrastructure projects during the period 1992-1997 under the scheme titled "Development of Tourism Infrastructure". The scheme was aimed at ensuring comfortable and moderate accommodation to tourists at reasonable rates by way of constructing hospitality facilities such as tourist bungalows, complexes, lodges, reception centres, way-side amenities, etc. Central assistance was provided to state governments on a cost-sharing basis. The state governments were generally expected to meet the cost of land identified for the project with other ancillary facilities such as electricity, water supply and approach road; while the central ministry was expected to meet the cost of construction, including internal electrification, water supply and sanitary fittings etc.

119 out of these 158 projects were not completed as of June 1999. Test checks of accounts had shown that in respect of 67 projects, delay in implementation of 14 months to 65 months was attributed to non-availability of land, change in

[53] The South Asian Growth Quadrangle consists of Bangladesh, Bhutan, Nepal and the North eastern states of India (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim)

[54] The Comptroller and Auditor General (CAG) of India audits all receipts and expenditure of the Government of India and the state governments, including those of bodies and authorities substantially financed by the government.

the designs/estimates, late award of the work, non-availability of clearance from other organizations, projects not being commercially viable, and disputes with executing agencies. This exposed the completely lackadaisical attitude and tearing hurry with which the Union Ministry had continued approving proposals submitted by state governments without ascertaining critical factors. Many of the commissioned projects were not being used for tourism promotion and were non-operational.

The CAG recommended that "Tourism Ministry should review the incomplete projects to ensure their completion urgently and also review the working of the completed projects along with impact assessment on tourism".[55] The scheme needed to be re-tailored in the light of shortcomings noticed in its implementation. The Public Accounts Committee (PAC) believed that tourism promotion, instead of being viewed as a source of revenue, deserved consideration as a tool of national integration, employment generation and above all a possible means of building global goodwill and better understanding of India and its composite culture and great heritage. Considering the poor infrastructure ratings given by the tourists, general decline in tourism, paltry budgetary allocation for tourism, lack of effective partnership between Ministry and the private operators and the trade, PAC hoped that all the issues would be addressed adequately and progressive policy enunciation made in the new National Tourism Policy at the earliest.[56]

However, against the backdrop of scathing criticism voiced in the performance audit, the Public Accounts Committee (PAC) and Parliamentary Standing Committee (PSC) on Tourism should have stressed studying the social and ecological impacts of tourism. The criticism had also pointed at the utter lack of regulatory regime at the Ministry of Tourism, which should have been reviewed thoroughly.

Towards Public Private Partnerships (PPP)

India's 9th Plan (1997-2002) and 10th Plan (2002-2007) documents had arguments to more than quintuple the financing of tourism related infrastructure. If we include the plan allocation to states, the figure touched an equivalent of US$814.448 million. Clearly, if planners were to integrate concerns from auditors, they would have also underlined a need to ensure accountability, introduce robust regulatory mechanisms and not merely increased involvement of international and bilateral finance and private sector participation for the sector. N K Singh's contribution to a symposium on reorienting India's policy on tourism underlined that "out of 1,310 tourism projects undertaken in 10th Plan, 740 projects remained incomplete".[57] Despite the changing rhetoric that started to employ terms like cultural tourism, pro-poor tourism, exploring heritage etc., there still remain bottlenecks.

IL&FS Infrastructure Development Corporation[58] broad projections in the year 2007 suggested that over the next twenty years India is required to invest Rs 229,657.79 crores (US$ 50.6 billion). To meet these enormous funding requirements, they propose the Public Private Partnership (PPP) route. The allocation to Union Ministry of Tourism in 11th Plan (2007–2012) stood at an equivalent of US$ 912.89 million. Significant upscaling to the plan was seen when for the 12th plan the Ministry asked the Planning Commission for an allocation

[55] CAG's Audit findings can be downloaded from www.cag.gov.in/reports/civil/2000_book2/chapter18.pdf

[56] Excerpts from CAG Activity Report 2001-'02, Chapter 5.

[57] Seminar No 554, October 2005, www.india-seminar.com/2005/554/554%20n.k.%20singh.htm

[58] IL&FS IDC is the infrastructural wing of Infrastructure Leasing and Financial Services Ltd. (IL&FS)

amounting to four and a half times the size of the allocation in the previous plan. Where will the money come from to finance such an enormous increase in allocations?

IFI-funded subregional tourism infrastructure

The first decade of this century has been marked by IFIs paving the way for South Asian nations under the rubric of developing subregional tourism infrastructure projects modelled after the Mekong Subregional Tourism model as well as pushing IFI assisted "inclusive" infrastructure development projects in the region. Although regional economic cooperation alliances have existed (e.g. SAARC), ADB has prioritized sub-regional cooperation and integration for development, by projecting the hinterland and borderland as "gateways". But many see beneath this rhetoric traces of the "growth triangle or quadrangle" or "sub-regional economic zone" concept that a few lead economies of the region had toyed with in the late 1980s and early 90s at the behest of ADB and other donor agencies. The success factors of these triangles or quadrangles were the presence of a highly developed and well endowed city/area that has run out of land and labour, a surrounding area plentiful in land and labour, and a political desire to reduce the visible and invisible distance between the two. ADB documents claim that the rationale for supporting sub-regional cooperation rests on two factors – to permit countries to respond collectively to common trans-boundary problems and secondly improving access to expertise, trade, investment, information and technology. There is also a claim that a sub-regional cooperation strategy can advance poverty reduction by freeing up trade and transactions, improving regulatory environments, increasing competitiveness and enabling countries to meet their trade liberalisation commitments.[59]

Since stand-alone tourism projects were found to be extremely difficult to execute efficiently on account of the cross-sectoral nature of tourism coupled with complex institutional frameworks, IFIs couched them under the rubric of being a sub-component in biodiversity conservation projects (for example a project in Sikkim funded by the Japan International Cooperation Agency – JICA) or infrastructure and transport projects. One of the important criteria set down by IFIs like ADB for approving sector specific lending is the institutional capacity of the borrowing country and implementing agency to formulate comprehensive and long term sector development plans and execute projects that might be funded with a vision to achieve them. Till now the strategy has been first to fund technical assistance and rope in a consultant agency to formulate such a sector development plan which may subsequently lead to projects that can be funded.

Poor community participation

Projects are planned away from the public gaze and without substantial participation of organisations that work with local communities in analysing the social and ecological impacts of tourism.[60] In India, local communities have time and again opposed these projects. For example, the opposition from local communities to ADB financed "inclusive tourism infrastructure development project" related works in the vicinity of Pong Dam in Himachal Pradesh and alternative suggestions put forth by them clearly underline the fact that until a very late stage, community participation is not actively sought despite the lip service and rhetoric employed in published reports by international financial institutions and central and state governments receiving external aid for tourism development. Even the criticism voiced by

---

[59] Asian Development Bank, Annual Report, 2004

[60] Equations (2008): IFIs and Tourism: Perspectives and Debates

CAG in the course of performance audits of public sector undertakings in tourism and the failure of governance and due diligence pointed out therein gets ignored by governments.

For example, in the context of the ADB's South Asia Subregional Economic Cooperation (SASEC) Tourism Development Plan (TDP), the time overruns that were pointed out in the CAG audit became the sole concern of the Government of India which was then fore-grounded to push for an increased consultative role granted to the private sector. Those very State Tourism Development Corporations (STDCs) that have come under criticism in the performance audit of their functioning have recently announced plans to develop tourism infrastructure through PPP mode.

This trend clearly points to a need to engage with the public and constitutional audit institution and to build campaigns taking up failure of governance issues. Civil society also needs to explore campaign and advocacy spaces with Public Accounts Committees of state assemblies that are empowered to follow up on the performance audits, while at the same time developing social audit campaigns as a follow up on constitutional audit agency's performance audit reports. CAG offices at the level of state and centre do come under the purview of the Right to Information Act and community groups as well as civil society organisations can seek relevant information following upon missing details in CAG's performance audit reports on STDCs.

Integration vs. restriction: Whose line is it anyway?

In the case of sub-regional development plans, quite naturally, the focus is on bringing down restrictions to regional and sub-regional integration even to the detriment of the interests of local communities. For example, in the context of the north eastern region in India, an important idea that has been repeatedly expressed in the SASEC Tourism Development Plan and echoed by government ministries and tourism promoters has been the relaxation of the Restricted Area Permit (RAP), Protected Area Permit (PAP) and Inner Line Permit (ILP) rules that apply to some portion of North East India. In its section on issues and constraints for subregional tourism, the Tourism Development Plan makes specific mention of the ILP and PAP required for outsiders to the states of Arunachal Pradesh, Mizoram and parts of Nagaland. Although many constitutional offices, such as Governor of Manipur in his speech before assembly and groups such as the Diaspora community from the North East at a recent Pravasi Bharatiya Sammelan (a conference of diaspora Indians), have voiced such sentiments, there are also local community groups, such as Mizos and indigenous communities in Arunachal Pradesh, who have vehemently protested against such proposals. Despite criticism of this suggestion, the Government of India decided to lift the Protected Area Permit in three north-eastern states – Manipur, Nagaland and Mizoram – with effect from January 2011 for an initial period of one year.

Developing enclaves

One of the main programmes suggested in the SASEC Tourism Development Plan is the Key Area Programme. A total of 33 projects have been suggested for the implementation around the key areas. Earlier experiences of such strategies (e.g. Special Tourism Areas proposed in the 1992 Tourism Policy) have turned places like Bekal in Kerala, Mahabalipuram in Tamil Nadu, Puri in Orissa and Sindhudurg in Maharashtra into enclaves of investment, exploitation and isolation from their surroundings. These have left natural resources exploited, communities displaced and destinations spent. Despite these and other criticisms voiced repeatedly ever since the SASEC Tourism Development Plan was published, neither ADB nor state and central bureaucracy appear to have pondered over these concerns. The push for IFI advised tourism development continues. The new strategy announced by Union Tourism Minister Subodh

Kant Sahay in 2011 lays stress on developing Special Tourism Parks on the lines of Special Economic Zones (SEZ) where projects would be implemented in a PPP mode.

What does the future look like?

Along with negative impacts on spaces for people's participation and governance, resulting in the dilution of safeguards, it is important to see these developments in the context of the global economic process which have resulted in the liberalisation and de-regulation of our economy. The influence of IFIs on national economic policies has been consistently increasing. The latest trend is the introduction of PPPs in a formal way and the pressure on the state to institutionalise this model of development.

In India, it is the ADB which has been playing an important role in influencing and formulating PPP related policies. As a result of this, the Department of Economic Affairs, within the Ministry of Finance has announced a draft PPP Policy, 2011. The draft National Land Acquisition and Rehabilitation & Resettlement Bill, 2011 also mentions and makes special provisions for PPP projects. In the context of tourism, this needs to be the next level of investigation and action.

Equations is a research, policy, advocacy and campaigning organisation working on tourism and development issues in India since 1985.