



Concept Paper

Project Number: 54465-001
June 2021

Proposed Programmatic Approach and Policy- Based Loan for Subprogram 1 and Administration of Technical Assistance Grant India: Industrial Corridor Development Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 28 May 2021)

Currency unit	–	Indian rupee (₹)
₹1.00	=	\$0.0136
\$1.00	=	₹73.0360

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
DMIC	–	Delhi–Mumbai Industrial Corridor
DMICDCL	–	DMIC Development Corporation Limited
DPIIT	–	Department of Promotion of Industry and Internal Trade
FDI	–	foreign direct investment
FY	–	fiscal year
GDP	–	gross domestic product
MSME	–	micro, small and medium enterprises
NICDCL	–	National Industrial Corridor Development Corporation Limited
NICDIT	–	National Industrial Corridor Development and Implementation Trust
NMP-MMC	–	National Masterplan on Multi-Modal Connectivity
PBL	–	policy-based loan
PRC	–	People's Republic of China
SPV	–	special-purpose vehicle
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government of India ends on 31 March. "FY" before a calendar year denotes the year in which the fiscal year ends, e.g., FY2021 ends on 31 March 2021.
- (ii) In this report, "\$" refers to United States dollars.

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PROGRAM AT A GLANCE

1. Basic Data		Project Number: 54465-001	
Project Name	Industrial Corridor Development Program (Subprogram 1)	Department/Division	SARD/SAPF
Country	India	Executing Agency	Department for Promotion of Industry and Internal Trade
Borrower	India		
Country Economic Indicators	https://www.adb.org/Documents/LinkedDocs/?id=54465-001-CEI		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=54465-001-PortAtaGlance		
2. Sector		Subsector(s)	
✓ Industry and trade	Industry and trade sector development		ADB Financing (\$ million)
			250.00
		Total	250.00
3. Operational Priorities		Climate Change Information	
✓ Addressing remaining poverty and reducing inequalities		GHG reductions (tons per annum)	0.000
✓ Accelerating progress in gender equality		Climate Change impact on the Project	Low
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability			
✓ Strengthening governance and institutional capacity		ADB Financing	
✓ Fostering regional cooperation and integration		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
		Cofinancing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 5.c		Effective gender mainstreaming (EGM)	✓
SDG 9.2			
SDG 10.3		Poverty Targeting	
SDG 12.4		General Intervention on Poverty	✓
4. Risk Categorization:	Complex		
5. Safeguard Categorization	Environment: C Involuntary Resettlement: C Indigenous Peoples: C		
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		250.00	
Sovereign Programmatic Approach Policy-Based Lending (Regular Loan):		250.00	
Ordinary capital resources			
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		250.00	
Note: An attached technical assistance will be financed on a grant basis by the Technical Assistance Special Fund (TASF-OTHERS) in the amount of \$1,000,000.			
Currency of ADB Financing: US Dollar			

I. THE PROPOSAL

1. The proposed program will expand and enhance the competitiveness of manufacturing in India by supporting the development of industrial corridors. The program is consistent with the country partnership strategy for India, 2018–2022¹ and address its pillar 1 to boost economic competitiveness and creating good jobs. The program is included in the country operations business plan, 2021–2023.² It is aligned with the following operational priorities of Strategy 2030 of the Asian Development Bank (ADB): addressing remaining poverty and reducing inequalities, accelerating progress in gender equality, tackling climate change and enhancing environmental sustainability, strengthening governance and institutional capacity, and fostering regional cooperation and integration.³ The policy-based loan (PBL) will support structural transformation of the economy and creation of jobs in the designated industrial corridors, by synchronizing development of industrial and urban agglomerations, and multimodal transport networks, which will create an enabling environment for growth of the private sector, expand the domestic market in India for consumer demand, and strengthen links with the regional and global economy. The program will also develop a green industrial corridor framework and promote female participation in the labor force. It will require transaction technical assistance (TA) for knowledge and policy advisory services to carry out some of the policy actions.

2. The proposed modality is a PBL designed under the programmatic approach. It has two subprograms of \$250 million each. The modality is designed to support implementation of crucial policy reform actions that will strengthen institutions, processes, and tools for inclusive, green, and gender sensitive industrial corridor planning and development; thereby enhancing manufacturing competitiveness, generating jobs, and promoting trade, foreign direct investment (FDI), and regional integration. Subprogram 1 will support policy actions to set up institutions and introduce improved corridor planning and implementation mechanisms. Subprogram 2 will deliver and further advance the mandates of these institutions, so that reforms are undertaken at the national level across central line ministries and agencies and will also induce similar policy initiatives at the state level within the PBL period of 2020–2024.

II. PROGRAM AND RATIONALE

A. Background and Development Constraints

3. **Development problem.** India's gross domestic product (GDP) growth averaged 6.8% from fiscal year (FY) 2013 to FY2019.⁴ The percentage of the population living below the international poverty line of \$3.2/day decreased from about 59.3% in 2012 to 41.5% in 2018.⁵ The services sector output grew at 8.1% during FY2013–FY2019 while the manufacturing sector declined from an average of 9.5% during FY2006–FY2012 to 6.4% during FY2013–FY2019, with

¹ ADB. 2017. [Country Partnership Strategy: India, 2018–2022—Accelerating Inclusive Economic Transformation](#). Manila.

² The program is included on a standby basis in ADB. 2020. [Country Operations Business Plan: India, 2021–2023](#). Manila. The change in modality has been agreed with the government. The results-based lending modality was changed to policy-based lending at the government's request to both facilitate interventions at the center and fast-track manufacturing sector development, affected by the coronavirus disease crisis.

³ Operational priorities 1, 2, 3, 6, and 7 of ADB. 2018. Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific. Manila. Operational priorities 4 and 5, identified for the program under the country operations business plan, 2021–2023 were removed, but operational priority 6 has been added.

⁴ All figures are per annum. Government of India, Ministry of Statistics and Program Implementation. 2020. <http://mospi.nic.in/data>

⁵ Asian Development Bank estimates.

a largely stagnant share of 15%–17% of GDP.⁶ As a result, the manufacturing sector's capacity to absorb the growing labor force has declined. Manufacturing employs 12% of the labor force, which is less than half of the services sector. About 72% of the labor force in manufacturing works in low-productivity and wage-earning informal labor.⁷ India's manufacturing exports account for only 1.7% of global exports, resulting in low participation in global value chains.⁸ The outbreak of the coronavirus disease (COVID-19) disrupted the flow of intermediate goods, exposing gaps in domestic and global supply chains. Manufacturing output is expected to decline by 9.4% in FY2021.⁹ The Government of India's fiscal deficit averaged 4.0% of GDP during FY2013–FY2019, while public debt averaged 68% of GDP. Because of the pandemic, in FY2020 the fiscal deficit increased to 9.5% of GDP and public debt rose to about 89.3% of GDP, although both ratios are expected to decline in FY2021 and FY2022 with economic recovery.¹⁰

4. Government development initiatives. The Government of India launched the Make in India program in 2014, building on National Manufacturing Policy of 2012, aiming to boost manufacturing sector growth to 12%–14%, raise its share of GDP to 25%, and generate employment for 100 million people by FY2025. The program identified industrial corridors as a policy instrument to expand the manufacturing base through reforms in ease of doing business, logistics facilities, multimodal transport, smart cities, and FDI liberalization, to be pursued in an integrated manner. It recognized industrial corridors as a development tool to enable India to integrate better with global value chains and with Southeast and East Asia through the regional mechanisms of the Association of Southeast Asian Nations–India Free Trade Agreement and subregional programs like the South Asia Subregional Economic Cooperation (SASEC), Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), and others. The government launched initiatives of Sagarmala, a port-led development, in 2015, and the Bharatmala road corridor development projects in 2018. It introduced regulatory reforms of the goods and services tax system in 2017 and reduced the corporate tax rate (from 30% to 22%) for new manufacturing companies in 2019. As a result, India's ease-of-doing-business ranking improved by 79 positions, from 142 in 2014 to 63 in 2020.¹¹ The country also registered its highest ever FDI Inflows of \$81.72 billion in FY2021 and \$74.39 billion in FY2020, up from \$55.56 billion in FY2016.¹² During COVID-19 the government undertook additional reforms and launched the Atmanirbhar Bharat Abhiyan (Self-Reliant India) in May 2020, focusing on rejuvenation of domestic manufacturing and greater integration in global value chains, including promotion of FDI in 13 priority manufacturing sectors. The government also simplified labor laws into four codes—wages, industrial relations, social security, and occupational working conditions—easing restrictions on layoffs in firms with 100 or more workers.¹³

5. Binding constraints. Prominent factors affecting India's manufacturing competitiveness include higher transaction costs caused by weaknesses in transport infrastructure, particularly poor last-mile connectivity to ports and railways and overdependence on road-based freight

⁶ The GDP share of manufacturing in many East Asian economies is about 25%–33%.

⁷ This is based on the Annual Survey of Industries and National Sample Survey data for 2015–2016. In 2000–2001, labor force in manufacturing was about 83%.

⁸ The comparative figure for the People's Republic of China (PRC) is 12.4%, South Korea 3.5%, and Japan 4.5%. S. Mitra, A. Gupta, A. Sangneria. 2020. *Drivers and Benefits of Enhancing Participation in Global Value Chains*. ADB South Asia Working Paper Series. No 79. Manila: Asian Development Bank.

⁹ Press Information Bureau. 2021. *Advance Estimates of GDP of 2020–20221 Released by National Statistics Office*. 7 January.

¹⁰ CEIC database, Asian Development Outlook 2021, and ADB estimates.

¹¹ Press Information Bureau. 2020. *Press Release Details*. 31 December.

¹² Press Information Bureau. 2021. *India Attracted Highest Ever Total FDI Inflow of \$81.72 Billion During 2020–21, 10% More Than the Last Financial Year*. 24 May; and Invest India. *FDI Policy*.

¹³ Sagarmala. *Port-led Industrialization*. (\$1 = ₹75); and *Ministry of Road Transport and Highways*.

movement.¹⁴ Road-based freight movement constitutes about 57% of total freight traffic movement in India, compared with 36% for rail and 6% for waterways, both of which are more economical and environment friendly than road transport (footnote 14). Efficient, automated cargo handling logistics facilities are not fully developed in India. Unsynchronized economic and spatial planning make it difficult for firms and workers to benefit from urban agglomeration economies. The institutional and regulatory environment needs to be strengthened to support private investment while ushering in transparency on land availability and building skills aligned to demand for labor. Finally, mobilization of long-term finance by strengthening domestic capital markets and attracting private capital is key to supporting the development of industrial corridors.

6. Industrial corridors to facilitate integrated development. Speeding up industrial corridor development will require targeting specific locations where the multiple constraints can be addressed through coordinated planning and implementation. New institutional mechanisms are crucial to facilitating coordination between national and subnational governments, as the agencies responsible for building a competitive manufacturing sector and promoting trade and regional integration span central, state, and local agencies. The government's industrial corridor program covers 17 states, including seven low-income and special category states.¹⁵

B. Policy Reform, ADB's Value Addition, and Sustainability

7. Government reform agenda. The Delhi–Mumbai Industrial Corridor (DMIC) was established in 2007 and DMIC Development Corporation Limited (DMICDCL) in 2011. DMICDCL started with one corridor. The mandate of DMICDCL was expanded to five and most recently to 11 corridors.¹⁶ DMIC was transformed into the National Industrial Corridor Development and Implementation Trust (NICDIT) under the Department of Promotion of Industry and Internal Trade (DPIIT) in 2016. NICDIT was to invest in industrial corridors and clusters in partnership with state-level special-purpose vehicles (SPVs) based on delegated authority from DPIIT. DMICDCL was transformed into the National Industrial Corridor Development Corporation Limited (NICDCL) in February 2020 to operationalize industrial corridors and act as a knowledge partner for NICDIT and provide advisory services to states. NICDCL undertakes extensive project development activities across all investment corridors, assists state governments in developing master plans for industrial clusters or nodes, and provides them with technical and financial structuring and corridor planning guidance. However, the new institutions need to expand capacity and enhance knowledge services to be more effective. Given this, the objective of subprogram 1 will be to establish and strengthen the capacity and systems of NICDCL and NICDIT, while subprogram 2 will operationalize and further advance the mandates of the institutions. The policy matrices advance reforms that will be leveraged by fiscal transfers from the center to the state-level SPVs to implement the guidelines and master plans.

8. Reform area 1: Institutional structures and mechanisms for industrial corridors' integrated development strengthened. Under subprogram 1, three policy actions are being implemented that focus on building strong governance mechanisms—a prerequisite to increase manufacturing competitiveness and attract more FDI in an integrated manner. The reforms will help NICDCL and NICDIT improve project planning, implementation, monitoring, and evaluation within industrial corridors. The National Masterplan on Multi-Modal Connectivity (NMP-MMC), which links economic zones with transport and logistics infrastructure, is an important tool for

¹⁴ India Environmental Portal. 2010. [Building India Transforming the Nation's Logistics Infrastructure](#). India's reliance on the road sector is about 60%, compared with about 25% for the PRC and 40% for the United States.

¹⁵ A low-income state (a) has a poverty rate higher than the national average (2011–2012 estimates); (b) has per capita income lower than the national average; or (c) is a Himalayan or northeastern state (formerly special category state).

¹⁶ National Industrial Corridor Development Corporation Limited. 2020. [12th Annual Report 2019–20](#). Delhi.

enhancing logistics efficiency that will integrate industrial and urban agglomeration and thereby connect production centers and consumption centers to internal markets and trade gateways. A high-level Empowered Group of Secretaries, comprising top officials from key ministries, will be formed to develop a formal institutional arrangement to coordinate implementation of the NMP-MMC. The program will also deliver demand-driven, industry-relevant, female focused, enhanced skills training in designated industrial corridors through a formal program between the NICDCL and National Skills Development Corporation. Under subprogram 2, four policy actions are proposed: (i) engagement between NICDIT and state-level SPVs through partnerships to finalize and launch cluster development and financing plans; (ii) female participation in the boards of SPVs; (iii) formation of a Network Planning Group¹⁷ to support the Empowered Group of Secretaries to improve coordination among different ministries at the policy and project levels to support effective implementation planning of the NMP-MMC; and (iv) development of a geospatial-enabled dashboard/portal of all connectivity projects for transparent and coordinated decision-making in implementing the NMP-MMC.

9. Reform area 2: Improved delivery of integrated and innovative project development and financing solutions to industrial corridors. Under subprogram 1, three policy actions are being implemented. These focus on improving detailed project and financial planning, which is a precondition for the sustainability of future projects. It is important to standardize instruments and guidelines related to project appraisal, prioritization, implementation, and monitoring and evaluation across the corridors. Financial planning for project investments in the identified clusters and multimodal logistics parks will be critical for the SPVs to enhance their financing capacity. Gender inclusive transport at SPVs and Green corridor planning framework will also be launched that will provide environmental protection and improve resource efficiency. Under subprogram 2, six policy actions are proposed, including actions related to gender responsive industrial housing and labor reforms; and the introduction of human resource manuals for the SPVs, which will enhance gender equality in the corridor development. Guidelines on building climate-resilient infrastructure ensuring long-term sustainability and methodology to enhance the industry/urban participation in finalization of Master Plans for industrial corridor development by SPVs.

10. Reform area 3: Enhanced integrated investment promotion in industrial corridors. Under subprogram 1, five policy actions are being implemented to introduce reforms to enhance transparency, streamline business processes, and increase outreach activities to draw FDI into identified clusters and industrial corridors. The launch of digital platforms such as a National Single Window System (NSWS), an India Industrial Land Bank portal, and an upgraded Industrial Park Rating System will provide one-stop information platforms and clearance systems to enable investors to identify potential investment locations and obtain clearances from multiple ministries via a single application form. Marketing plan for corridors at the center will build awareness on market extension programs and digital platforms. Guiding policies on skills enhancement based on gender-sensitive needs assessment and market demand will enable industries in the clusters to meet their employment demand. Under subprogram 2, four policy actions are proposed. These are to integrate NSWS with 14 state systems, accelerate land allotment in the clusters, and provide a basis for private concessionaire engagements in corridor utility services.

11. ADB's value addition. ADB's engagement in industrial corridor development has included both upstream knowledge work and downstream investment projects. Upstream strategic studies have captured the transformative potential of industrial corridor development to boost manufacturing growth and create formal jobs. Investor consultation was also done under

¹⁷ An integrated multimodal network planning comprises heads of network planning divisions from ministries and departments.

the Chennai Kanyakumari Industrial Corridor Master Plan to assess potential industry gaps and identify interventions required to attract new investors to priority nodes.¹⁸ ADB conceptualized India's East Coast Economic Corridor and supported the state of Andhra Pradesh to prepare a Conceptual Development Plan of the Visakhapatnam–Chennai Industrial Corridor, which included master planning of its priority nodes, investment loan to develop infrastructure, and a policy loan to support institutional and regulatory reforms for investment promotion and integrated corridor development.¹⁹ Similar master planning of nodes in the state of Tamil Nadu was also assisted, followed by investment loans in the transport, urban, and energy sectors. Other assistance includes (i) Northeast Economic Corridor development study; (ii) establishment of national Industrial Park Rating System; (iii) study on promotion of coastal shipping, (iv) pre-feasibility studies on development of multimodal logistics parks at selected locations in India to enhance efficiency in logistics and supply chains,²⁰ and (v) TA to facilitate integration of small and medium industries in India and Mekong region.²¹

12. **Proposed policy-based loan.** The PBL will strengthen industrial corridor planning and management by supporting integration of institutions and synchronization of policies between federal and state governments. The technical and policy advisory, human resources, and program management capacity of NICDCL will be strengthened. Identified gaps in the industrial operating ecosystem were used in developing the policy matrix. Policy actions to support development of the green corridor framework; launch of industrial land bank; upgrading of the Industrial Park Rating System; integration of the NSW clearance system; development of a framework for inclusive housing of workers; and linking industrial corridor development with the Skill India initiative²² are included to ensure synergy between the industrial corridor development program and the reform agenda of India. Proposed loan is a logical extension of ADB's engagement in corridor development at the state level.

C. Expected Outcome of the Reform

13. The program is expected to contribute to the enhancement of manufacturing competitiveness along industrial corridors and creation of quality jobs. The program will put in place an institutional framework that delivers integrated development of industry, urban agglomerations, and multimodal transport, and promotes external trade. This aligns the program with the country's overarching country development objective of increasing the share of manufacturing sector in India's GDP to 25% by 2025. The program's outcome will be improved investment climate for industrial corridor development. The program outcome will be measured by the number of projects approved by NICDIT from 2020 to 2025, and funds disbursed by NICDIT to the nodes and SPVs, among others.

¹⁸ ADB. 2017. *Technical Assistance to India for Supporting the Preparation of a Comprehensive Master Plan for the Chennai-Kanyakumari Industrial Corridor*. Manila.

¹⁹ ADB. 2016. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to India for the Visakhapatnam–Chennai Industrial Corridor Development Program*. Manila; and ADB. 2015. *Technical Assistance to India for Supporting the Preparation and Implementation of the Comprehensive Integrated Master Plan for the Vizag–Chennai Industrial Corridor*. Manila.

²⁰ S Mitra et al. 2020. *Developing Multimodal Logistics Parks in India*. ADB Briefs. No.142. Manila: ADB.

²¹ ADB. 2019. *Technical Assistance for Supporting Internationalization of Small and Medium-Sized Enterprises: Linking India and the Greater Mekong Subregion*. Manila.²² The Skill India initiative or Pradhan Mantri Kaushal Vikas Yojana (PMKVY), is a centrally sponsored scheme. Ministry of Skills Development and Entrepreneurship. <https://pmkvyofficial.org/>

²² The Skill India initiative or Pradhan Mantri Kaushal Vikas Yojana (PMKVY), is a centrally sponsored scheme. Ministry of Skills Development and Entrepreneurship. <https://pmkvyofficial.org/>

D. Development Financing Needs and Budget Support

14. The fiscal deficit of the central government for FY2020 is estimated at 9.5% of GDP, or \$248 billion, which exceeded the budgeted fiscal deficit of 3.5% of GDP. The deficit for FY2021 is projected to decrease to 6.8% of GDP, or \$210 billion. The deficit is funded through goods and services and corporate taxes, and other duties in addition to domestic borrowings through treasury bills and bonds. The industrial corridor program of GoI projects investments of about \$100 billion by 2040. A loan of \$500 million from ADB's ordinary capital resources has been allocated to provide catalytic funding for the program. ADB's loan will improve the effectiveness of government and private investments. The funds will be released in two subprograms, each of \$250 million, which are expected to supplement the budget in FY2022 and FY2023.

E. Implementation Arrangements

15. The government, through the Ministry of Finance, will be the borrower. The Ministry of Commerce and Industries, through DPIIT, will be the executing agency, while the NICDIT, with NICDCL as its knowledge partner, is the implementing agency. A steering committee, to be constituted by DPIIT, will guide, and monitor the implementation of the PBL. The proceeds of the PBL will be channeled to the Ministry of Finance. The funds will be withdrawn in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time) in two subprograms. The implementation period is April 2020–December 2024 for the program. Subprogram 1 will be implemented from April 2020 to September 2021 while subprogram 2 will be from October 2021 to December 2024.

III. TECHNICAL ASSISTANCE

16. Proposed transaction technical assistance (TA) will support government initiatives under subprogram 2. The transaction TA is estimated to cost \$1,000,000, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The government will provide counterpart support in the form of staff, office space, administrative help, logistics support, and other in-kind contributions. The TA will provide advisory services under the reform areas identified in paras. 8–10. The TA will also help NICDCL develop new policy guidelines and financing modalities, concession agreements, and national gender-inclusive policy frameworks for corridor-wide operationalization.

IV. DUE DILIGENCE REQUIRED

17. **Safeguards.** In compliance with ADB's Safeguard Policy Statement (2009), the program is classified category C for environment, involuntary resettlement, and indigenous peoples. It is not expected to have any environmental or social safeguard impacts as defined by ADB's Safeguard Policy Statement.

18. **Gender elements.** The analysis reveals, only 18.2% of the rural females and 15.9% of the urban females were in the labor force in usual status. The workforce participation for rural women was 17.5% and as low as 14.2% for urban. The unemployment rate among rural and urban women remained 3.8% and 10.8%, respectively.²³ COVID-19 has reduced women's workforce participation disproportionately compared with men, especially in manufacturing.²⁴ The

²³ Ministry of Statistics and Program Implementation, Government of India. 2019. Annual Report Periodic Labor Force Survey (2017–2018).

²⁴ United Nations. 2020. Policy Brief: The Impact of COVID-19 on Women.

program's policy actions, and the attached TA will support the development of industrial corridors through a national institutional framework that will also advance gender equality and social inclusion. The program is categorized effective gender mainstreaming. Guidelines will be drawn to reskill the labor force based on gender equality and social inclusion needs while special purpose vehicle companies will have gender inclusive transport arrangements. The manufacturing clusters will potentially employ women and socially excluded groups. Inclusive worker housing will incorporate the requirements of women, the disabled, and the elderly.

19. **Governance.** DPIIT follows national laws on public financial management, while employees abide by the conditions of ethics in the national government's published gazettes. The regular statutory external audit is done by the Office of the Comptroller and Auditor General of India (Supreme Audit Institution of India). Budgeting is linked to fiscal targets, under the Fiscal Responsibility and Budget Management Act, 2010, which aims to ensure prudence in fiscal management and fiscal stability. ADB financing will be provided as budget support. There is no transfer of resources to the implementing agencies specifically for policy actions, other than through the usual annual budgetary approval procedures. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the central government's Finance Ministry. ADB's website link for reporting fraud and corruption was shared with the Finance Ministry and implementing agencies.

V. PROCESSING PLAN

A. Risk Categorization

20. The program is categorized *complex* as the loan amount is \$500 million (exceeding the \$50 million threshold for PBLs).

B. Resource Requirements

21. Transaction TA will be required to process some policy actions of subprogram 2 of the proposed PBL (para. 16).

C. Processing Schedule

22. The milestones and their expected completion date are summarized in the table.

Milestones	Expected Completion Date
Concept Paper Approval	June 2021
Signed Aide Memoire on Fact Finding Mission	June 2021
Informal Board Seminar	June 2021
Management Review Meeting	July 2021
Loan negotiations	July 2021
Board Date	September 2021
Loan Signing	October 2021
Loan Effectiveness	October 2021

VI. KEY ISSUES

23. Key issues include (i) inability to deploy consultants to ensure effective delivery of process actions due to COVID-19, and (ii) related implementation delays. Support from the environmental and safeguards, gender, and Office of Public-Private Partnership divisions will be obtained to address these issues.

PRELIMINARY POLICY DESIGN AND MONITORING FRAMEWORK

Country's Overarching Development Objective Increasing the share of manufacturing sector in India's GDP to 25% by 2025		
Outcome Improved investment climate for industrial corridor development.	Risks and Critical Assumptions <ul style="list-style-type: none"> <input type="checkbox"/> Lack of capacity in Implementation Agency. <input type="checkbox"/> Organizational administrative inefficiency across national and sub-national level government agencies <input type="checkbox"/> Change in government priority due to macroeconomic slowdown and prolonged uncertainty due to COVID-19. <input type="checkbox"/> Change in international trade policy of the government. 	
Indicative Policy Action (Subprogram 1- April 2020 to September 2021)	Indicative Policy Action (Subprogram 2- October 2021 to December 2024)	Outcome Indicators (2021–2025)
Program period - of 2020–2024		
Reform Area 1: Institutional structures and mechanisms for industrial corridors' integrated development strengthened.		
<p>1.1 The National Industrial Corridor Development Program of India will be expanded by GoI by including 6 additional corridors to the existing 5 corridors and establishing NICDCL as national program development agency and knowledge partner of NICDIT.^a</p> <p>1.2 (i) An integrated National Masterplan (NMP) on multi modal connectivity to link economic zones with transport and logistics infrastructure will be launched on the website of Ministry of Commerce and Industry.^b (ii) An Empowered Group of Secretaries (EGoS) comprising senior officials of central ministries will be established for coordinated implementation of NMP for multi modal connectivity.^c</p> <p>1.3 Skills Development and Training Programs will be developed will be jointly developed by NICDCL and National Skill Development Corporation (NSDC) to upgrade skills of local labor force within the industrial corridors in line with industry demand, with focus on female labor.</p>	<p>2.1 Partnerships with at least two new state level entities set up as SPVs will be established by NICDIT including through equity investments enhancing the institutional coordination mechanism for efficient collaboration between the center and state.</p> <p>2.2. At least two state SPVs will comprise female board representation.</p> <p>2.3 Network Planning Group will be established by GoI for implementation of integrated Multi-modal network which will enable coordination of proposals submitted by various ministries and states.^d</p> <p>2.4 A Geo Spatially enabled dashboard/ portal of National Master Plan for multi-modal connectivity will be launched by the GoI providing information for investors and multiple government agencies.</p>	<p>a. NICDCL fully operational with adequate staff capacity to implement industrial corridors by 2025. (baseline staff 2020 30: target staff 2025: 35–40)</p> <p>b. At least 1 Multi-Modal Logistics Hub developed in Industrial Corridor influence areas.</p> <p>c. At least two skill development centers set up in Industrial Corridor Program.</p>

Indicative Policy Action (Subprogram 1- April 2020 to September 2021)	Indicative Policy Action (Subprogram 2- October 2021 to December 2024)	Outcome Indicators (2021–2025)
Program period - of 2020–2024		
Reform Area 2: Delivery of integrated and innovative project development and financing solutions to industrial corridors improved.		
<p>1.4. Following documents will be approved by NICDIT’s board to streamline the approval and oversight process of development of industrial corridors:</p> <ul style="list-style-type: none"> (i) a detailed Investment and Financing Plan which will include modalities and readiness criteria for disbursement to special purpose vehicles. ^e (ii) guidelines on criteria on appraisal, preparation, and prioritization of all SPV project proposals to ensure consistency and uniformity in corridor development. <p>1.5 Guidelines on gender inclusive transport in and around nodes adopted by an SPV as identified by NICDCL.</p> <p>1.6 A green industrial corridor development policy framework will be approved by NICDIT’s board that addresses sustainable planning, and development of climate resilient infrastructure within industrial corridors. ^h</p>	<p>2.5 At least five node/project proposals will be appraised and submitted by NICDCL to NICDIT, based on new readiness criteria and financing modalities.</p> <p>2.6 At least one SPV board will approve node/project specific concession agreement for Master Developers in corridor areas.ⁱ</p> <p>2.7 A framework on industrial housing for employees ensuring safety, security and convenience which will include gender related provisions, will be approved by NICDCL Board.</p> <p>2.8 A framework document developed by NICDCL on methodology to enhance the industry/urban participation in finalization of Master Plans for industrial corridor development by SPVs.</p> <p>2.9 Guidelines on HR process manuals for the node SPVs which include gender inclusive measures like workplace safety, and equal opportunity will be approved by NICDCL board.</p> <p>2.10 Guidelines on climate resilient infrastructure development in industrial corridor areas will be approved by NICDCL Board that ensure compliance with requisite environmental and social safeguards.</p>	<ul style="list-style-type: none"> d. At least two project proposals with Public Private Partnership (PPP) structures from node level SPVs approved. e. \$1120 million disbursed by NICDIT to SPVs by 2025 (baseline 2020 - \$720 million) f. At least one node adopted the green corridor framework promoting sustainable development g. At least one corridor adopted gender inclusive industrial housing development plan. h. At least one SPV implemented gender inclusive transport guidelines.

Indicative Policy Action (Subprogram 1- April 2020 to September 2021)	Indicative Policy Action (Subprogram 2- October 2021 to December 2024)	Outcome Indicators (2021–2025)
Program period - of 2020–2024		
Reform Area 3: integrated investment promotion in industrial corridors		
<p>1.7 A national Single Window System platform for one-stop digital national portal will be launched by DPIIT, that integrates the existing clearance systems of various Ministries/Departments of Government of India and will have a single, unified application form for the investors.</p> <p>1.8 Instructions to all nodes issued by NICDCL to make available industrial infrastructure and land related information in India Industrial Land Bank (IILB) portal of DPIIT to that addresses transparency and ease of availability of information for the investors.</p> <p>1.9 A marketing plan will be formulated by NICDCL and communicated to facilitate private sector investment including in social and infrastructure projects that includes: (i) market extension program to attract private sector investment in potential opportunities (ii) Awareness building on digital platforms to share potential investment information.</p> <p>1.10 An upgraded Industrial Park Rating System (IPRS), a digital platform, will be launched by DPIIT to (i) enhance transparency of information for investors in making selections on investment locations; and (ii) promote competition among Industrial Park owners/states to improve physical infrastructure as well as ease regulatory barriers.</p> <p>1.11 Guidelines on skills upgrading and training relevant for employment within industrial corridors to skill local labor force in industrial areas, based on a gender sensitive needs assessment and available market opportunities will be approved by NICDCL board.</p>	<p>2.11 Line ministries, national and state level agencies integrated by DPIIT, by joining at least 14 states to the Single Window Clearance Platform mechanism.</p> <p>2.12 An action framework containing processes and methodologies of land policy enablers at the nodes in the corridors will be prepared by NICDCL. to provide an implementation plan in land allotment during the different stages of this process.^k</p> <p>2.13 A concession agreement for operationalization of utility companies will be approved by at least one SPV's Board.</p> <p>2.14 Industrial park rating system criteria expanded by DPIIT by including sex disaggregated data on information on employment of labor force in industrial parks for the period FY2023–FY2024.</p>	<p>i. Investment commitment in the corridor states increased from 2020 to 2025. (baseline commitments 2020: \$1330 million; target commitments: \$2130 million)</p> <p>j. Reduced number of government approvals and days for processing investment proposal due to operationalization of single window (Baseline 2020 and 2025)</p> <p>k. At least five industrial nodes uploaded information to the IILB portal.</p> <p>l. Two (2) new SSA and SHAs executed between NICDIT and the concerned state government(s) / nodal agency(ies).</p> <p>m. Master plans of 2 new identified industrial nodes prepared.</p>
<p>Budget Support: Subprogram 1: \$250 million (loan) Subprogram 2: \$250 million (loan)</p>		

DMICDCL = Delhi Mumbai Industrial Corporation Limited, DPIIT = Department for Investment Promotion and Internal Trade, GoI = Government of India, NICDCL = National Industrial Corridor Development Corporation Limited, NICDIT = National Industrial Corridor Development Trust, SPV = special-purpose vehicle, EGoS = Empowered Group of Secretaries; TBD = To be decided, ToR = Terms of Reference.

- ^a An industrial corridor includes investment regions, industrial areas, and industrial parks. “Industrial Park” is a project in which quality infrastructure in the form of plots of developed land or built-up space or a combination with common facilities, is developed and made available to all the allottee units for the purposes of industrial activity. (page 101 of Consolidated FDI Policy of India (Effective from 15 October 2020)- <https://dipp.gov.in/sites/default/files/FDI-PolicyCircular-2020-29October2020.pdf>) Geographical locations within these areas are called nodes. Industrial regions, parks and areas are used interchangeable and refer to locations where manufacturing facilities are set up in proximity with associated trunk infrastructure which is usually provided by the government.
- ^b Multimodal connectivity refers to linkages between at least two modes of transport. Economic zone is defined as per Special Economic Zones Act, 2005 of India as a Special Economic Zone may be established under this Act, either jointly or severally by the Central Government, State Government, or any person for manufacture of goods or rendering services or for both or as a Free Trade and Warehousing Zone.
- ^c Empowered Group of Secretaries is a group of senior most civil servants and technocrats who will be tasked with the formulation of various plans to ensure that the National Master Plan on multi-modal connectivity is included in the industrial corridor development program. Network Planning Group will be formed during the implementation period of Subprogram 2 consisting of relevant ministries to assist EGoS in implementing the National Master Plan.
- ^d Network Planning Group will be formed during the implementation period of Subprogram 2 consisting of senior bureaucrats heading sectoral divisions of relevant ministries to assist EGoS in implementing the National Master Plan.
- ^e Special purpose vehicles are majority state-owned companies (51% state in terms of land) and 49% finance private sector set up in industrial corridors.
- ^f All guidelines are issued by the NICDIT and NICDCL for node level SPVs’ compliance to obtain funding from the center.
- ^g Multimodal Logistic Parks are being developed on a 'Hub and Spoke' model to eradicate logistics related deficiencies in India, to reduce costs and to strategically integrate highway projects and other connectivity initiatives like inland waterways, railways etc. in tandem with the freight distribution ecosystem.
- ^h Green corridor framework envisions a green hub for manufacturing that accelerates economic growth, provides environmental protection and improve resource efficiency. ADB through a Technical Assistance for Capacity Development for Industrial Corridor Management in Andhra Pradesh (TA 9173-IND) is supporting the state government of Andhra Pradesh to develop this framework for Visakhapatnam-Chennai Industrial Corridor (VICIC).
- ⁱ A Master Developer is a private sector developer who will lease land from the government and focus on attracting strategic investments and jobs to an industrial region by strategically marketing and bringing in relevant and/or large anchor tenants and investors from focus industries/clusters. The aim is to identify and attract optimal type and number of investors to an industrial node, such that the correct land value is captured both monetarily, as well as in terms of developmental indicators like investment brought and jobs created. The Master Developer also develops the last mile infrastructure, if required. The Master Developer is responsible for land management post allotment, in terms of monitoring the investments made, jobs created, appropriate utilization of land and operations and maintenance of the industrial areas.
- ^j An industrial node is a geographic area within an industrial area or an investment region within an industrial corridor.
- ^k Industrial Land Allotment Enablers provide an implementation plan during the various stages of land allotment process. It provides action plan for the SPVs to implement the initiatives under the three broad categories of interventions- Policy, Administrative and Technical.
- ^l India’s Electricity Act 2003 provides for granting distribution license to an entity or individual other than state distribution companies subject to fulfilment of certain conditions specified by the central government e.g., capital adequacy, creditworthiness etc.

TECHNICAL ASSISTANCE FACILITY UTILIZATION UPDATE

1. The technical assistance (TA) facility will be applied for about \$0.2 million after the fact-finding mission scheduled for May 2021.¹ The technical assistance facility for Enhancing Capacity to Design and Implement Public Resource Management, Finance, and Multisector Development Projects was approved on 1 December 2020 in an amount of \$500,000. As of 28 May 2021, contract awards totaled \$30,448.

2. The TA facility aims to deliver the following outputs for the ensuing Industrial Corridor Development Program (Table A2.1).

Table A2.1: Summary of Major Outputs and Activities

Outputs	Delivery Dates	Key Activities with Milestones
1. Institutional structures strengthened to deliver integrated and innovative project development and financing solutions to industrial corridors.		<p>1.1 A detailed investment and Financing Plan, which will include modalities and readiness criteria for disbursement to special purpose vehicles will be approved by NICDIT board.</p> <p>1.2 Development of a criteria on appraisal, preparation, and prioritization of all SPV project proposals to ensure consistency and uniformity in corridor development will be approved by NICDIT board.</p> <p>1.3 Development of monitoring and evaluation guidelines for projects financed by NICDIT which will be approved by NICDIT board.</p> <p>1.4 Preparation of a model concession agreement for development of multimodal logistics parks in corridor areas to be approved by SPV board.</p> <p>1.5 Preparation of a green industrial corridor development policy framework to ensure sustainable planning, and development of climate resilient infrastructure within industrial corridors to be approved and disseminated by NICDIT.</p>
2. Integrated investment promotion plan developed for industrial corridors		<p>2.1 Development of a communication plan including market extension programs to be used by industrial corridors to inform and engage private sector investment in social and infrastructure projects. The plan will be approved by NICDCL and disseminated to the stakeholders.</p> <p>2.2 Development of guidelines on skills upgrading and training relevant for employment within industrial corridors to reskill local labor force in industrial areas, based on a gender-sensitive needs assessment and available market opportunities. The guidelines will be approved by NICDCL and disseminated to the SPVs</p>

NICDCL = National Industrial Corridor Development Corporation Limited, NICDIT = National Industrial Corridor Development and Implementation Trust, SPV = special purpose vehicle.

Source: National Industrial Corridor Development Corporation.

¹ TA 6630 Enhancing Capacity to Design and Implement Projects in PM, Finance, Industry and Trade Sectors, approved on 1 December 2020.

3. **Resources under the technical assistance facility.** The updated consultants' input allocation from the TA facility is presented in Table A2.2. It is confirmed that (i) the TA facility has adequate resources, and (ii) the existing terms of reference for consultants are sufficient to undertake the activities required to deliver the outputs for the ensuing Industrial Corridor Development Program.

Table A2.2: Updated Consultants' Input Allocation from the Technical Assistance Facility
(person-months)

Item	Total	Project 1 Low risk	Project 2 Medium risk	Project 3 Medium risk	Project 4 High risk	Project 5 Low risk	Project 6 Low risk	Project 7 Low risk
International	11.0	1.5	1.5	1.5	2.5	-	2.0	2.0
Public financial management expert	1.0				1.0			
Finance specialist (structured finance and PPP)	3.0	1.5			1.5			
Industrial infrastructure specialist	1.0						1.0	
Infrastructure policy and regulatory specialist	1.0						1.0	
Fintech specialist	2.0							2.0
Energy finance expert	3.0		1.5	1.5				
National	37.7	5.0	1.0	1.0	7.0	18.2	5.5	-
Economist	3.0	1.0			1.0		1.0	
Financial management specialist	6.0	1.0			1.0	3.0	1.0	
Investment and financing specialist	3.4					3.4		
Investment promotion specialist	3.0					3.0		
Monitoring and evaluation specialist	1.0				1.0			
Environment policy expert	1.8					1.8		
Safeguard specialist	1.8					1.8		
Social development and gender specialist	5.0	1.0	1.0	1.0	1.0		1.0	
Environmental safeguard specialist	1.5	0.5			0.5		0.5	
Climate change specialist	1.5	0.5			0.5		0.5	
Social safeguard specialist	3.0	1.0			1.0		1.0	
Inclusive finance expert	1.5				1.0		0.5	
Transaction and public-private partnership specialist	3.4					3.4		
Skills development specialist	1.8					1.8		

PPP = public-private partnership.

Note: Project 1: Institutional Strengthening, Project 2: Infrastructure Financing, Project 3: Private Sector Participation, Project 4: Environment and Climate Change, Project 5: Investment Promotion and Communication, Project 6: Skills Development, Project 7: Gender Mainstreaming.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=54465-001-ConceptPaper>

1. Initial Poverty and Social Analysis
2. Sector Assessment (Summary): Industry and Trade (Industry and Trade Sector Development)