



Project Readiness Financing Report

PUBLIC

Project Number: 55207-001
March 2022

India: Infrastructure Development of Industrial Estates in Tripura

This document is being disclosed to the public in accordance with ADB's Access to Information Policy.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 23 February 2022)

Currency unit	–	Indian rupee/s (₹)
₹1.00	=	\$0.013
\$1.00	=	₹74.61

ABBREVIATIONS

ADB	–	Asian Development Bank
DOIC	–	Department of Industries & Commerce
GESI	–	gender equality and social inclusion
GOT	–	Government of Tripura
NEEC	–	Northeast Economic Corridor
PRF	–	project readiness financing
TIDCL	–	Tripura Industrial Development Corporation Limited

NOTE

In this report, “\$” refers to United States dollars.

Vice-President	Shixin Chen, Operations 1
Director General	Kenichi Yokoyama, South Asia Department (SARD)
Deputy Director General	Manmohan Parkash, SARD
Country Director	Takeo Konishi, India Resident Mission (INRM), SARD
Team leaders	Soumya Chattopadhyay, Senior Programs Officer, INRM, SARD Prabhasha Sahu, Senior Project Officer (Transport), INRM, SARD
Team members	Keerthi Kumar Challa, Associate Project Officer (Energy), INRM, SARD Jogendra Keshari Ghimire, Principal Counsel, Office of the General Counsel Shyam Sunder Mehndiratta, Senior Procurement Officer, INRM, SARD Chandni Narang, Project Assistant, INRM, SARD Devender Rawat, Associate Programs Analyst, INRM, SARD Bhisma Rout, Programs Analyst, INRM, SARD Krishnendu Baran Sarkar, Senior Financial Management Officer, INRM, SARD Ashok Srivastava, Senior Project Officer (Urban), INRM, SARD

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

CONTENTS

	Page
PROJECT AT A GLANCE	
I. PROJECT READINESS FINANCING	1
A. Rationale	1
B. Outputs and Activities	2
C. Ensuing Project	3
D. Cost Estimates and Financing Arrangements	3
E. Implementation Arrangements	4
II. DUE DILIGENCE	4
III. THE PRESIDENT'S DECISION	5
APPENDIX	
1. List of Linked Documents	6

PROJECT READINESS FINANCING AT A GLANCE

1. Basic Data		Project Number: 55207-001	
Project Name	Infrastructure Development of Industrial Estates in Tripura	Department/Division	SARD/INRM
Country	India	Executing Agency	Department of Industries & Commerce, Government of Tripura
Modality	Project Readiness Financing (Loan)		
Borrower	India		
Country Economic Indicators	https://www.adb.org/Documents/LinkedDocs/?id=55207-001-CEI		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=55207-001-PortAtaGlance		
2. Sector		ADB Financing (\$ million)	
✓ Industry and trade	Industry and trade sector development		1.000
	Small and medium enterprise development		0.400
	Trade and services		0.600
		Total	2.000
3. Operational Priorities		Climate Change Information	
✓ OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		GHG reductions (tons per annum)	0.000
✓ OP4: Making cities more livable		Climate Change impact on the Project	Low
✓ OP6: Strengthening governance and institutional capacity			
✓ OP7: Fostering regional cooperation and integration			
		ADB Financing	
		Adaptation (\$ million)	0.000
		Mitigation (\$ million)	0.000
		Cofinancing	
		Adaptation (\$ million)	0.000
		Mitigation (\$ million)	0.000
Sustainable Development Goals		Poverty Targeting	
SDG 1.1, 1.4		General Intervention on Poverty	✓
SDG 9.2, 9.4			
SDG 10.1			
SDG 12.5			
SDG 17.11			
4. Risk Categorization:	Low		
5. Safeguard Categorization	Not Applicable.		
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		2.000	
Sovereign Project Readiness Financing (Regular Loan): Ordinary capital resources		2.000	
Cofinancing		0.000	
None		0.000	
Counterpart		0.500	
Currency of ADB Financing: US Dollar			

I. PROJECT READINESS FINANCING

A. Rationale

1. Tripura is a landlocked state in northeast India, bordering Bangladesh and the Indian states of Assam and Mizoram. It is a state having favorable climatic conditions for cultivation of various fruit and horticultural crops. However, the state is still vulnerable to disaster-triggered natural hazards.¹ It is rich in natural resources such as natural gas, rubber, bamboo, tea, and medicinal plants. In addition, it acts as a gateway between northeast India and Bangladesh, with an 856 kilometer border with Bangladesh, offering good potential for international trade. About 39% of gross state domestic product in 2019–2020 was contributed by the primary sector, while the tertiary sector accounted for about 45% and the secondary sector for about 14%, of which only 23% was manufacturing and the remaining 77% was utilities and construction (footnote 1). Tripura is connected to the rest of India through the railway and national highway networks. This has created an opportunity for the state to foster industrial development to harness its natural resources. Despite being a resource-rich state, Tripura has limited capacity for value addition and resource mobilization to address industrial backwardness. Better connectivity and upcoming cross-border infrastructure projects are alleviating geographical isolation but there is a need to improve the contribution of the manufacturing sector, increase employment in industry sector, reduce dependence on agriculture, and create opportunities to develop cross-border synergies.

2. Tripura's vision is that manufacturing sector employment will increase from 1.79% in 2011 to 4.50% in 2030.² The state has established rubber, food, and bamboo parks to support existing and potential investors.³ The industrial cluster development has the potential to promote manufacturing growth, and accordingly the Tripura Industrial Development Corporation Limited (TIDCL) has planned the development of 15 industrial estates with the objectives of promoting industry, developing entrepreneurship, and generating employment.⁴ The Northeast Economic Corridor (NEEC) study report of the Asian Development Bank (ADB) recommended an integrated approach to industrial planning and designing, improved regulatory environment and private sector investments for industrial development in Tripura, and identified the need for integration of industrial infrastructure with logistic parks, transportation, and trade facilitation.⁵

3. The Government of Tripura (GOT), through its Department of Industries & Commerce (DOIC) has applied for project readiness financing (PRF) from ADB through the Department of Economic Affairs, Ministry of Finance, Government of India. The PRF is in the form of a loan for improving the readiness of infrastructure development in industrial estates in Tripura.

4. **Lessons learned and ADB's value addition.** ADB is already engaged in developing industrial corridors in Andhra Pradesh and Tamil Nadu. ADB approved a central-level policy-based loan on industrial corridor development in 2021, and a logistics sector loan is planned for 2022.⁶ The learnings from these engagements will help develop robust industrial infrastructure and a supporting policy and regulatory regime in Tripura. ADB's engagement in the NEEC study will help identify key products in the state of Tripura. The ongoing PRF in Tripura (Urban and Tourism); Tripura Road sector study; and upcoming PRF in road sector will help develop industry–urban–transport services links and address the connectivity gaps, including last mile connectivity.

¹ Government of Tripura, 2020. [Economic Review of Tripura 2019–2020](#). Agartala.

² India Brand Equity Foundation. [Tripura Infographic June 2021](#).

³ India Brand Equity Foundation. [Industrial Development and Economic Growth in Tripura](#).

⁴ Government of Tripura, Tripura Industrial Development Corporation Limited. [List of Industrial Estates in Tripura](#).

⁵ The final report of the Northeast Economic Corridor Study has been submitted to the Government of India.

⁶ ADB. 2021. [India: Industrial Corridor Development Program](#). Manila.

5. ADB is the lead financier and knowledge partner of the South Asia Subregional Economic Cooperation Program, through which cross-border transport and trade facilitation are supported. ADB has also supported Bangladesh to develop a study on the Northeast Bangladesh Economic Corridor, and approved a loan of \$1.78 billion to improve mobility, road safety, and regional trade along the Dhaka–Sylhet corridor.⁷ The corridor in Bangladesh has synergy with India’s NEEC, where development of industrial estates in Tripura and cross-border connectivity projects will support the development of regional value chains in South Asia. This project will help realize India’s goal of integrating with markets in South and Southeast Asia.

6. **Alignment with country and ADB priorities.** Project readiness interventions through the PRF have been planned to develop an investment-ready ensuing project which will meet the operational and thematic priorities of ADB’s country partnership strategy for India, 2018–2022.⁸ It is closely aligned with the following operational priorities of ADB’s Strategy 2030: tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability; making cities more livable; strengthening governance and institutional capacity; and fostering regional cooperation and integration.⁹ The PRF will contribute to these operational priorities by designing climate-resilient industrial infrastructure, supporting industry–urban linkages, strengthening institutional capacity of DOIC and TIDCL, and fostering cross-border synergies through development of regional value chains.

B. Outputs and Activities

7. The PRF will ensure high readiness of the ensuing project by delivering the following outputs.

8. **Output 1: Sector strategy and investment plans prepared.** Output 1 will (i) develop an integrated approach to planning and design for industrial development in Tripura, (ii) prepare industrial strategy and investment promotion requirements, (iii) prepare investment plans and action plans, and (iv) prioritize key subprojects for the infrastructure components.

9. **Output 2: Feasibility study, detailed engineering designs, and due diligence of priority subprojects completed.** Output 2 will focus on (i) feasibility studies and preparation of detailed engineering designs of selected subprojects;¹⁰ (ii) social and environmental due diligence; (iii) gender equality and social inclusion (GESI) analysis and planning; (iv) economic and financial analyses; (v) climate and disaster resilience assessment;¹¹ (vi) financial management assessment; (vii) procurement risk and/or capacity assessment, strategic procurement planning, contract modalities, procurement plan, and contract management plan(s); and (viii) bid documents, tendering, and bid processing.

⁷ ADB. 2021. [South Asia Subregional Economic Cooperation Dhaka–Sylhet Corridor Road Investment Project](#). Manila.

⁸ ADB. 2017. [Country Partnership Strategy: India, 2018–2022—Accelerating Inclusive Economic Transformation](#). Manila.

⁹ ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

¹⁰ The detailed project reports will comply with national standards and codes, and incorporate good practices. These will include detailed cost estimates, detailed construction drawings, and necessary documentation in formats acceptable to ADB for each selected subproject.

¹¹ It includes comprehensive due diligence of detailed project reports prepared under the PRF and/or separately in the state, if any. It will cover assessment of climate risks, preparation of climate and disaster resilience framework, and design of compliances for climate and disaster resilience.

10. **Output 3: Institutional capacity strengthened.** This will include capacity building of the DOIC and TIDCL on financial, technical, safeguards, GESI, and procurement aspects; supporting sector analysis; and developing the institutional strengthening and capacity development component of the ensuing project. It will (i) review institutional capacities to outline the scope of the institutional capacity development component of the ensuing project, (ii) review current operation and maintenance practices to outline asset sustainability measures, (iii) recommend an industrial development framework outlining reform actions for improved planning and management, and (iv) assist and build capacity in designing the ensuing project and implementing PRF to deliver its expected outputs.

C. Ensuing Project

11. The ensuing project aims to improve infrastructure in the industrial estates in Tripura and strengthen institutional and financial capacities of DOIC and TIDCL. It will be financed through a regular loan from ADB's ordinary capital resources with an indicative amount of \$46.5 million, expected to be approved in 2023. The loan amount will be confirmed based on the (i) detailed engineering design of the selected subprojects, (ii) absorptive capacity of the executing agency and the contracting industry, and (iii) availability of counterpart funding from the GOT.¹²

D. Cost Estimates and Financing Arrangements

12. The PRF is estimated to cost \$2.5 million (Table 1). Detailed cost estimates by expenditure category and by financier are included in the PRF project administration manual.¹³

Table 1: Summary Cost Estimates
(\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Sector strategy and investment plans prepared	0.14
2. Feasibility study, detailed engineering designs, and due diligence of priority subprojects completed	1.90
3. Institutional capacity strengthened	0.19
Subtotal (A)	2.23
B. Contingencies^c	0.24
C. Interest During Implementation^d	0.02
Total (A+B+C)	2.50

Note: Numbers may not sum precisely because of rounding.

^a Includes taxes and duties of \$0.34 million to be financed by government resources through cash contribution.

^b In early 2022 prices as of 23 February 2022 using an exchange rate of \$1 = ₹74.61.

^c Physical contingencies computed at 6% for consulting services. Price contingencies computed in the range of 1.6%–1.8% on foreign exchange costs and in the range of 4.0%–5.2% on local currency costs and include a provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Interest during implementation for the ordinary capital resources loan has been computed at the 3-year United States dollar fixed swap rate plus an effective contractual spread of 0.5%.

Source: Asian Development Bank estimates.

13. The government has requested a regular loan of \$2,000,000 from ADB's ordinary capital resources to help finance the project preparation and design activities. The loan will have a 15-year term, including a grace period of 3 years; an interest rate determined in accordance with

¹² The subproject prioritization criteria will be finalized in consultation with ADB during the PRF implementation. Due consideration will be given to technical relevance, operational and financial sustainability, safeguards categorization, climate and disaster resilience, and governance.

¹³ Project Administration Manual (accessible from the list of linked documents in the Appendix).

ADB's Flexible Loan Product; and such other terms and conditions set forth in the draft loan agreement.

14. The summary financing plan is in Table 2. ADB will finance the expenditures in relation to consulting services.

Table 2: Summary Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Ordinary capital resources (regular loan) ^a	2.00	80.0
Government ^b	0.50	20.0
Total	2.50	100.0

^a The project readiness financing loan will be refinanced under an ensuing loan, and the refinancing date will be the expected date of effectiveness of the ensuing loan agreement, and will generally be adjusted to coincide with the actual effectiveness date of the ensuing loan agreement. The refinancing date will be before the first principal repayment date of the project readiness financing loan.

^b The government contribution includes interest during implementation, taxes, and duties.

Source: Asian Development Bank estimates.

E. Implementation Arrangements

15. The implementation arrangements are summarized in Table 3 and described in detail in the PRF project administration manual (footnote 13). Selection of consultants will follow the ADB Procurement Policy (2017, as amended from time to time), and the Procurement Regulations for ADB Borrowers (2017, as amended from time to time), and their associated staff instructions.

Table 3: Implementation Arrangements for Project Readiness Financing

Aspects	Arrangements		
PRF implementation period	March 2022–September 2023		
Estimated PRF completion date	31 March 2023		
Management			
(i) Oversight body	Project steering committee headed by Chief Secretary, Government of Tripura		
(ii) Executing agency	Government of Tripura acting through the Department of Industries and Commerce		
(iii) Implementing agency	Tripura Industrial Development Corporation Limited		
Consulting services	Five individual consultants (individual consultant selection)	380 person-days (over 1 year duration)	\$0.18 million
	One national consulting firm (QCBS with quality–cost ratio of 80:20)	360 person-months (over 1 year duration)	\$1.74 million
Advance contracting and retroactive financing	The Government of Tripura will use retroactive financing and advance contracting for consulting services. ADB allows retroactive financing for expenditures incurred before loan effectiveness, but not earlier than 12 months from the date of legal agreement, subject to a maximum amount equivalent to 20% of the loan amount.		
Disbursement	Disbursements under the PRF will follow ADB's <i>Loan Disbursement Handbook</i> (2017, as amended from time to time) and detailed arrangements agreed between the government and ADB.		

ADB = Asian Development Bank, PRF = project readiness financing, QCBS = quality- and cost-based selection.
Source: ADB.

II. DUE DILIGENCE

16. **Technical.** Five individual consultants will initially provide inputs on industrial strategy, infrastructure planning with prioritization of subprojects, investment planning and promotion, and policy review and institutional development, including skills and capacity development. The due diligence for the detailed design of the ensuing project by the consulting firm will adopt lessons and good practices from related interventions (paras. 4–5), and will incorporate gender-

responsive, climate- and disaster-resilient, and innovative features identified therein. To establish the climate and disaster resilience of the identified industrial infrastructure, a rapid climate risk assessment using the preliminary climate risk screening checklist will be undertaken for each ensuing subproject. Thereafter, further assessments and measures to strengthen resilience against natural hazard and climate change impacts will be appropriately considered.

17. **Governance.** A fiduciary assessment of the TIDCL was conducted in accordance with ADB guidelines. Although the TIDCL has not previously implemented an ADB-assisted project, it has adequate financial management capacity to record financial transactions and provide reliable audited annual financial reports. The assessed pre-mitigation financial management risk is considered *moderate* because (i) PRF activities will be monitored by PRF consultants, and TIDCL's reporting obligations are limited to preparing audited project financial statements; (ii) annual audited entity financial statements of the TIDCL are clean (unqualified and/or unmodified) with limited observations; and (iii) adequate arrangements are in place on internal financial reporting. The TIDCL team will be trained in handling ADB financial reporting. With the approval of advance contracting by ADB, the TIDCL with ADB support has carried out procurement of individual consultants and initiated the recruitment of a consulting firm following the ADB Procurement Policy and the Procurement Regulations for ADB Borrowers.¹⁴ With oversight from ADB staff, the experts in the consulting firm recruited under the PRF will enhance the TIDCL's procurement and financial management capacities. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government.

18. **Safeguards.** Since the proposed activities consist of consulting services only, activities have not been categorized in accordance with ADB's Safeguard Policy Statement (2009). The scope of the ensuing project will likely be in and around 15 industrial estates in six districts of Tripura. The detailed design will be prepared with consideration given to (i) minimizing the interface with any national parks, wildlife sanctuaries, or any other environmentally sensitive areas; (ii) minimizing the impact on resettlement and land acquisition; and (iii) avoiding adverse impacts on indigenous peoples, if any. Tripura is home to 1.17 million scheduled tribe people who account for 31.8% of the total population.¹⁵ The ensuing project will not cause any adverse impact on the scheduled tribe population as the industrial estates are not located in scheduled tribe areas. The safeguard categories for the ensuing project are likely to be B for environment and involuntary resettlement, and C for indigenous peoples.¹⁶ The PRF will finance the preparation of necessary safeguard documents for the ensuing project. Safeguards and GESI experts engaged under the PRF will assist and build the capacity of DOIC and TIDCL in preparing safeguards documents compliant with ADB's Safeguards Policy Statement, and GESI analysis and planning.¹⁷

III. THE PRESIDENT'S DECISION

19. The President, acting under the authority delegated by the Board, has approved the loan of \$2,000,000 to India for the Infrastructure Development of Industrial Estates in Tripura, from the ordinary capital resources of the Asian Development Bank (ADB), in regular terms, with interest to be determined in accordance with ADB's Flexible Loan Product; for a term of 15 years, including a grace period of 3 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement, and hereby reports this action to the Board.

¹⁴ Four out of five individual consultants have been mobilized. Technical evaluation for consulting firm is under progress.

¹⁵ Government of Tripura. [Tripura State Portal](#).

¹⁶ The safeguard categories for the ensuing project will be confirmed during the PRF implementation.

¹⁷ ADB. 2003. [Policy on Gender and Development](#). Manila (adopted in 1998).

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=55207-001-PRF>

1. Loan Agreement
2. Project Agreement
3. Project Administration Manual