



# Report and Recommendation of the President to the Board of Directors

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**PUBLIC**

Project Number: 54465-002  
November 2023

## Proposed Policy-Based Loan for Subprogram 2 India: Industrial Corridor Development Program

This is a redacted version of the document approved by ADB's Board of Directors. The document excludes information that is subject to exceptions to disclosure set forth in ADB's Access to Information Policy.

Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 23 October 2023)

Currency unit	–	Indian rupee/s (₹)
₹1.00	=	\$0.01202
\$1.00	=	₹83.1400

## ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
EODB	–	ease of doing business
FDI	–	foreign direct investment
GDP	–	gross domestic product
GICDF	–	green industrial corridor development framework
GVC	–	global value chain
IPRS	–	industrial park rating system
JBIC	–	Japan Bank for International Cooperation
JICA	–	Japan International Cooperation Agency
NICDCL	–	National Industrial Corridor Development Corporation Limited
NICDIT	–	National Industrial Corridor Development and Implementation Trust
NICDP	–	National Industrial Corridor Development Programme
NLP	–	National Logistics Policy
PM-GS	–	Prime Minister Gati Shakti
SPV	–	special purpose vehicle
TA	–	technical assistance
VCIC	–	Vizag–Chennai Industrial Corridor

## NOTES

- (i) The fiscal year (FY) of the Government of India and its agencies ends on 31 March. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2024 ends on 31 March 2024.
- (ii) In this report, “\$” refers to United States dollars.

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<sup>1</sup> Withheld from disclosure per para. 17, item 2(iv) of the Access to Information Policy.

## PROGRAM AT A GLANCE

Project Data			
<b>Project number</b>	54465-002	<b>Project name</b>	Industrial Corridor Development Program (Subprogram 2)
<b>Country</b>	India	<b>Executing or implementing agency</b>	Ministry of Commerce and Industry / National Industrial Corridor Development and Implementation Trust
<b>Borrower</b>	India		
<b>Sector office</b>	Public Sector Management and Governance Sector Office	<b>Geographical location</b>	Country
<b>Sector</b>	Industry and trade	<b>Subsector</b>	Industry and trade sector development Small and medium enterprise development
<b>Country economic indicators</b>	<a href="https://www.adb.org/Documents/LinkedDocs/?id=54465-002-CEI">https://www.adb.org/Documents/LinkedDocs/?id=54465-002-CEI</a>	<b>Portfolio at a Glance</b>	<a href="https://www.adb.org/Documents/LinkedDocs/?id=54465-002-PortAtaGlance">https://www.adb.org/Documents/LinkedDocs/?id=54465-002-PortAtaGlance</a>
<b>Operational priorities</b>	OP1: Addressing remaining poverty and reducing inequalities OP2: Accelerating progress in gender equality OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability OP6: Strengthening governance and institutional capacity OP7: Fostering regional cooperation and integration	<b>Sustainable Development Goals</b>	SDG 1.1, 1.b SDG 5.5, 5.c SDG 8.2 SDG 9.1, 9.2 SDG 13.3, 13.a SDG 16.6
<b>Lending modality</b>	Programmatic Approach Policy-Based Lending (Loan)		
Financing			
<b>ADB Financing</b>		<b>Amount (\$ million)</b>	
Ordinary capital resources Loan		250.00	
<b>Cofinancing</b>		<b>Amount (\$ million)</b>	
None		0.00	
<b>Counterpart</b>		<b>Amount (\$ million)</b>	
None		0.00	
<b>Total</b>		<b>250.00</b>	
<b>{ADB Climate Financing}</b>			
<b>ADB</b>			
Adaptation		18.75	
Mitigation		37.50	
<b>Cofinancing</b>			
Adaptation		0.00	
Mitigation		0.00	
<b>Total</b>		<b>56.25</b>	
Climate Change			
<b>Absolute GHG emissions (tCO<sub>2</sub>e per year)</b>			
<b>Relative GHG emissions (tCO<sub>2</sub>e per year)</b>			
<b>Climate change risk on the project without adaptation measures</b>		Low	
Private Sector Development			
<b>Private capital mobilized (\$):</b>			
Safeguards			

<b>Category</b>	Environment: <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI Involuntary resettlement: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI Indigenous peoples: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
<b>Gender Equality</b>	
<b>Category</b>	<input type="checkbox"/> GEN (gender equity theme) <input checked="" type="checkbox"/> EGM (effective gender mainstreaming) <input type="checkbox"/> SGE (some gender elements) <input type="checkbox"/> NGE (no gender elements)
<b>Poverty Targeting</b>	
<b>Category</b>	<input checked="" type="checkbox"/> General intervention <input type="checkbox"/> Individual or household (TI-H) <input type="checkbox"/> Geographic (TI-G)

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## I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed policy-based loan to India for subprogram 2 of the Industrial Corridor Development Program.

2. The programmatic approach comprises two subprograms which aim to enhance the competitiveness of India's manufacturing segment.<sup>1</sup> The program aims to strengthen the enabling environment for effective implementation of the Government of India's National Industrial Corridor Development Programme (NICDP),<sup>2</sup> the objectives of which are to increase the competitiveness of the manufacturing segment, strengthen national supply chains and links with regional and global value chains (GVCs), and create formal jobs. Subprogram 1 played a critical role in strengthening the institutional and regulatory framework developed by the federal government under the NICDP, and formulating policy and planning guidelines for states participating in the NICDP. Subprogram 2 is intended to (i) ensure that the policies developed under subprogram 1 are implemented through development of master plans in five new nodes and in all future nodes in corridor areas,<sup>3</sup> and (ii) facilitate private sector engagement in corridors by improving efficiency of business processes and thereby attracting more investment in industrial nodes.

## II. PROGRAM AND RATIONALE

### A. Background and Development Constraints

3. **Macroeconomic context.** India's gross domestic product (GDP) grew steadily by 7.0% per annum between fiscal year (FY)2010 and FY2020 but contracted sharply by 5.8% in FY2021, attributable in large part to the coronavirus disease (COVID-19) pandemic. India's post-pandemic recovery has been strong, with the resumption of economic activities reflected in GDP growth of 9.1% in FY2022 and 7.2% in FY2023. However, growth is expected to moderate to 6.4% in FY2024 and 6.7% in FY2025 because of the global economic slowdown.<sup>4</sup> Strong GDP growth, coupled with reducing costs of oil imports and robust exports of services, is likely to reflect in a moderate current account deficit estimated at 2.2% of GDP in FY2024 and 1.9% of GDP in FY2025. India's external sector remains strong with high levels of foreign exchange reserves covering more than 11 months of prospective goods imports. In addition, the general government debt-GDP ratio, which increased to 88.5% in FY2021 because of the pandemic, declined to 82.7% in FY2023 and is projected to increase slightly to 82.9% of GDP in FY2025.<sup>5</sup> The International Monetary Fund's debt sustainability analysis suggests that public debt is expected to stabilize over the medium term, and the risks, though high, are mitigated because public debt, predominantly held by residents, is denominated in domestic currency and the foreign-currency-denominated public debt is largely on concessional terms (footnote 5). Although the domestic economic outlook remains robust, a sharp decline in global growth can potentially adversely affect macroeconomic stability through trade and financial channels. The government can mitigate this risk by remaining committed to fiscal consolidation and maintaining reasonable public debt levels.

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<sup>1</sup> Asian Development Bank (ADB). 2021. [Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 and Technical Assistance Grant to India for the Industrial Corridor Development Program](#). Manila. Subprogram 1 loan amount was \$250 million.

<sup>2</sup> The government started industrial corridor development in 2008 starting with the Delhi-Mumbai Industrial Corridor, which was transformed to the NICDP in 2016 with the designation of six corridors.

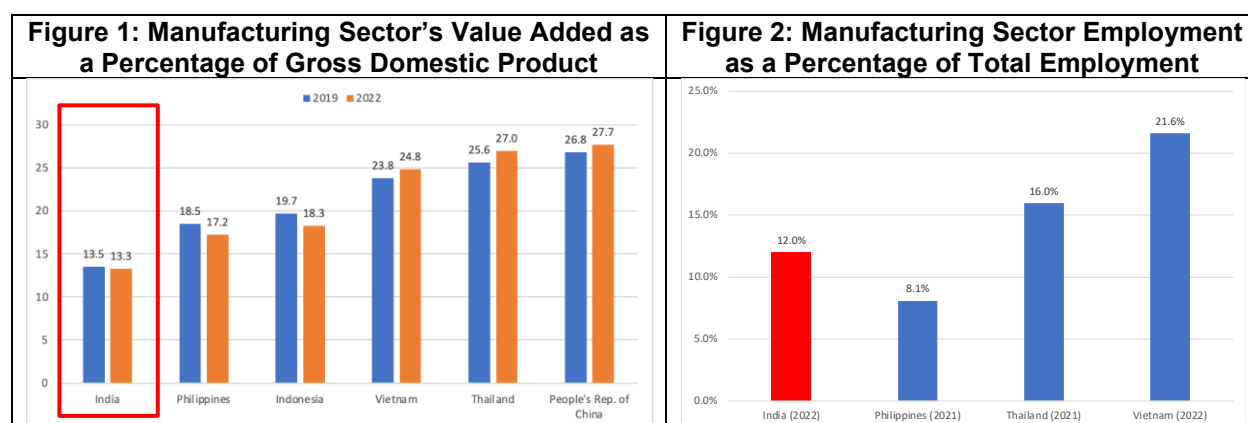
<sup>3</sup> Nodes refer to industrial nodes that are part of an economic corridor. Each corridor could include several nodes. Nodes are economic clusters targeting urban centers that not only serve as major markets for manufactured goods and imports but are also sources of labor, technology, knowledge, and innovation.

<sup>4</sup> ADB. 2023. [Asian Development Outlook: April 2023](#). Manila; and ADB. 2023. [Asian Development Outlook July 2023: Robust Growth with Moderating Inflation](#). Manila.

<sup>5</sup> International Monetary Fund Assessment Letter (Annex 4).

The assessment by the Asian Development Bank (ADB) is that the direction of macroeconomic conditions and policies is deemed satisfactory.

4. **Manufacturing segment overview.** While the Indian economy has experienced a structural transformation from agriculture to services in the past two decades, manufacturing has performed below potential. For example, during FY2013–FY2023, the share of services in India’s gross value added increased by 1.90 percentage points (from 46.70% to 48.60%), while the share of manufacturing declined 1.93 percentage points (from 15.25% to 13.32%). By comparison, the share of manufacturing in GDP is in the 20%–30% range across the People’s Republic of China, Japan, the Republic of Korea, Malaysia, Thailand, and Viet Nam (Figure 1). While India’s annual manufacturing exports increased from \$184 billion to \$268 billion during calendar year (CY)2011–CY2019, India’s global share of manufacturing exports is only about 1.8%, compared to 22.5% for the People’s Republic of China, 4.0% for the Republic of Korea, and 4.4% for Japan. Further, manufacturing in India is characterized by a dualistic structure (formal and informal firms within manufacturing) of size and productivity—small, low-productivity informal firms coexist with large, higher-productivity formal ones.



Notes: Figure 2: Year is included in parentheses. Data for the People’s Republic of China and Indonesia is not available. Sources: Figure 1: Asian Development Bank estimates based on World Development Indicators; Figure 2: Asian Development Bank calculations using the International Labour Organization’s Labor Force Survey data.

5. **Binding constraints on manufacturing in India.** Underperformance of the manufacturing segment (para. 4) stems from a combination of interrelated factors, including (i) cumbersome business processes,<sup>6</sup> (ii) infrastructure bottlenecks across key transport networks and urban amenities leading to high logistics costs,<sup>7</sup> (iii) bottlenecks in land availability, (iv) rigidities in labor regulations,<sup>8</sup> (v) limited supply of industry-aligned skilled workforce,<sup>9</sup> and (vi) high cost of capital and inadequate long-term financing for private investment.<sup>10</sup> Over the years, the government has introduced a number of infrastructure projects and reforms to address these

<sup>6</sup> While India has made huge strides in improving ease of doing business, it continues to lag in parameters such as starting up a business because of the higher number of procedures required. Government of India, Ministry of Finance. 2021. *Economic Survey 2020–2021*. Delhi.

<sup>7</sup> Government of India. 2021. NITI Aayog. *Fast Tracking Freight in India*. New Delhi. Logistics costs are estimated to be much higher at 14% of GDP compared to other emerging countries. India needs to lower its logistics costs to less than 10% of GDP to improve the manufacturing segment’s competitiveness.

<sup>8</sup> Firm size in India has remained small because of stringent labor laws (lack of an easy exit policy and high administrative burden). PRS Legislative Research. *Overview of Labor Law Reforms*. New Delhi.

<sup>9</sup> Labor productivity in the manufacturing segment has been low as rigid labor laws force companies to hire casual workers rather than regular workers. KL Krishna et al. 2018. *Trends and Patterns in Labor Quality in India at Sectoral Level*. Delhi: Centre for Development Economics.

<sup>10</sup> Financial markets are not well-developed and depend on public banks and household savings.



constraints, including (i) streamlining business processes to enhance ease of doing business (EODB) (under the Make in India program), which led to a more than threefold increase in foreign direct investment (FDI) flow to industry between 2010 and 2020; (ii) launching and/or accelerating major infrastructure programs for roads (Bharat Mala [National Highway Corridor Development]) and ports (Sagar Mala [Port-Based Development]); (iii) reforming railways (National Railway Plan 2030) and urban infrastructure (Smart Cities, National Drinking Water Program); (iv) promoting reforms in land regulations and establishing industrial parks on publicly procured land by the states; (v) liberalizing labor regulations by consolidating 29 central laws into four labor codes;<sup>11</sup> (vi) advancing the Skill India program providing a range of market-relevant skills to a massive number of youths; and (vii) initiating banking industry reforms by introducing the Insolvency and Bankruptcy Act 2016 and governance reforms of banks with capital infusion.

6. These reform measures have contributed to increasing the manufacturing segment's share of GDP (Figure 1). ADB has also engaged in policy advice, planning, and investments at the state level to develop the East Coast Economic Corridor with the states concerned since 2014 (paras. 14–15). The experience and knowledge gained from the East Coast Economic Corridor development have indicated that there is still much scope to enhance industrial competitiveness and production. The key remaining binding constraints are categorized into the following four broad areas:

- (i) **Underdeveloped institutional structures and mechanisms to promote industrial development.** Inadequate coordination across central and state governments has led to an inefficient combination of sector- and project-specific planning, and isolated top-down execution and evaluation. In addition, securing land, clearances (especially related to the environment), and finance, and completing procurement in a timely manner have been a challenge, resulting in significant escalation of cost and timelines. Specifically, while the government has ambitious infrastructure plans in each subsector, limited consideration has been given to maximizing logistics efficiency by optimizing multimodal transport integration. About 57% of large central government infrastructure projects are delayed, with more than half delayed by 3 years or more,<sup>12</sup> and 22% are facing significant cost overruns, including key spine rail routes such as dedicated freight corridor projects in the Delhi–Mumbai and Amritsar–Kolkata industrial corridors. There is much scope for improvements in vertical (between center and states) and horizontal coordination (among line agencies at central and state levels) to improve infrastructure development and efficiency.
- (ii) **Lack of integrated and synchronized industrial nodes development, and limited private sector financing.** Industrial planning in India has traditionally focused on stand-alone industrial node development, rather than on embedding locations in synergy with broader urban and economic planning, which affects efficiency, competitiveness, and sustainability. The unsynchronized industrial, logistics, and urban development has restricted industrial nodes in efficiently accessing transport, utilities, and modern small businesses, enforcing suboptimal

<sup>11</sup> Including Code on Wages 2019; the Industrial Relations Code, 2020; Occupational Safety, Health and Working Conditions Code, 2020; and the Code on Social Security, 2020. These changes provide greater flexibility to firms on adjusting employment levels, allow fixed-term employment contracts across all sectors, enforce new norms on how unions can call strikes, and introduce a new social security regime, among others.

<sup>12</sup> Government of India, Ministry of Statistics and Programme Evaluation. 2023. *448th Flash Report on Central Sector Projects*: New Delhi (March).

land use, which is an integral feature of economically dynamic urban centers.<sup>13</sup> Other challenges arising from this constraint include (a) ineffective skilling systems to supply industry-relevant skilled labor; (b) lack of attention to housing facilities (with child care facilities) and persistent problems around workplace safety, which is a critical constraint on female labor participation; (c) low level of safeguards compliance with no or limited consideration to address climate change impacts; and (d) limited capacities and systems to undertake integrated planning and financial structuring of industrial node development, exploring mature financial architecture that allows for a phase-wise system of financing with varied investor classes and risk appetites.

- (iii) **Difficulty doing business.** India has made considerable progress in improving its business environment. Its ranking in the World Economic Forum's Global Competitiveness Index went up from 68 in 2019 to 37 in 2022. Despite this improvement, doing business remains challenging. First, the lack of synchronization of a national and corridor state single-window clearance mechanism has added to the compliance burden for businesses. Second, the lack of accessible data on land availability has been challenging for potential investors in industrial nodes. Moreover, efforts at attracting private investment needs to be significantly strengthened by empowering node staff to take a proactive approach to coordinate with private investors with sufficient clearance authority given by the departments concerned. Third, the low degree of digitalization of government processes is a challenge for investors, in particular in micro, small, and medium-sized enterprises. Fourth, to facilitate private investments in industrial nodes, there is a need to enhance the transparency of available land, infrastructure, utilities, and supporting systems. Regularly assessing and disclosing the gaps in infrastructure and services provisions in the industrial nodes can help the industrial node owners to improve performance and enhance attractiveness as investment destination. Last, gender-disaggregated data on employment in industrial parks is important to make employment in industrial parks gender inclusive and attract private investors. This is particularly relevant in labor intensive sectors (e.g., food products, higher value garment and apparel) where women play a key role.<sup>14</sup>
- (iv) **Crosscutting constraints.** India's manufacturing segment has been held back by the lack of a skilled workforce and persistent gender disparities. First, the uptake for vocational and technical training has been quite low. About 80% of Indians in the 15–59 age group are estimated to not have received vocational and technical training.<sup>15</sup> The skilling and entrepreneurial landscape faces several challenges, such as low coverage of apprenticeship programs, mismatch between demand and supply at the sector and spatial levels, and a paucity of trainers with an inability to attract practitioners from industry as faculty, in particular those having expertise in new including Industry 4.0 technologies. Second, India's manufacturing segment also suffers from gender imbalance. Of all workers employed in formal manufacturing in 2019–2020, less than 20% were women, which is attributed to factors such as limited access to education and training, physical labor and safety concerns, lack of child care facilities, and systemic bias against females in formal

<sup>13</sup> For more on the key factors that enable an urban agglomeration to serve as an engine of growth and good jobs, refer to ADB. 2019. *Fostering Growth and Inclusion in Asia's Cities: Theme Chapter of the Asian Development Outlook 2019 Update*. Manila.

<sup>14</sup> S. Tejani and W. Milberg. 2016. Global Defeminization? Industrial Upgrading and Manufacturing Employment in Developing Countries. *Feminist Economics* Vol 22 (2).

<sup>15</sup> ADB calculations based on Government of India. 2022. *Periodic Labor Force Survey (June 2021–June 2022)*. New Delhi.

manufacturing (footnote 15). Women have played an important role in the manufacturing-led economic growth trajectory in East Asia,<sup>16</sup> with the average share of women in manufacturing employment recorded at 42% across East Asia and the Pacific (footnote 14). There is also large regional and industry-wide disparity. Nearly 59% of all women working in industries are employed across the two southern states of Tamil Nadu and Karnataka.<sup>17</sup> This calls for a concerted approach to ensure appropriate skilling systems and measures to attract female labor in the planning and development of industrial nodes.

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

7. **Government's further reforms to address the binding constraints.** Building on the reform initiatives in the manufacturing segment (para. 5), in 2020 the government comprehensively revamped its NICDP, a national program that was initiated in 2016 to provide focused support (through central equity financing) to develop large-scale exemplary industrial nodes in the designated industrial corridors. The reform aims to apply an integrated, well-coordinated, and synchronized approach to node planning and implementation to address the binding constraints and gaps, and provide stronger institutional foundations at national and program state levels, ensuring effective vertical and horizontal institutional coordination to plan and develop NICDP nodes and attract private infrastructure and manufacturing investments. Complementing the 2020 update of the NICDP, the government launched the Atmanirbhar Bharat Abhiyan (Self Reliant India Program) in 2020 as a multisector reform package to accelerate post-COVID-19 economic recovery focusing on the rejuvenation of domestic manufacturing and greater integration with GVCs,<sup>18</sup> including promotion of FDI in 13 priority manufacturing segments.<sup>19</sup> To further improve the investment climate, the government launched a business reforms action plan in 2020, consolidating the FDI Policy. In addition, to improve multimodal logistics efficiency, the government, with ADB assistance, prepared and launched the National Logistics Policy (NLP) 2022. The NLP aims to develop a technologically enabled, integrated, cost-efficient, resilient, and sustainable logistics ecosystem to bring efficiency in logistics services by (i) streamlining processes and the regulatory framework, (ii) adopting digital technologies, and (iii) developing skills. These reforms provide the bases of subprograms 1 and 2 of the Industrial Corridor Development Program.

8. **Subprogram 1 accomplishments.** All prior actions achieved under subprogram 1 continue to be complied with. Policy reforms in subprogram 1 strengthened the institutional environment for industrial corridor development by expanding the mandate of the National Industrial Corridor Development Corporation Limited (NICDCL), which is responsible for implementing the NICDP in India; improving the quality of NICDP nodes master planning, implementation, and financing; integrating climate change and safeguards concerns; and supporting gender-inclusive strategies for fulfilling industrial skills needs. Subprogram 1 expanded the NICDCL's institutional mandate to cover six new corridors in addition to five existing corridors under the NICDP, and addressed the need for a highly skilled workforce to ensure that the industrial corridors function effectively. The National Skill Development Corporation and the NICDCL jointly developed skills development programs to upgrade skills of the local labor force

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<sup>16</sup> D. Rodrik. 2014. The Past, Present, and Future of Economic Growth. *Challenge* Vol. 57, No. 3 (May–June), pp. 5–39.

<sup>17</sup> ADB calculations based on Government of India. 2020. *Annual Survey of Industries 2019–20*. New Delhi.

<sup>18</sup> GVCs help integrate the Indian economy with the dynamic GVCs of Southeast Asia and East Asia.

<sup>19</sup> Government of India. 2020. *Atmanirbhar Bharat Abhiyan*. New Delhi.

and to address skills gaps with a gender focus.<sup>20</sup> Subprogram 1 mandated sustainable and green infrastructure planning at the node level, addressed challenges related to unsynchronized economic and spatial planning at the city and regional levels with a gender focus, and improved private sector access to long-term finance. Prior actions were completed to introduce reforms enhancing transparency, streamlining business processes, and increasing outreach activities to draw private and foreign investment to clusters and industrial corridors. This included upgrading the industrial park rating system (IPRS) to enhance transparency of information for investors in choosing investment location and to promote competition among industrial park owners to improve physical infrastructure as well as ease regulatory barriers.

9. **Programmatic approach and budget support.** Subprogram 2 actions build on subprogram 1 achievements and aims to enhance the manufacturing segment’s competitiveness through an improved investment climate, make well-functioning industrial nodes and industrial parks operational, and introduce institutional reforms to attract large private sector investments. Under subprogram 2, ADB supported 10 policy actions across three reform areas contained in the policy design and monitoring framework (Annex 1) and described in paras. 11–13. As part of the design of subprogram 2, the indicative actions for the subprogram presented in the documentation for the programmatic approach and subprogram 1 were revised with the overarching aim of enhancing effectiveness in improving program objectives. Of the 13 indicative policy actions at the time of approval of the programmatic approach, 11 were revised and consolidated into seven policy actions without affecting policy implications, while three new policy actions were added, bringing the total to 10 policy actions in subprogram 2. Two indicative policy actions relating to enhancing coordination and efficiency of logistics were removed and placed as prior actions under strengthening the multimodal and integrated logistics ecosystem in subprogram 1 (approved in 2022), which supports wide-ranging logistics reform. Overall, the policy actions of subprogram 2 for this program have been revised to (i) reduce process-oriented actions or administrative procedures and (ii) include a greater focus on implementation of reforms adopted in subprogram 1. In addition, the policy design and monitoring framework was strengthened to include additional quantifiable indicators to demonstrate measurable outcomes.

10. The changes to subprogram 2 policy actions are summarized in Table 1.

**Table 1: Key Updates to Program Design for Subprogram 2**

Issue	Actions Taken in Subprogram 2
Objectives: Outcome indicators	Included eight new outcome indicators, ranging from high-level ones (e.g., export share of manufacturing) to program-specific outcomes (e.g., public and private investments) (Annex 1 <sup>a</sup> ). Public and private sector investment commitments in corridor states are included as an indicator.
Scope and design	Policy actions have been strengthened to focus on implementation following actions initiated in subprogram 1 (paras. 11–13). Policy action links with outcomes strengthened with additional indicators to demonstrate measurable impact (Annex 1).
Reform area 1	Includes a new policy action (2.1) requiring the launch of PM-GS and its integration with the NICDP. <sup>b</sup> For the purposes of strengthening the link between policy actions and their implementation, the new policy action also includes a requirement for implementation of PM-GS through allocation of 40% of developed land in industrial nodes for manufacturing-related facilities. A revised policy action 2.2 focusing on appointments of female directors in SPV boards for increased inclusivity. <sup>c</sup> The revised policy action also establishes four new

<sup>20</sup> The National Skill Development Corporation was set up by the Ministry of Finance as a public–private partnership. The Government of India, through the Ministry of Skill Development and Entrepreneurship, holds 49% of the share capital of the National Skill Development Corporation, while the private sector holds 51%.

Issue	Actions Taken in Subprogram 2
	SPVs with \$1.09 billion in node infrastructure investment, which shows further expansion of industrial corridor development. A new policy action 2.3 implements the Skill India curriculum in industrial nodes to enhance women's labor force participation and employment outcomes through skills development and training.
Reform area 2	A revised policy action 2.4 implements the new financing strategy for industrial corridor development, featuring an established channel for proposals from investors. A revised policy action 2.6 implements guidelines on industrial housing and the human resource processes that focus on gender-inclusive measures around workplace safety and equal opportunity. A revised policy action 2.7 requires that all new industrial node development under the NICDP follows the adoption and implementation of the green industrial corridor development policy framework.
Reform area 3	A new policy action (2.9) which simplifies compliance and digitalizes processes is included to improve ease of doing business. A revised policy action 2.10 requires implementation of an investor outreach program in all NICDP industrial nodes.
Poverty and gender	Policy actions to address gender disparity in India's manufacturing segment include adoption and implementation of the Skill India curriculum to upgrade skills of the labor force (2.4) and adoption and implementation of industrial housing guidelines that consider women's needs and concerns regarding safety (2.6). Poverty reduction should be expected with the creation of 1.03 million well-paying jobs spread in more than 11 states, including low-income states.
Climate finance	The program includes both climate adaptation and mitigation actions and is aligned with national climate priorities. Climate adaptation actions includes adoption and implementation of the industrial housing policy (2.6) and adoption of the Skill India curriculum (2.3). Climate mitigation includes actions on adoption and implementation of the green industrial corridor development policy (2.7), alternative sources of finance (2.4, 2.5) and adoption of the Skill India curriculum (2.3).

NICDP = National Industrial Corridor Development Programme, PM-GS = Prime Minister Gati Shakti, SPV = special purpose vehicle.

<sup>a</sup> The policy design and monitoring framework is in Annex 1.

<sup>b</sup> PM-GS was launched in 2021 to break the interministerial tangles and silos, and foster cooperation and integration in the fast-track implementation of infrastructure connectivity projects. Integration of the NICDP with the PM-GS is important to promote coordination between industrial development infrastructure projects and transport and urban projects.

<sup>c</sup> SPVs are entities established at the state level with 51% or 50% state government ownership (usually through contribution of land), while the National Industrial Corridor Development and Implementation Trust (NICDIT) funding is restricted to a maximum 50%. Industrial nodes are geographical representation of SPVs. Node-level SPVs are entities set up at geographical locations in industrial corridor areas.

Source: Asian Development Bank.

**11. Reform area 1: Institutional structures and mechanisms for industrial development strengthened.** To accelerate holistic multimodal logistics infrastructure development in industrial corridors, the government launched Prime Minister Gati Shakti (PM-GS) under subprogram 2,<sup>21</sup> which is an integrated and holistic platform for coordinated planning, implementation, and monitoring of logistics infrastructure projects across corridors, nodes, and urban centers. Subprogram 2 has also integrated the NICDP with PM-GS, which has included its implementation by the node-level special purpose vehicles (SPVs) to develop land and facilitate the establishment

<sup>21</sup> PM-GS was launched in 2021 to break the interministerial tangles and silos, and foster cooperation and integration in the fast-track implementation of infrastructure connectivity projects. Integration of the NICDP with the PM-GS is important to promote coordination between industrial development infrastructure projects and transport and urban projects.

of factories, industrial plants, and common and social infrastructure. To promote gender equality in corridor development, all NICDP industrial node SPVs established by states have appointed female directors. Under subprogram 2, four SPVs with aggregate capitalization of \$1.09 billion were established to promote node infrastructure investment. To ensure the availability of the requisite labor force skills in the industrial nodes, the NICDCL approved the Skill India curriculum to skill and upskill workers and commenced its implementation in three NICDP nodes. To address constraints experienced by women in the manufacturing segment, this prior action also mandates at least 50% participation by women in the training programs, which is expected to enhance women's labor force participation.

**12. Reform area 2: Integrated and synchronized industrial nodes and enhanced financing solutions.** To enhance financing of industrial corridor projects, the NICDCL approved a strategy to enable SPVs to leverage equity and raise alternative sources of finance (including green finance) and commenced its implementation through issuing calls for raising funds. Further, to advance planning and initiation of large-scale and synchronized industrial node development, the National Industrial Corridor Development and Implementation Trust (NICDIT) implemented the revised appraisal and financing mechanism (approved in subprogram 1) by appraising five industrial node project proposals submitted by states. Further, the NICDCL approved a model concession agreement for adoption by all SPVs for consistent operationalization of utility companies in industrial nodes. To improve workplace safety, security, and convenience, three NICDCL SPVs implemented guidelines on gender-inclusive industrial housing for employees, including gender-related provisions (including child care facilities), and started implementation in three nodes. This prior action is critical in addressing housing shortages facing female workers. Subprogram 2 also includes approval and implementation in three industrial nodes of human resources process manuals, which will enhance workplace safety and provide equal opportunity for female workers.<sup>22</sup> In subprogram 2, the government adopted the green industrial corridor development framework (GICDF), which has set out eight core objectives to ensure environmental and climate change compliance in NICDP nodes, and implemented the GICDF in three industrial nodes by reflecting the framework in the master plans of new industrial node developments. These guidelines (on industrial labor housing, human resource process, and the GICDF) will be applied to all future NICDP node master plans as mandatory requirements.

**13. Reform area 3: Ease of doing business improved.** Subprogram 2 has included a number of policy actions that have significant implications for the overall EODB environment for the NICDP and across all industrial corridors. Specifically, to synchronize central and state single-window clearance systems, 11 industrial corridor states developed and integrated a single-window clearance system platform under the government's national single-window clearance mechanism (established under subprogram 1). This will significantly streamline the application process and timelines for businesses to identify and apply for regulatory approvals. The government has also digitalized 1,200 processes to reduce compliance costs on businesses and citizens. Further, building on the strengthening and disclosure to investors of the IPRS undertaken in subprogram 1, the government undertook gap analyses of industrial parks in 14 corridor states, which will serve as a basis for the states and industrial park owners to improve their performance and investor attractiveness. To further enhance the EODB environment for the industrial nodes for the NICDP, the NICDCL has provided land data of all industrial nodes through the NICDCL portal, which can be utilized by private investors during the land allotment process. Similarly, the NICDCL initiated a system that can link investors with SPV nodal officers to receive the services of investor outreach programs in all industrial nodes. Further, the NICDCL institutionalized

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<sup>22</sup> This includes prevention of sexual exploitation, abuse, and harassment in the workplace.

publication of sex-disaggregated data on labor force employment in industrial nodes on the NICDCL portal.

14. **ADB's value addition.** ADB has played a key role in supporting the government in its efforts at addressing constraints on India's manufacturing segment. In 2013–2014, ADB conceptualized the East Coast Economic Corridor and commenced a study on the Vizag–Chennai Industrial Corridor (VCIC) comprising a regional corridor development strategy and detailed master planning of the designated industrial nodes. These culminated in a major knowledge product—*Scaling New Heights: Vizag–Chennai Industrial Corridor, India's First Industrial Corridor*—in 2016,<sup>23</sup> and a sector development program on the VCIC approved by the ADB Board of Directors in 2017.<sup>24</sup> As part of the VCIC program design, a green corridor framework was prepared, which envisions a green hub for manufacturing that accelerates economic growth and provides environmental protection.<sup>25</sup> Similarly, ADB assisted similar studies for the Chennai–Kanyakumari Industrial Corridor and Odisha Economic Corridor. Based on the Chennai–Kanyakumari Industrial Corridor's regional strategy and the master planning on selected nodes, investment loans of about \$1.5 billion have been provided to projects in the transport, urban, power, and housing sectors. Based on ADB's support, Odisha joined the NICDP. In West Bengal, ADB carried out a study and came up with a comprehensive development plan in 2020.

15. At the national level, ADB has been supporting upstream analytical studies providing policy advice to the government in the sectors relevant to this program. In logistics, ADB has provided technical assistance (TA) to help prepare the NLP (approved by the Cabinet in 2022),<sup>26</sup> with a series of knowledge and policy engagements, including reform actions for coastal shipping, rationalization of fertilizer logistics, a logistics reform action plan, a risks management system, and port and airport process mapping, among others.<sup>27</sup> In 2020, ADB also helped the government compile and launch a \$1.5 trillion national infrastructure pipeline to accelerate growth by addressing the country's infrastructure and logistics bottlenecks. The transport and logistics components of the pipeline were then transformed to the PM-GS (National Multimodal Logistics Master Plan) by strengthening the multimodal connectivity between a range of transport modalities. During these processes, ADB organized global workshops with experts from the Republic of Korea, Singapore, Malaysia, Germany, and the United States, as well as investor outreach programs with Korean investors. Lastly, under the attached TA for the present program, ADB assisted the implementation of subprogram 2 actions, including the advisory support provided for the master planning of new NICDP industrial nodes, preparation of the IPRS and gap assessments, and development of digital systems for the NICDCL to operationalize the land bank and sex-disaggregated employment data, among others.

16. **Lessons.** There are five key lessons from ADB's previous experience that have been incorporated into the program design. First, there is a need for a unified institutional mechanism for industrial corridor development with regulatory powers. Second, a demand-driven approach

<sup>23</sup> ADB. 2016. *Scaling New Heights: Vizag–Chennai Industrial Corridor, India's First Coastal Corridor*. Manila.

<sup>24</sup> ADB. [India: Visakhapatnam–Chennai Industrial Corridor Development Program](#).

<sup>25</sup> It sought to (i) improve resource efficiency, (ii) reduce environmental impact, (iii) mitigate climate change impacts, (iv) promote sustainable procurement, (v) establish a circular economy, and (vi) develop a green transport network.

<sup>26</sup> The NLP aims to develop a technologically enabled, integrated, cost-efficient, resilient, and sustainable logistics ecosystem to bring efficiency in logistics services by streamlining processes and the regulatory framework, adopting digital technologies, and developing skills.

<sup>27</sup> Studies include the following: Action Plan for Promotion of Coastal Shipping in India, May 2019; Report to the Taskforce on Rationalization of Fertilizer Logistics, September 2020; Report to the Taskforce on Rationalization of Fertilizer Logistics, 2020; Logistics Reform Action Plan, 2021; Developing a Risk Management System for Partner Government Agencies of India; Port and Airport Process Mapping Study (2020–2022); and blockchain-based digital document exchange solution 2021–2022.

to corridor development works better, and state-level collaboration in private sector investment promotion has been a good learning experience for ADB. Third, there is a need for convergence of the industry, urban, transport, logistics, energy, and skills sectors and segments as informed by ADB's engagement with Andhra Pradesh and Tamil Nadu. Fourth, there is a need to customize equity participation and land requirement in the NICDP based on the demand assessment. Last, there is a need for innovative financing approaches for attracting private capital for future expansion of industrial nodes using the established institutional mechanisms, infrastructure, land, and investment provided by the government as enablers for accelerating private-sector-led development. These lessons have been applied in this program through the policy actions included in the three reform areas, across the two subprograms. Furthermore, a key lesson from subprogram 1 was the need to include policy actions that generate private investments into industrial nodes. Policy actions included in subprogram 2 have incorporated this lesson from subprogram 1 (para 9, Table 1).

17. **Sustainability of reforms.** To ensure continued compliance with and implementation of prior actions under the program, ADB will stay engaged with the government through its post-program partnership framework. In reform area 1, this will comprise monitoring (coordinated planning and implementation) and support for the PM-GS in industrial corridors through ADB's TA<sup>28</sup> and the ongoing Strengthening Multimodal and Integrated Logistics Ecosystem Program.<sup>29</sup> In reform area 2, ADB's TA (footnote 28) support will include further advancement of integrated industrial corridor nodes master planning and implementation across all 11 corridors. Further, ADB will provide support for financial structuring and financing of NICDP-integrated node master plans and facilitating private investor outreach, including FDI. ADB will continue to actively participate in investor outreach programs organized by the NICDCL,<sup>30</sup> and is engaged with the government in discussing state investment projects and programs to provide continuity to the reforms adopted in this program. ADB has ongoing state industrial corridor development projects in Tripura, West Bengal, and Tamil Nadu. Similarly, tranche 2 of the VCIC (footnote 24) was approved in 2023. In reform area 3, support for further reducing the compliance burden for businesses will be provided as part of ADB's state engagements in preparing sovereign operations focused on industrial corridor development. The government is expanding and improving the IPRS by incorporating digital banks in existing industrial parks and adjacent areas with industrial park rating information. ADB is supporting state governments (for e.g., in Tripura, West Bengal and Tamil Nadu) to upgrade existing industrial parks having geographical and other advantages to address performance issues by mobilizing public and private capital, possibly with ADB sovereign and nonsovereign financing.

18. **Development partner coordination.** During the preparation of this program, ADB held consultations with the Japan Bank for International Cooperation (JBIC), the Japan International Cooperation Agency (JICA), the World Bank, and the United Nations Industrial Development Organization, each of which is active in supporting development of industrial corridors in India. In particular, ADB held several consultations with JBIC, which is a major financier of the NICDCL, regarding policies governing industrial corridors including alternative sources of finance, environmental and social safeguards, industrial housing, and skilling efforts. Further, ADB has

<sup>28</sup> ADB. 2021. [Technical Assistance to India for Knowledge Services for Industrial Corridor Development Program](#). Manila.

<sup>29</sup> ADB. 2022. [Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 to India for the Strengthening Multimodal and Integrated Logistics Ecosystem Program](#). Manila.

<sup>30</sup> A recent example included an investor outreach program held on 25 September 2023. JBIC and ADB participated in the outreach program organized by the NICDCL and attended by Japanese manufacturing firms operational in India, and new investors looking to invest in India.



been coordinating with other development partners that are supporting the National Industrial Corridor Program to avoid duplication of efforts. JICA is financing the development of the Western Dedicated Freight Corridor (Rail Based) from Delhi to Mumbai, the spine of the Delhi–Mumbai Industrial Corridor. Similarly, the World Bank is financing the development of the Eastern Dedicated Freight Corridor (Rail Based), the spine of the Amritsar–Kolkata Industrial Corridor. Meanwhile, JICA has been supporting policy reforms in Gujarat and Tamil Nadu to improve industrial competitiveness. JICA also developed the conceptual plan of the Chennai–Bengaluru Industrial Corridor. ADB along with German development cooperation through GIZ, the World Bank, and the United Nations Industrial Development Organization developed a framework of eco-industrial parks that helped ADB to develop the parameters of the IPRS. The IPRS, a product of effective development partner coordination, has been a key policy tool used by the government to evaluate industrial parks and enhance their attractiveness to potential investors.

### C. Expected Outcome of the Reforms

19. The program aims to achieve accelerated planning and implementation of integrated industrial corridor and node development with improved investment climate. This, in turn, will lead to enhanced manufacturing segment competitiveness for higher growth and job creation, which is aligned with the government’s development objectives. A key policy action under subprogram 2 is integration of the NICDP into the PM-GS portal. Estimates suggest that connectivity and logistics infrastructure planned and reflected in the PM-GS master plan in the 11 industrial corridors is expected to reach \$835 billion by December 2025. Similarly, public and private sector investment commitments in industrial corridor states are expected to reach \$3.9 trillion by 2025. As of January 2023, this had reached \$2.2 trillion. Further, four industrial nodes that were initiated earlier and are part of the NICDP had attracted \$22.2 billion in private investments as of July 2023, with committed investments by 239 firms in automobiles, pharma, textiles, information technology, food and beverages, and electronics. Another key outcome of the program is a reduction in the number of days it takes to register a business to 20, down from 60–90 days in 2020.

20. Direct and indirect employment opportunities will be available for all skill levels in the corridor states. Job creation through expansion of the manufacturing segment, both direct and indirect, in industrial parks was a critical objective of the program. The program is expected to create 1.04 million jobs, with at least 30% of new jobs being for women in manufacturing in industrial nodes, covering areas such as agribusiness, automotives, electronics, food and beverages, heavy machinery, pharmaceuticals, and textiles.<sup>31</sup> The corridor program will lead to higher formalization of labor, increased productivity, and higher wages—factors that all directly contribute to alleviation of poverty in the corridor states. The creation and location of larger firms along with the skilling program will facilitate the formalization of labor and give firms incentives to scale up, adopt modern technology, and reap the benefits of higher productivity. Gender-focused prior actions, like providing gender-sensitive housing (including support for child care) and transport guidelines, upgrading skills of female workers, and greater female representation on the boards of the nodes, provide an overall ecosystem that provides a safe environment and facilitates absorption of female labor in productive and higher-paying jobs. These prior actions directly address poverty and increase female employment.

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<sup>31</sup> Program Impact Assessment (Annex 5); ADB. 2021. [Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 and Technical Assistance Grant to India for the Industrial Corridor Development Program](#). Manila; and ADB. 2021. [Concept Paper: Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 and Administration of Technical Assistance Grant to India for the Industrial Corridor Development Program](#). Manila.

## D. Development Financing Needs and Budget Support

21. The loan amount for subprogram 2 is based on the government's development financing needs, in the context of the central government budget deficit estimated at \$218 billion for FY2024, or 5.9% of GDP. The deficit is expected to decrease to 4.5% of GDP by FY2026 in line with the government's target, with the balance financed from government savings, issuance of bonds, and foreign financing sources.<sup>32</sup> The gross external borrowing requirements of the central government are estimated at \$8.3 billion in FY2024. Of this, the envisaged ADB budget support for India for FY2024 is \$1.07 billion, out of which 23.4% (\$250 million) is provided by this subprogram.<sup>33</sup>

**Table 2: India's Central Government Financing Needs**  
(\$ million)

No.	Indicators	FY 2022	FY 2023 (Provisional Estimate)	FY 2024 (Budget Estimates)	Proportion of Gross External Borrowings
A	Total receipts	296,532	305,436	332,717	
B	Total expenditure	509,208	521,000	551,583	
C=B-A	Fiscal deficit (net financing need)	212,676	215,564	218,867	
D	Net domestic borrowings	207,824	210,965	216,157	
E	Net external borrowings	4,852	4,598	2,709	
F	External dept repayments	4,803	4,961	5,592	
E+F	<b>Gross external borrowings</b>	9,654	9,559	<b>8,301</b>	
	<b>ADB (including this PBL of \$250 million and other PBLs)</b>			<b>1,070</b>	<b>12.89%</b>
	Other sources			7,231	87.11%

ADB = Asian Development Bank, FY = fiscal year, PBL = policy-based loan.

Note: ADB's external borrowing for FY2024 is as per current estimates of PBL commitments.

Source: ADB estimates based on data from the Government of India's Budget 2023–2024; provisional accounts by the Controller General of Accounts; and exchange rates from International Monetary Fund. 2023. *World Economic Outlook – A Rocky Recovery*. Washington, DC.

22. The government has requested a regular loan of \$250 million from ADB's ordinary capital resources to help finance subprogram 2. The loan will have a 15-year term, including a grace period of 3 years; an interest rate determined in accordance with ADB's Flexible Loan Product; a commitment charge of 0.15% per year; and such other terms and conditions set forth in the draft loan and program agreements. Based on the straight-line method, the average maturity is 9.25 years, and there is no maturity premium payable to ADB.

## E. Implementation Arrangements

23. The Ministry of Commerce and Industry, through the Department of Promotion of Industry and Internal Trade, will continue to be the executing agency, and the NICDIT and the NICDCL will be the implementing agencies. The implementation period for subprogram 1 was from April 2020 to January 2022, while for subprogram 2, it is from February 2022 to October 2023. The proceeds of the policy-based loan will be withdrawn following ADB's *Loan Disbursement*

<sup>32</sup> In FY2024, dated securities are expected to account for 66.1%, treasury bills for 1.2% and securities against small savings for 26.4% of financing needs of the government. Primary buyers of government securities are domestic commercial banks and insurance companies, and provident and pension funds.

<sup>33</sup> The program will support government reforms in industrial corridor development in 17 corridor states.

*Handbook* (2022, as amended from time to time) and detailed arrangements agreed between the government and ADB.

### III. DUE DILIGENCE

24. **Safeguards.** Subprogram 2 is classified category B for the environment and C for involuntary resettlement and indigenous peoples in accordance with ADB's Safeguard Policy Statement (2009). Potential impacts associated with the prior actions supported by subprogram 2 have been assessed. They are not expected to directly cause adverse environmental impacts because there is no investment component. However, some prior actions may have indirect adverse environmental impacts related to downstream investment in industrial nodes. These impacts are not anticipated to be significant at a regional or sector level. No prior action will directly entail any involuntary resettlement or adversely affect indigenous peoples. The environmental and social assessment matrix prepared identifies the potential impacts and their magnitude together with brief reasons for the judgment, and appropriate mitigation measures, notably the prior action on the GICDF, which have been incorporated into the program's design. The GICDF sets out safeguard objectives and performance targets in relation to minimizing the adverse environmental impacts of industrial node development on the physical, biological, and socioeconomic environment.

25. **Mainstreaming climate change.** A climate risk and adaptation assessment was undertaken during program preparation.<sup>34</sup> The program is closely aligned with the government's national climate priorities: (i) Second Nationally Determined Contributions 2021 and net zero target by 2070, (ii) Long-Term Strategy for Low Carbon Development including Energy Conservation Act 2022, (iii) National Electricity Plan 2023, (iv) 2023–2024 National Budget and focus on green growth, and (v) National Action Plan for Climate Change. Out of 10 prior actions under subprogram 2, two contribute to climate change adaptation and four contribute to mitigation, and one contributes to both. Climate change adaptation includes prior action on adoption and implementation of an industrial housing policy that ensures safety, security, and convenience, including climate-resilient infrastructure. Adoption of the Skill India curriculum in industrial nodes, which covers skills demanded in green and emerging occupations in sectors such as solar and information technology, is part of both climate adaptation and mitigation measures. Meanwhile, climate mitigation prior action is related to financing industrial corridor projects, including alternative sources of finance such as green finance. Climate mitigation is also covered by the adoption and implementation of the GICDF. Climate change adaptation finance is estimated at \$18.75 million and climate change mitigation finance is estimated at \$37.50 million. ADB will finance full climate change adaptation and mitigation costs. Following the Joint Multilateral Development Banks Methodological Principles for Assessment of Paris Agreement Alignment of New Operations, the operation has been assessed as aligned with the goals of the Paris Agreement.<sup>35</sup>

26. **Poverty and social.** India achieved the world's largest reduction in the number of poor people during FY2016–FY2021, estimating that about 135.5 million people came out of poverty in that time.<sup>36</sup> The National Institution for Transforming India Aayog's National Multidimensional Poverty Index Report 2023 indicates a significant decline in the proportion of people living in multidimensional poverty from 24.85% to 14.96% during FY2016–FY2021, while in urban areas,

<sup>34</sup> Climate Change Assessment (Annex 7).

<sup>35</sup> Multilateral Development Banks. 2023. [Joint Multilateral Development Bank Methodological Principles for Assessment of Paris Agreement Alignment of New Operations](#).

<sup>36</sup> Niti Ayog. 2023. [India National Multidimensional Poverty Index – A Progress Review 2023](#). New Delhi.

a reduction in the incidence of poverty is reported from 8.65% to 5.27% in this period (footnote 36). However, a growing gap between higher- and lower-income states remains. Further, the COVID-19 pandemic hit the poor and vulnerable severely, while those who were already poor were pushed deeper into poverty. COVID-19 also affected about 400 million workers in India's informal sector. The 11 corridors in the NICDP cover 17 states, out of which six are categorized as low-income states (Uttar Pradesh, Bihar, Jharkhand, Odisha, Madhya Pradesh, and Rajasthan) and two states are categorized as hilly states (Uttarakhand and Himachal Pradesh). The six low-income states account for almost two-thirds of the poor population of the corridor states and almost 60% of the total poor population of the country. Subprogram 2 has helped broaden employment opportunities for workers in 17 corridor states, reaching both low-skilled and medium- to high-skilled workers, which then will lead to poverty reduction. The program is expected to create 1.04 million jobs in corridor states, particularly in the low-income states.

27. **Gender.** Subprogram 2 is categorized *effective gender mainstreaming*. All three reform areas include gender aspects aimed at increasing participation of women in India's manufacturing segment. Currently, less than 20% of all employees in manufacturing are women. This is lower than in the Philippines (40%), Thailand (48%), and Viet Nam (55%). Further, women's employment is limited to selected sectors, and is often in informal and lesser-paying jobs, resulting in high wage disparities in manufacturing. Key reforms to address this gender disparity in India's manufacturing segment include (i) adoption and implementation of the Skill India curriculum to upgrade skills of the labor force with 50% of female employees from participating firms, (ii) boards of all operational and functional industrial nodes to include female directors to ensure inclusive representation, (iii) adoption and implementation of industrial housing guidelines that consider women's needs and concerns regarding safety (including measures to prevent sexual exploitation, abuse, and workplace harassment), and (iv) regular publication and maintenance of sex-disaggregated data on labor force employment in industrial parks.

28. **Governance.** A governance risk assessment for India carried out by ADB in 2022 indicated that there are robust systems in place at the government level to check corruption in procurement, including the 2018 amendment to the Prevention of Corruption Act, which deals with the supply side of corruption by punishing the person offering the bribe, and the 2021 General Financial Rules, which provide a code of integrity to prevent corruption and unfair practices. The findings are also backed by improvements observed in India's Corruption Perceptions Index and Worldwide Governance Indicators (Control of Corruption).<sup>37</sup> The Department of Promotion of Industry and Internal Trade follows national laws on public financial management, while subnational governments follow the respective public financial management regulations. Central and state governments follow a well-organized and systematic approach to budget formulation, linked to fiscal targets under the respective fiscal responsibility legislation, to ensure prudence in fiscal management and fiscal stability. The Office of the Comptroller and Auditor General of India (the supreme audit institution of India) carries out regular statutory external audits. As ADB financing will be provided as budget support to the Ministry of Finance, no significant risk is associated with fund flow.

29. **Risks and mitigating measures.** Major risks and mitigating measures are summarized in Table 3.

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<sup>37</sup> [Transparency International's Corruption Perceptions Index](#) and [The Worldwide Governance Indicators project](#). The Corruption Perceptions Index score ranges from 0 to 100, where 0 indicates a high level of corruption and 100 indicates a low level of corruption. There is an improvement in India's Corruption Perceptions Index score, which increased from 38 in 2015 to 40 in 2021.

**Table 3: Summary of Risks and Mitigating Measures**

<b>Risks</b>	<b>Mitigation Measures</b>
Challenges within the federal structure in addressing conformity in policies and guidelines between central and state industrial corridor development programs	The central government has established the National Industrial Corridor Development and Implementation Trust for integrated development of industrial corridors in the country under the administrative control of the Department of Promotion of Industry and Internal Trade. In addition, the National Industrial Corridor Development Corporation Limited partners with state special purpose vehicles to ensure development activities are coordinated with central government requirements.
Risk of industrial corridor development contributing to climate change and environmental degradation	The green industrial corridor development framework ensures the development of green and inclusive manufacturing hubs that promote and accelerate sustainable economic growth, while mitigating the environmental and social impacts.

Source: Asian Development Bank.

30. ADB's Anticorruption Policy (1998, as amended from time to time) was explained to and discussed with the government.

#### **IV. ASSURANCES**

31. The government has assured ADB that implementation of the program shall conform to all applicable ADB policies, including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement, as described in detail in the draft loan agreement.

#### **V. RECOMMENDATION**

32. I am satisfied that the proposed policy-based loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the loan of \$250,000,000 to India for subprogram 2 of the Industrial Corridor Development Program, from ADB's ordinary capital resources, 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 program agreement presented to the Board.

Masatsugu Asakawa  
President

12 November 2023