



Technical Assistance Report

Project Number: 55154-002
Transaction Technical Assistance (TRTA)
November 2021

India: Support for Strengthening Multimodal and Integrated Logistics Ecosystem

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 8 November 2021)

Currency unit	–	Indian rupee/s (₹)
₹1.00	=	\$0.0135
\$1.00	=	₹74.1835

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
GDP	–	gross domestic product
PBL	–	policy-based loan
SMILE	–	Strengthening Multimodal and Integrated Logistics Ecosystem
TA	–	technical assistance

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., FY2022 ends on 31 March 2022.
- (ii) In this report, “\$” refers to United States dollars.

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TRANSACTION TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 55154-002	
Project Name	Support for Strengthening Multimodal and Integrated Logistics Ecosystem	Department/Division	SARD/SAPF
Nature of Activity Modality	Capacity Development Regular	Executing Agency	Ministry of Commerce and Industry
Country	India		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Transport	Multimodal logistics		1.00
		Total	1.00
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		ADB Financing	
✓ Strengthening governance and institutional capacity		Adaptation (\$ million)	0.00
✓ Fostering regional cooperation and integration		Mitigation (\$ million)	0.00
		Cofinancing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 9.1		Some gender elements (SGE)	✓
SDG 12.4		Poverty Targeting	
		Geographic Targeting	✓
4. Risk Categorization	Complex		
5. Safeguard Categorization	Safeguard Policy Statement does not apply		
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		1.00	
Transaction technical assistance: Technical Assistance Special Fund		1.00	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		1.00	
Currency of ADB Financing: US Dollar			

I. THE ENSUING PROJECT

1. India was among the world's fastest growing economies with an average annual gross domestic product (GDP) growth of 6.6% over FY2013–FY2020, supported by sound macroeconomic management and economic development policies that have contributed to substantial reduction in poverty.¹ The federal government's fiscal deficit averaged 3.6% during FY2016–FY2020, lower than 4.8% in FY2011–FY2015.² India's external sector has remained stable with a narrowing of current account deficit, steady accumulation of foreign exchange reserves, and strong growth in foreign direct investment and portfolio inflows.

2. In FY2021, GDP growth decelerated sharply to –7.3% because of the coronavirus disease (COVID-19) pandemic but is expected to recover strongly with growth rates of 10.0% in FY2022 and 7.5% in FY2023.³ The government's economic reforms focus on a revival of investment momentum; attracting strong inflows of foreign investment; strengthening the rural economy; encouraging start-ups; promoting domestic manufacturing by strengthening micro, small, and medium enterprises; development of industrial corridors and addressing constraints to infrastructure growth; and undertaking other logistics reforms. The government is targeting improved competitiveness of domestic industry as the central theme of India's development strategy. As core building blocks of this strategy, the government launched complementary initiatives for growth in manufacturing and development of inland and coastal waterways, industrial and economic corridors, and air and rail connectivity.⁴

3. A modern and efficient logistics network is crucial for enhancing economic competitiveness, particularly for manufacturing, services, and trade. Efficient movement of goods from production and distribution centers to consuming markets enables economic growth and higher employment by making trade more competitive, improving producer margins, reducing transaction costs, improving demand, and ensuring reduced carbon emissions.⁵ The logistics costs were estimated about 14% of India's GDP and 18% of the final price of goods in 2017—substantially higher than 8%–9% of GDP and 9%–10% of final price of goods for developed nations (footnote 8). In logistics performance, India ranked 44th of 160 economies in 2018, below Japan (5th), the Republic of Korea (25th), the People's Republic of China (26th), Thailand (32nd),

¹ Computed from [the annual GDP data](#), Ministry of Statistics and Programme Implementation (accessed 2 June 2021).

² Reserve Bank of India. 2020. [Handbook of Statistics on Indian Economy 2019-20](#) (Table 232). Mumbai.

³ ADB. 2021. [Asian Development Outlook 2021 Supplement: Renewed Outbreaks and Divergent Recoveries](#). Manila (July).

⁴ In November 2017, the government granted infrastructure status to the logistics industry to ease access to long-term credit at lower rates. The development of logistics facilities and multimodal transport is a key component of the Make in India program. The government also launched complementary initiatives—*Sagarmala* for port-led development in 2015, and *Bharatmala* for road corridors in 2017—to strengthen connectivity infrastructure. UDAN Regional Connectivity Scheme (2016) will connect 22 underserved airports to key airports, and the National Rail Plan (2020) targets the development of a future-ready railway system by 2030. The government set up the National Highways Logistics Management Company to oversee the development of MMLPs and port connectivity projects. The government also launched the Gati-Shakti (Speed-Strength) Masterplan in October 2021 for planned and synergetic development of logistics infrastructure and facilities across the country.

⁵ (i) World Bank research in Latin America showed that reducing the share of logistics costs in the final price of goods by 14% can increase the demand for those goods by 8%–18% and increase employment by 2.5%–16%, (ii) India loses an estimated 40% of agricultural production to supply chain wastages, and (iii) carbon dioxide (CO₂) emissions from logistics constituted 7% of the total CO₂ emissions in India in 2018. In developed countries, it is common to see 5%–6% of GDP in transportation costs, 2%–3% in inventory costs and 0.5%–1% in administrative and overhead. In India, transportation is approximately 7%, inventory 6.3%, and admin and overhead 0.7%. NITI Aayog, Government of India and Rocky Mountain Institute. 2018. [Goods on the Move- Efficiency and Sustainability in Indian Logistics](#). Global Mobility Summit. Delhi.

Viet Nam (39th), and Malaysia (41st).⁶ The core development problem in India is that the logistics industry is fragmented across multiple ministries and agencies while an overarching policy and institutional framework for coordinated development is lacking. This has resulted in multiple regulations and programs governed by various ministries, fragmented development of infrastructure and services and consequent lack of economies of scale, use of unintegrated digital platforms by different agencies that impede the ability for inter-operability, and inefficiencies in external trade logistics.

4. The Strengthening Multimodal and Integrated Logistics Ecosystem (SMILE) program is a programmatic policy-based loan (PBL) to support the government undertake wide-ranging reforms in the logistics sector in India. The program aims to strengthen the institutional and policy framework for interministerial coordination and planning for incentivizing private sector participation in multimodal logistics projects, improve efficiencies in external trade logistics, and encourage the use of smart and automated systems for improved service delivery. The government has requested a regular loan of \$500 million from Asian Development Bank (ADB)'s ordinary capital resources to help finance the program. The proposed programmatic PBL modality comprises two subprograms of \$250 million each, in FY2022 and FY2024, respectively, and will be supported by a transaction technical assistance (TA).⁷

II. THE TECHNICAL ASSISTANCE

A. Justification

5. The proposed transaction TA is being processed at the request of the Government of India to meet key capacity building needs, strengthen sector institutions, and conduct studies to further deepen reforms and develop policy framework. The TA will support the implementing agencies in achieving the policy actions of the ensuing SMILE program. The TA will thus provide capacity building support to foster coordination among the different tiers of government and among the various institutions. The TA will also extend support to diagnose emerging challenges in the sector and identify policy initiatives. The TA activities will build on and carryforward activities commenced under earlier initiatives and replicate some successful interventions particularly in logistic planning and technology use for improving efficiency.

B. Outputs and Activities

6. The major outputs and activities are summarized in Table 1.

Table 1: Summary of Major Outputs and Activities

Major Outputs	Delivery Dates	Key Activities with Milestones
1. Implementation capacity for reforms strengthened	By December 2023	1.1 Support the logistics division in the completion of policy actions and preparing corresponding compliance documents for submission to Asian Development Bank. 1.2 Provide technical support to at least 5 state governments for developing state logistics policy and master plans.

⁶ This ranking was based on the Logistics Performance Index. World Bank. 2018. [Connecting to Compete 2018-Trade Logistics in the Global Economy: The Logistics Performance Index and Its Indicators](#). Washington, D.C.

⁷ Approved Project Concept Paper (accessible from the list of linked documents in Appendix 2). In addition, a parallel cofinancing of \$100 million by the Export-Import Bank of Korea (KEXIM) for subprogram 1 is under discussion with the Government of India. However, this TA is not included in ADB. 2020. [Country Operations Business Plan: India, 2021-2023](#). Manila. The government requested ADB's financial assistance in a letter of 12 March 2021 as an addition to the plan. The South Asia Department confirmed that such financial assistance can be accommodated in the 2021 resource envelope.

Major Outputs	Delivery Dates	Key Activities with Milestones
		<p>1.3 Provide technical support to at least 10 cities for institutional arrangements and development of their city logistics plans.</p> <p>1.4 Provide technical support to at least 10 state governments for adopting the single-window digital interface for warehousing approvals.</p> <p>1.5 Support the logistics division in preparing a standard template for streamlining approval process for warehouses.</p> <p>1.6 Develop the concept for a trade facilitation digital infrastructure and socialization of the initiative.</p>
<p>2. Innovative solutions supported for addressing emerging challenges and constraints in the logistic sector</p>	<p>By July 2024</p>	<p>2.1 Develop systems and strategies in the logistics sector to address emerging challenges, focusing on the following subsectors:</p> <p>2.1.1 National logistics grid of perishable commodities (physical infrastructure and rolling stock, and cold chain logistics);</p> <p>2.1.2 Sharing of assets across sectors (“crowd-sourcing” strategies for transport, warehousing, distribution in a manner that maximizes publicly-owned assets of transportation, warehousing, and last mile distribution [India Post]); and</p> <p>2.1.3 Public-private cooperation strategies (from global best practices).</p> <p>2.2 Identify additional frontiers for improvement in export-import (EXIM) logistics and initiation of possible solutions (this could cover working with Land Port Authority of India [LPAI] and priority trade corridors).</p> <p>2.3 Conduct skills diagnosis and recommend actions of required skills in logistics sector with focus on professional development at operational, supervisory, and managerial level, (manpower for transport, material handling equipment, and handling dangerous and hazardous goods).</p>
<p>3. Women’s participation in the logistics sector increased</p>	<p>By December 2023</p>	<p>3.1 Undertake a baseline analysis of women’s participation in the logistics workforce in India.</p> <p>3.2 Undertake a gender-based needs assessment to (i) facilitate the design of gender-inclusive spaces; (ii) identify ways to improve access to logistics infrastructure and services for women entrepreneurs; (iii) identify ways to increase women’s employment in the sector; and (iv) develop capacity in collecting, monitoring, reporting, and analyzing gender- and age-disaggregated data through program-supported information technology systems.</p>
<p>4. Monitoring and evaluation (M&E) capacity strengthened</p>	<p>By December 2024</p>	<p>4.1 Conduct an industry survey to assess if (i) new assets created in 5 states follow the national standards for physical assets, and (ii) average time for warehouse registration and operationalization in 10 states are reduced.</p> <p>4.2 Assess baselines and improvement in targeted parameters (before and after reforms): (i) number of hard copy submissions in at least 6 ports and 3 airports which have implemented detailed manuals, (ii) manual submissions of documents before and after digital import clearance system implementation in 4 participating government agencies (PGA), (iii) physical inspection of documents after risk management system implementation in 4 PGAs, and (iv)</p>

Major Outputs	Delivery Dates	Key Activities with Milestones
		<p>exchange of documents through secured logistics document exchange.</p> <p>4.3 Conduct surveys and data analysis to monitor policy actions, associated initiatives, program outputs, and overall outcome.</p> <p>4.4 Conduct trainings of officials and technical staff in M&E.</p>

Source: Asian Development Bank.

C. Cost and Financing

7. The TA is estimated to cost \$1,000,000 to 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 counterpart staff, office accommodation, and other in-kind contributions. It will also undertake all the policy actions under the proposed PBL. The key expenditure items are listed in Appendix 1. The government was informed that approval of the TA does not commit ADB to finance any ensuing project.

D. Implementation Arrangements

8. ADB will administer the TA. The Public Management, Financial Sector and Trade Division (SAPF) in ADB's South Asia Department will select, supervise, and evaluate consultants. India Resident Mission (INRM) will provide implementation oversight support to SAPF, including verifying consultant's time sheets and delivery of goods. It will also act as the focal point and facilitate the consultants' inputs. A total of 12 person-months of international and 69 person-months of national consultancy services will be required intermittently. The TA is estimated to begin in November 2021 and will be implemented over 38 months until December 2024. TA consultants will provide support to the proposed implementing agencies for the program. The implementation arrangements are summarized in Table 2.

Table 2: Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	November 2021–December 2024		
Executing agency	Ministry of Commerce and Industry		
Implementing agencies	(i) Ministry of Commerce and Industry; (ii) Ministry of Finance; (iii) Ministry of Road Transport and Highways; (iv) Ministry of Ports, Shipping, and Waterways; (v) Ministry of Railways; (vi) Ministry of Civil Aviation; and (vii) selected state governments.		
Consultants	To be selected and engaged by ADB		
	Firm: QCBS (90:10), using biodata technical proposals	Program Implementation Support (35 person-months)	\$275,000
	Individual Selection	International expertise (12 person-months)	\$191,400
		National expertise (34 person-months)	\$294,800
Disbursement	Disbursement of TA resources will follow ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time).		

ADB = Asian Development Bank; QCBS = quality- and cost-based selection; TA = technical assistance.

Source: Asian Development Bank.

9. **Consulting services.** ADB will engage the consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and staff instructions. Procurement under the TA is devised to achieve optimum value for money by procuring (i) one national consulting firm using quality- and cost-based selection with a quality–cost ratio of 90:10, and (ii) international and national individual experts for specialized tasks and additional technical support of implementation capacity in select states.⁸

III. THE PRESIDENT'S DECISION

10. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$1,000,000 on a grant basis to the Government of India for Support for Strengthening Multimodal and Integrated Logistics Ecosystem and hereby reports this action to the Board.

⁸ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 2).

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
A. Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	244.2
ii. National consultants	608.3
b. Out-of-pocket expenditures	
i. International and local travel	21.0
ii. Land transport and vehicle hire	11.4
2. Surveys	22.5
3. Training, seminars, and conferences	35.0
4. Reports and communication	6.0
5. Miscellaneous administration and support cost ^b	2.4
6. Contingencies	49.2
Total	1,000.0

Note: The technical assistance (TA) is estimated to cost \$1,000,000 of which contributions from the Asian Development Bank are presented in the table. The government will provide counterpart support in the form of counterpart staff, and other in-kind contributions.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-other sources).

^b Administration and support costs include but are not limited to translation, interpretation, and Office 365 licenses.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=55154-002-TARreport>

1. Terms of Reference for Consultants
2. Approved Project Concept Paper