



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 02-Oct-2024 | Report No: PIDPC00143



BASIC INFORMATION

A. Basic Program Data

Project Beneficiary(ies)	Region	Operation ID	Operation Name
India	SOUTH ASIA	P507508	Amaravati Capital City Development Program
Financing Instrument	Estimated Appraisal Date	Estimated Approval Date	Practice Area (Lead)
Program-for-Results Financing (PforR)	04-Nov-2024	30-Jan-2025	Urban, Resilience and Land
Borrower(s)	Implementing Agency		
Department of Economic Affairs, Government of India	Andhra Pradesh Capital Regional Development Authority		

Proposed Program Development Objective(s)

To support the initial institutional arrangements and infrastructural development for an economically dynamic, inclusive, and sustainable Amaravati Capital City.

COST & FINANCING (US\$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)?	Yes
Is this project Private Capital Enabling (PCE)?	Yes

SUMMARY

Government program Cost	3,647.69
Total Operation Cost	1,785.00
Total Program Cost	1,783.00
Other Costs (Front-end fee,IBRD)	2.00
Total Financing	1,785.00
Financing Gap	0.00

FINANCING



Total World Bank Group Financing	800.00
World Bank Lending	800.00
Total Government Contribution	185.00
Total Non-World Bank Group Financing	800.00
Multilateral and Bilateral Financing (concessional)	800.00

Concept Review Decision

The review did authorize the preparation to continue

B. Introduction and Context

Country Context

1. **India has been urbanizing rapidly in recent decades, facing challenges in creating livable cities that can serve as growth hubs while ensuring climate resilience and social inclusion.** Cities host about a third of India’s population yet contribute to 48 percent of employment and 54 percent of the GDP¹. India’s urban population is projected to double from the estimate of 480 million in 2022 to over 950 million by 2050. Much of this urbanization will happen in new urban areas². Successfully managing India’s urban transition, including guiding the emergence of new urban areas, will be key to shaping the country’s broader growth trajectory. Recognizing this, in its 2024-25 budget, the Government of India (GoI) has announced a priority urban development agenda, highlighting the following areas: “Development of Greenfield Cities”, “Cities as Growth Hubs”, “Transit Oriented Development”, “Urban Housing”, and “Water Supply and Sanitation”³. Specifically, developing new cities through town and transit planning schemes has been identified as a key measure to guide future urbanization and create sustainable cities.

Sectoral (or multi-sectoral) and Institutional Context of the Program

2. **The development of Amaravati is an urgent need of the State of Andhra Pradesh (AP), to not only serve as the new Capital City but also as a new growth hub for the region.** In March 2014, when the previous state of AP bifurcated into AP and Telangana, the latter retained the State’s original capital and its strongest economic engine, Hyderabad (which used to drive one-third of the state’s economy), creating an urgent need for a new capital and a growth hub to catalyze jobs and revenue. Shortly after, the Government of the new AP State announced its decision to build Amaravati as the new Capital City on a greenfield site of 217 square km, along the south bank of River Krishna⁴. One of Amaravati’s key

¹ McKinsey Global Institute Analysis, 2020.

² World Bank calculations using previous census data from Government of India and World Bank Open Data 2023.

³ Government of India’s Union Budget 2024-25.

⁴ The Andhra Pradesh Reorganization Act 2014.



locational advantages is its access to a strong economic base and pool of talent, given its closeness to the business hub of Vijayawada and education hub of Guntur⁵. Meanwhile, since 2014, the State of AP's expenditure has been increasing by 11.3 percent annually, but revenue growth has been slower at around 9 percent. As a result, its fiscal deficits have become one of the highest among India's major states. There is an urgent need for the State of AP to foster new economic hubs to drive growth, to leverage investment opportunities to increase and diversify revenue sources, as well as to adopt innovative financing strategies to increase financial sustainability of its development projects.

3. The Government of AP has initiated efforts to plan and develop the new Amaravati Capital Region since 2014.

A Perspective Plan for the Amaravati Capital Region (Vision 2050) and a Detailed Master Plan (DMP) (2016-2036) for Amaravati Capital City (ACC) were prepared in 2016 accordingly⁶. The DMP outlined the Government's vision of developing Amaravati as the "People's Capital of Andhra Pradesh", focusing on six goals: creating jobs, attracting investments, providing good quality housing, preserving nature and environment, improving flood management and climate resilience, and revitalizing heritage and culture. The Government also started assembling the land for ACC development from the farmers through a voluntary Land Pooling Scheme (LPS) and started rolling out key infrastructure development works. The DMP was officially adopted by GoAP on June 29, 2024⁷.

4. As the largest greenfield urban development initiative in India, Amaravati presents a unique opportunity to become an exemplary model for resilient, inclusive, and vibrant new cities. Nevertheless, the development of Amaravati will likely face challenges commonly observed in greenfield urban development elsewhere. These include weak institutional capacity at the initial stage, high infrastructure costs and financing gaps, complexities in ensuring economic and social inclusion, and market uncertainty in attracting investments and creating jobs. The proposed ACC development can turn these challenges into opportunities by building strong foundations for a sustainable city at the very beginning, putting in place effective governance structure and institutions, catalyzing economic vibrancy through enabling policies and investments, and enhancing livability and quality of life via responsive and resilient infrastructure and services. With this view, the GoAP has sought support of the World Bank (WB) and Asian Development Bank (ADB)⁸ to leverage international expertise and adopt a systematic approach to set the foundations for long-term sustainable growth of ACC. The World Bank was initially engaged with the ACC project from 2016 but the then engagement did not yield a project. The new WB reengagement on Amaravati draws on the lessons of the previous engagement and the ground situation surrounding ACC development.

Relationship to CAS/CPF

5. The Program is consistent with the World Bank Group's Country Partnership Framework (CPF) FY18–22 approved by the Board in 2018 (Report 126667-IN) and extended till FY 2025. Area I of the CPF, 'promoting resource efficient growth', focuses on creating urban footprints that are green, livable, productive and climate resilient. Pillars I and III of the 2018 Systematic Country Diagnostic (SCD) recognize the role of efficient cities as a direct contributor to a resource-efficient growth path for India. The SCD identifies policies and actions to make cities more productive and livable, including reducing their environmental impacts and strengthening city finances and public sector management. The Program directly contributes to these areas as it supports making Amaravati City more livable and productive, by investing

⁵ Government of Andhra Pradesh. 2018. Social Economic Management Plan for Amaravati.

⁶ Both plans are prepared by Andhra Pradesh Capital Region Development Authority (APCRDA)..

⁷ Gazette No. 662, Dated June 29, 2024.

⁸ PPR 12403, dated August 31, 2024.



in urban governance, climate resilience, and basic urban services. Additionally, the Program aligns with GoI's latest development priorities of promoting 'Cities as Growth Hubs'.⁹

6. **An initial Paris Alignment Assessment indicates that the Program is consistent with India's Country Climate Strategies.** The Program is consistent with a key mitigation action in India's Nationally Determined Contribution (NDC) to "Develop climate resilient urban centers", with significant contributions to current and future climate change resilience in a highly exposed area and minimization of greenhouse gas emissions. The proposed Program will also serve as a model for the planning and development of other greenfield cities in India by adopting sustainability principles and practices. The Program is also consistent with India's Long-Term Low Carbon Development Strategy (LTDS) commitment published in 2022, on "Promoting Adaptation in Urban Design, Energy and Material-Efficiency in Buildings, and Sustainable Urbanization".¹⁰ In addition, the operation is aligned with WBG's Climate Change Action Plan 2021– 2025 (CCAP) which aims to promote low greenhouse gas emissions and climate-resilience development.

Rationale for Bank Engagement and Choice of Financing Instrument

7. **There is a strong rationale for World Bank support to ACC development program.** Large scale public investments are needed for developing trunk infrastructure, public buildings, affordable housing, and to prepare land for return to those who contributed to the LPS. Support from the WB and ADB will not only help fill financial gaps in the initial development of the ACC, but also offer global expertise and technical support to help AP Government in diverse areas such as urban planning and regulations, municipal governance and finance, infrastructure design and delivery, climate resilience, social inclusion, and cluster development and job creation in an integrated and holistic manner.

8. **The PforR was selected as the most appropriate instrument for this engagement.** First, there is a technically sound ACC development program initiated by the GoAP. Strategic, technical, and financing support by the World Bank and the ADB will not only help the GoAP tackle the short to medium term challenges of rolling out this large and complex program but also enable it to develop systems and capabilities to manage a vibrant capital city over the long term. The PforR is well suited to address this duality of purpose. Second, laying the foundations today for a green, resilient, and inclusive ACC involves integrating vertically across people, policies, institutions, and investments, and horizontally across land assembly, urban planning, infrastructure development and service delivery, housing, and economic development. The PforR provides financing-linked incentives for a broad range of stakeholders to converge on this integrated and multisectoral approach.

C. Program Development Objective(s) (PDO) and PDO Level Results Indicators

Program Development Objective(s)

To put in place the initial institutional, socio-economic and infrastructural foundations for a green, resilient, and inclusive Amaravati Capital City.

PDO Level Results Indicators

⁹ GOI Union Budget 2024-25.

¹⁰ India's Long-Term Low-Carbon Development Strategy.



9. The Program will measure progress toward the PDO via the following proposed indicators:
 - 1) Robust local governance and service delivery mechanisms adopted (Yes/No)
 - 2) Private capital financing mobilized through land monetization and asset management (US Millions).
 - 3) New and better jobs created (disaggregated by gender) (Number).
 - 4) People with enhanced resilience to climate risks (Corporate Results Indicator) (disaggregated by gender) (Number).
 - 5) People with improved access to sustainable transport infrastructure and services (Corporate Results Indicator) (disaggregated by gender) (number).

D. Program Description

PforR Program Boundary

10. **The GoAP has proposed an initial investment program based on the DMP, to establish the foundational institutional systems, infrastructure and basic services for the new city, as well as social support programs such as skilling and training programs, to kickstart the development of the ACC.** Based on readiness of land availability and the strategic importance of the investments for the long-term development of ACC, the GoAP will implement this investment program in two phases. The GoAP's program 'p' refers to the planned Phase I consisting of three main components with a total estimated cost of INR 28,500 crores (approximately US\$3.4 billion), including: (a) establishment of the governance structure for ACC and construction of infrastructure and public buildings for the Amaravati Government Complex (AGC); (b) construction of the trunk infrastructure works to provide basic connectivity and municipal services, as well as to improve flood risk mitigation and climate resilience of the entire ACC; and (c) delivery of community infrastructure for the LPS neighborhoods, including necessary social support programs for the communities. The program will be implemented by the AP Capital Region Development Authority (APCRDA) and the Amaravati Development Corporation Limited (ADCL).

11. **The proposed PforR Program ('P', the Program) will support selected activities of the Government's program that conform to the World Bank's PforR policy and the relevant policies of the ADB.** The Program supports three results areas (RAs) that are complementary and mutually reinforcing to each other for building strong foundations to achieve long-term development goals of Amaravati as a green, resilient, and inclusive city. The eligible activities are summarized as below, grouped by the three RAs, with a total cost of INR 15,000 crores (approximately US\$1.8 billion).

12. **RA1: Strengthened Governance and Financing Frameworks.** This RA aims at helping APCRDA set up an inclusive, accountable and effective city governance structure that will be able to evolve as the city itself grows. It also involves setting up frameworks for sustainable financing of infrastructure and services, including leveraging private sector partnerships and mobilizing market-based financing. Proposed interventions under this RA include strengthening the metropolitan planning functions of the APCRDA, establishing an urban local body and service delivery modalities for the Amaravati Capital Region, as well as rolling-out of a land-based financing strategy to mobilize capital financing for development. Finally, this RA also strengthens the institutional capacity of the APCRDA and the ADCL for environment, social management and contract management.

13. **RA2: Inclusive Economic Growth and Social Development.** This RA aims at catalyzing robust economic growth and inclusive and equitable social development, thus prioritizing livelihood enhancement of existing communities and ensuring long-term vibrancy of the Capital City and its communities. Proposed interventions include technical assistance to help APCRDA attract businesses and investments that generate economic activity and jobs; skilling programs for existing



and incoming residents of the area to take advantage of these activities with a focus on women and youth; increasing access to affordable housing; as well as encouraging citizen engagement and participation in neighborhood planning, community development, and public space maintenance in the new city.

14. **RA3: Sustainable Infrastructure and Service Delivery.** This RA supports developing green and resilient trunk infrastructure for the city and neighborhood infrastructure for the LPS neighborhoods in an integrated manner, followed on with effective and sustainable service delivery. The proposed activities focus on the design, construction, and operation of these infrastructure investments, including construction of roads and streets with utility corridors for water supply, stormwater drainage, wastewater treatment, power and ICT, and solid waste management; construction of flood mitigation civil works and rehabilitation of the blue green infrastructure system such as retention ponds, water channels and parks, including nature-based solutions wherever feasible; establishment of public transport system including the procurement and operation of e-buses; establishment of a digital infrastructure with the adoption of digital technologies and innovative methods for improved city management, development approval and service delivery.

E. Initial Environmental and Social Screening

[Potential environmental and social effects; knowledge and general understanding of the Program system to manage environmental and social risks and impacts; and timeframe for launching the E&S systems assessment including consultation on and disclosure of the draft systems assessment]

15. **The Program will exclude activities that lead to significant, adverse environmental and social (E&S) impacts, such as those leading to the significant degradation of critical natural habitats or significant pollution as well as those that would require significant involuntary resettlement.** Since 2014, the voluntary LPS has pooled 34,390 acres of farmland in exchange for serviced residential and commercial plots and other safety net benefits. The APCRDA is continuing to encourage more landowners to join the LPS process. The proposed World Bank-supported Program, as part of Phase I, will focus only on areas that have been pooled already so that involuntary land acquisition will be minimal, and the requirement is assessed to be less than one percent of total land area. These risks are deemed manageable through the existing Resettlement Action Plans/ Resettlement Policy Framework (RAPs/RPF) prepared and adopted by the government¹¹ in accordance with country's legal framework¹². Meanwhile, the existing villages will be integrated into the development of ACC, and transitional support is being provided to landless farmers in the form of annuity for 15 years as well as job trainings, so as to avoid disturbance of the existing habitats and support livelihoods of the villagers. Under the Program, more comprehensive skill training and capacity building activities will be supported to further increase the economic opportunities of the existing and incoming residents of ACC.

16. The Bank-supported Program will, in accordance with the PforR policy, exclude high-risk activities that present unacceptable risks or impacts. Meanwhile, the Program will involve large-scale construction activities such as trunk and neighborhood infrastructure with road works, utilities, public transport systems, and flood mitigation works. Preliminary environment and social assessments for proposed Phase I works, show that the sites are primarily located in fallow agricultural areas that have already been integrated into the development through LPS. As a result, there are no significant environmentally sensitive receptors, and the sites are largely vacant, reducing the likelihood of adverse environmental

¹¹ The RPF was disclosed on the website of APCRDA on August 4, 2018; and the RAPs for the 10 trunk infrastructure and flood mitigation works were disclosed on APCRDA's website on August 31, 2018.

¹² The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act 2013.



impacts. The communities in the Amaravati area, due to their proximity to Vijayawada and Guntur cities, can be considered suburban rather than rural, lowering the environmental sensitivity typically associated with rural development.

17. The project aims to develop a world-class, livable city by integrating urban infrastructure such as roads, utilities, and flood mitigation measures while ensuring the protection of natural resources. These activities will require extensive construction, which could result in negative environmental impacts such as water pollution, air quality deterioration from dust and emissions, poor construction waste management, soil contamination, landscape alterations, increased traffic, construction-related disturbances, and occupational health and safety risks for workers and local communities. However, these risks are typical for infrastructure projects and will be mitigated and managed through the existing Environment Management Plans (EMPs) that will be updated and strengthened to include stronger environmental and social dimensions, addressing (i) labor standards enforcement, (ii) labor influx requiring accommodation, (iii) risks of sexual exploitation, abuse and harassment (SEA/SH) and Gender Based Violence (GBV), and (iv) lack of participation, particularly from women for inclusion in the infrastructure design and construction activities. The Program will also enhance the capacity of the implementing agencies to manage these risks and ensure sustainable development effectively,

18. **The APCRDA has extensive experience in planning and implementing land pooling and acquisition but less experience in managing construction impacts, while the ADCL is a newer entity with more limited experience.** However, anticipated E&S risks are manageable with additional support and capacity-building initiatives, including establishing an Environmental and Social Management Unit and hiring a Program Management Consultancy for oversight, including on E&S.

19. **Comprehensive mitigation measures will be adopted after the completion of an Environment and Social Systems Assessment (ESSA) before appraisal.** ESSA will assess gaps in the regulatory framework, capacity, and risk management practices related to the planned activities, and develop an action plan to address them. It will also evaluate the LPS for legacy issues. To strengthen E&S policies, systems and controls, key ESSA recommendations—such as the creation of an Environmental and Social Management Unit—will be incorporated into Program Action Plan and DLIs, building on systems already in place. E&S provisions will be embedded in the bidding documents. The APCRDA and ADCL capabilities for stakeholder engagement, from a wide range of direct and indirect stakeholders, will also be strengthened. Standard Operating Procedures for compliance monitoring and system strengthening will be adopted.

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