



Periodic Financing Request Report

Project Number: 40648-037
MFF Number: 0046
September 2018

India: Infrastructure Development Investment Program for Tourism (Tranche 4)

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CURRENCY EQUIVALENTS

(as of 31 August 2018)

Currency Unit	–	Indian rupee (₹)
₹1.00	=	\$0.014
\$1.00	=	₹71.070

ABBREVIATIONS

ADB	–	Asian Development Bank
DOT	–	Department of Tourism
DOTCRE	–	Department of Tourism, Culture, and Religious Endowments
GAP	–	gender action plan
GOTN	–	Government of Tamil Nadu
LIBOR	–	London interbank offered rate
MFF	–	multitranche financing facility
O&M	–	operation and maintenance
PAM	–	project administration manual
PFR	–	periodic financing request
PIU	–	project implementation unit
PMU	–	project management unit

NOTES

- (i) The fiscal year (FY) of the Government of India ends on 31 March. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2018 ends on 31 March 2018.
- (ii) In this report, “\$” refers to United States dollars.

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TRANCHE AT A GLANCE

1. Basic Data		Project Number: 40648-037	
Project Name	Infrastructure Development Investment Program for Tourism - Tranche 4	Department/Division	SARD/SAUW
Country Borrower	IND Government of India	Executing Agency	Department of Tourism, Culture, and Religious Endowment (DOTCRE), Government of Tamil Nadu
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Water and other urban infrastructure and services	Other urban services		12.80
	Renovation and protection of cultural heritage		8.40
	Urban policy, institutional and capacity development		4.15
Transport	Urban roads and traffic management		5.65
		Total	31.00
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	CO ₂ reduction (tons per annum)	789
Environmentally sustainable growth (ESG)	Global and regional transboundary environmental concerns	Climate Change impact on the Project	Low
		ADB Financing	
		Mitigation (\$ million)	0.49
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development	Effective gender mainstreaming (EGM)	✓
Private sector development (PSD)	Public sector goods and services essential for private sector development		
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Urban	High
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG8		
6. Risk Categorization: Low			
7. Safeguard Categorization Environment: B Involuntary Resettlement: C Indigenous Peoples: C			
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB			31.00
Sovereign MFF-Tranche (Regular Loan): Ordinary capital resources			31.00
Cofinancing			0.00
None			0.00
Counterpart			13.04
Government			13.04
		Total	44.04

I. BACKGROUND

1. **Multitranches financing facility.** On 28 September 2010, the Asian Development Bank (ADB) approved a multitranches financing facility (MFF) for the Infrastructure Development Investment Program for Tourism for an amount not exceeding \$250 million. The MFF covers four participating states: Himachal Pradesh, Punjab, Uttarakhand, and Tamil Nadu. The Department of Tourism (DOT) in each state is the executing agency, and the Tourism Development Board, or its equivalent in each state, is the implementing agency. The MFF availability period ends on 27 September 2020. The MFF was provided for the following reasons:

- (i) the tourism sector in India was underperforming. Tourism contributed only 5.9% to the gross domestic product, lower than the world average of 10.4% in 2007;
- (ii) key tourism challenges included limitations in (a) public sector financing; (b) sector policies on, and institutional capacities for, heritage site management; (c) an effective enabling environment for enhanced private sector participation; (d) operation and maintenance (O&M) of tourism infrastructure; and (e) effective mechanisms to engage local communities in the tourism value chain. The MFF aimed to address sector challenges by developing tourism-related infrastructure and addressing weaknesses in institutional capacity;
- (iii) the MFF was aligned with the National Tourism Policy (2002) and the Eleventh Five-Year Plan, 2007–2012 to stimulate tourism growth and employment, and reduce poverty and rural–urban inequalities. The government was committed to implementing the MFF in accordance with the road map. There were no foreseen risks to the continuity of the investment program; and
- (iv) the MFF modality was considered suitable because developing institutional capacities would be a gradual process requiring long-term commitments.

2. **Tranches.** The total MFF amount converted to loans was \$210.77 million (84%). The report and recommendation of the President anticipated five tranches.¹ However, start-up delays slowed implementation and only three tranches were approved with time remaining for only one more.² Tranche sequencing was based on the project readiness of each participating state. The first periodic financing request (PFR) comprising first tranche for a loan of \$43.42 million was approved on 4 October 2010 to support Himachal Pradesh and Punjab. The second PFR comprising second tranche was approved on 15 December 2011 for a loan of \$43.84 million to support Uttarakhand and Tamil Nadu, and the third PFR comprising third tranche was approved on 11 December 2014 for a loan of \$123.51 million to support Punjab, Himachal Pradesh, and Uttarakhand.³ The loan closing dates are (i) 30 September 2018 for Project 1, (ii) 30 June 2018 for Project 2, and (iii) 30 June 2020 for Project 3.

3. Tranches were aligned with the MFF design and monitoring framework to support the following outputs: (i) improved basic urban infrastructure such as water supply, sanitation, roads and public transport, solid waste management, environmental improvement, and incidental

¹ ADB. 2010. *Report and Recommendations of the President to the Board of Directors: Proposed Multitranches Financing Facility to India for the Infrastructure Development Investment Program for Tourism*. Manila.

² ADB. 2010. *Periodic Financing Request Report: India: Infrastructure Development Investment Program (Tranche 1)*. Manila; ADB. 2011. *Periodic Financing Request Report: India: Infrastructure Development Investment Program (Tranche 2)*. Manila; and ADB. 2014. *Periodic Financing Request Report: India: Infrastructure Development Investment Program (Tranche 3)*. Manila.

³ Allocations for each tranche are as follows: Project 1—\$23.10 million to Himachal Pradesh and \$20.32 million to Punjab; Project 2—\$23.28 million to Uttarakhand and \$20.56 million to Tamil Nadu; and Project 3—\$41.66 million to Punjab, \$43.51 million to Himachal Pradesh, and \$38.34 million to Uttarakhand.

services such as public toilets, street signage and lighting at tourist destinations; (ii) improved connectivity to tourist attractions, focusing on the improvement of last-mile connectivity;⁴ (iii) enhanced quality of natural and cultural tourist attractions to ensure convenience and safety for visitors; (iv) greater participation by local communities in tourism-related economic and livelihood activities; and (v) strengthened capacity of concerned sector agencies and local communities for planning, development, management, marketing of tourist destinations and attractions, and promoting private sector participation and small businesses.

4. **Proposed tranche.** The Government of India submitted the fourth PFR to ADB on 28 February 2018 for an amount of \$31.0 million to support Tamil Nadu, and such request was planned in the country operations business plan.⁵ Project 4 will support the preservation and development of natural and cultural heritage, create tourism support and connectivity infrastructure, and provide capacity building for improved destination management and marketing. The scope includes clean energy solar photovoltaic panel installations at government-owned tourist facilities to reduce greenhouse gas emissions and promote energy efficiency.

II. ASSESSMENT OF MULTITRANCHE FINANCING FACILITY IMPLEMENTATION

5. A summary of MFF implementation is as follows:

- (i) **Progress on road map.** The sector road map and investment program were framed within the government's Eleventh Five-Year Plan, 2007–2012 and continues to be relevant to the government's Twelfth Five-Year Plan, 2012–2017. The Twelfth Five-Year Plan emphasized pro-poor tourism, heritage preservation, and improving access to natural and cultural tourist attractions, all of which are reflected in the sector road map and investment program. Estimated annual growth of the tourism sector under the Eleventh Five-Year Plan was 7.9% and under the Twelfth Five-Year Plan was 8.1%. The national tourism sector road map remains valid in the following areas: (a) continued focus on high-value tourism circuits and clusters, (b) investment in tourism-related infrastructure around natural and cultural heritage sites, (c) capacity development of government agencies and local communities, and (d) promotion of financial sustainability and cost recovery. Key targets and achievements of the road map include (a) 10 million international tourist arrivals (actual: 18.3 million), (b) \$16 billion in foreign exchange receipts (actual: \$17.7 billion), and (c) 750 million domestic tourist visits (actual: 1.0 billion).⁶ The Government of India's recent Three-Year Action Agenda (2017–2018 to 2019–2020) envisages the hospitality, travel, and tourism sector as a major driver of growth and employment. The agenda recognizes India's significant potential to increase (a) the number of arrivals, (b) global presence by leveraging its cultural industries, and (c) capacity to create large-scale jobs among the poorest segments of the population. It identifies key areas for action, including infrastructure, marketing, and skill development, all of which are aligned with the MFF road map.⁷
- (ii) **Progress of Tamil Nadu road map.** In 2015, Tamil Nadu ranked highest in India in terms of the number of foreign (20.1%) and domestic (23.3%) tourist visits.⁸

⁴ Last-mile connectivity improves access to destinations focusing on transport-related investments to promote tourism and value-chain-based development.

⁵ ADB. 2017. *Country Operations Business Plan: India, 2018-2020*. Manila.

⁶ Government of India. Ministry of Tourism Statistics. 2014. India. <http://www.tourism.gov.in/IndiaTourismStatics2014>.

⁷ Government of India. 2017. NITI Aayog. *Three-Year Action Agenda 2017–18 to 2019–20*. Delhi. paras. 6.62–6.64.

⁸ Government of India, Ministry of Tourism. 2016. *India Tourism Statistics at a Glance 2015*. India. <http://tourism.gov.in/sites/default/files/Other/India%20Tourism%20Book%20English.pdf>.

Tamil Nadu Vision 2023 outlines a road map for the state's growth, including tourism, and highlights various steps to attract domestic and foreign tourists.⁹ The Government of Tamil Nadu (GOTN) sanctioned \$14.46 million during 2011–2016 for infrastructure development schemes in all districts of the state while the Government of India also extended substantial financial support for tourism promotion in Tamil Nadu.¹⁰

- (iii) **Improvements in policy framework.** There was no change in the policy framework negatively affecting the viability or sustainability of the investment program. In 2015, there were 8.03 million foreign- and 1.43 billion domestic-tourist arrivals in India, generating \$20.86 billion in foreign exchange earnings. With 1.71% share of the world's tourism receipts, India currently occupies the 14th rank in the world, up from its 0.12% share and 22nd rank in 2008. Within Asia, India currently stands in 7th position (one rank up from 8th in 2013) (footnote 6). The total budget for tourism under the Twelfth Five-Year Plan was up from \$2.50 billion. The overall investment program supports \$357.14 million of the road map covering four states.
- (iv) **Progress of investment program.** The MFF experienced start-up delays in procurement, however there was no change in the type of investments and progress of ongoing tranches is satisfactory, as follows:
 - (a) Project 1 is on track for physical completion by loan closing on 30 September 2018. Progress is satisfactory. In both Punjab and Himachal Pradesh, all contracts were awarded and works completed with disbursement of \$39.9 million (92%).
 - (b) Project 2 was successfully completed and closed on 30 June 2018. Progress was satisfactory. All contracts were awarded and works physically completed with disbursement of \$8.8 million (72%) for Tamil Nadu and \$18.9 million (81%) for Uttarakhand. Financial closure is underway.
 - (c) Project 3 is on track with 64% time elapsed. Progress is satisfactory. Contract awards are 45% in Punjab, 76% in Himachal Pradesh, and 61% in Uttarakhand, with remaining contracts to be awarded by 30 November 2018. Physical progress is on track and all works are expected to be completed by loan closing on 30 June 2020. Disbursements are \$8.0 million (19%) for Punjab, \$13.9 million (32%) for Himachal Pradesh, and \$6.0 million (16%) for Uttarakhand.
- (v) **Compliance with undertakings and loan covenants.** Executing agencies across the four states in ongoing tranches complied with all loan covenants and undertakings.
- (vi) **Safeguards.** Due diligence shows compliance with ADB safeguard requirements, however, project management units (PMUs) require more timely submission of safeguard monitoring reports. Staff is closely monitoring.
- (vii) **Gender.** Implementation of gender action plans (GAPs) was satisfactory across states in the MFF but with initial delays in reporting to ADB. In Tamil Nadu, activities included community-based awareness building and capacity strengthening through skills trainings. Some gender-related activities (i.e., skills training for enterprise development and increased jobs in the management of tourist sites) were delayed under Project 2 because of delayed recruitment of

⁹ GOTN. 2012. *Vision Tamil Nadu 2023*. Chennai.

¹⁰ GOTN. Department of Tourism, Culture, and Religious Endowments Department. 2017 *Tourism Policy Note 2017–2018*. India. <http://www.tamilnadutourism.org/pdf/Polycynoteenglish2016-17.pdf>.

technical experts, but upon mobilization of technical experts, GAP implementation improved. Staff continues to closely monitor.

- (viii) **Lessons learned.** A common issue experienced across the four states was start-up delays resulting from low readiness. Capacity-building efforts and on-the-job learning improved capacity and performance in areas of procurement. Lessons incorporated into the design of Project 4 include: (a) pursuing project readiness early in the project, and (b) reducing the number of contracts by combining similar works within the same geographic area.

III. PERIODIC FINANCING REQUEST

A. Impact and Outcome

6. The impact of Project 4 is an increased volume of domestic and international tourists to destinations within Tamil Nadu (footnote 8). The outcome is an enhanced tourism environment in Tamil Nadu.¹¹

B. Outputs

7. **Output 1: Enhanced quality of natural and cultural attractions.** Project 4 will support the conservation and restoration of eight heritage monuments (Alamparai Fort, Hill Fort, Thirumalai Naicker Mahal Palace, Kattabomman Kottai Fort, Marudupandiyar Fort, Udayagiri Fort, Manora Fort, and Dutch Tomb); one museum (Government Museum in Chennai); three temples (Poondi Arugar Temple, Gangaikonda Choleswarar Temple, and Thadagapaureswarar Temple); and one pond (Chinniyampettai-Kulam) in 10 districts to professionally accepted standards. The outputs will be delivered through works contracts and monitored by supervision consultants.

8. **Output 2: Greater participation by local communities in tourism-related economic and livelihood activities.** Community-based outputs are as follows: (i) at least 10 community-based societies in 10 districts will be made operational in the management of tourist destinations, with at least 30% representation of women; and (ii) at least 300 persons (about 100 male and 200 female) employed in tourism-support activities at attractions will be supported under the project. Output 2 will be implemented and monitored by independent experts from the Entrepreneurship Development Institute.¹²

9. **Output 3: Improved basic urban infrastructure and services at tourist destinations and attractions.** Project 4 will support improvement of gender-inclusive tourist facilities and amenities at tourist destinations by constructing: (i) eight tourist rest houses with reception centers near temples and tourist destinations in six districts; (ii) tourist information centers at three tourist locations (Sriperumpudur, Alangudi and Chidambaram); (iii) basic amenities (pilgrim rest sheds, toilet blocks [male and female], and drinking-water storage structures) at eight temples in five districts; (iv) solar-power facilities for lighting in 16 tourist rest house complexes for improved tourist safety and cost savings; (v) energy efficient lighting at 98 tourist sites in 16 districts; and (vi) tourist-friendly signage, including safety messages for female tourists at 228 tourist sites in all 32 districts. The outputs will be delivered through works and goods contracts and monitored by supervision consultants.

¹¹ The design and monitoring framework is in Appendix 1.

¹² Entrepreneurship Development Institute is a government institution, and forms part of the PMU.

10. **Output 4: Improved connectivity to tourist attractions.** Project 4 will support improved connectivity at Kanyakumari by providing two ferries, four buses, and 120 boats to promote tourism and value-chain-based development. The outputs will be delivered through goods contracts monitored by supervision consultants.

11. **Output 5: Strengthened capacity of concerned sector agencies and local communities for planning, development, management, and marketing of tourist destinations and attractions.** Project 4 will support: (i) operational costs of the PMU and the project implementation units (PIUs); (ii) project management and supervision consultants; (iii) six individual consultants; (iv) 300 community members (about 100 male and 200 female) trained in tourism-related skills and product development (e.g., guides, crafts, and recreational activities); (v) a master plan for heritage monuments; (vi) 50 staff (at least 20 female) from the PMU and PIUs trained in environment, culture, and gender-sensitive tourism planning, coordination, monitoring, and marketing; and (vii) the production of marketing and promotion materials (print and electronic), such as guidebooks and brochures, that include safety information for female tourists. Consultants will deliver the outputs.

C. Summary Cost Estimates and Financing Plan

12. Project 4 is estimated to cost \$44.04 million (Table 1). Detailed cost estimates by expenditure category and by financier are included in the project administration manual (PAM).¹³

Table 1: Summary Cost Estimates
(\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Enhanced quality of natural and cultural attractions	11.59
2. Greater participation by local communities in tourism-related economic and livelihood activities	0.84
3. Improved basic urban infrastructure and services at tourist destinations and attractions	15.00
4. Improved connectivity to tourist attractions improved	6.71
5. Strengthened capacity of sector agencies and local communities for planning, development, management, and marketing of tourist destinations and attractions	4.05
Subtotal (A)	38.19
B. Contingencies^c	4.51
C. Financial Charges During Implementation^d	1.34
Total (A+B+C)	44.04

^a In early-2018 prices; exchange rate of \$1 = ₹65.5 is used.

^b Includes taxes and duties of \$4.16 million to be financed from government resources by cash contribution.

^c Physical contingencies are computed at 9.0% for civil works and equipment. Price contingencies are computed at 1.5% on foreign exchange costs and 4.5%–4.6% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Includes interest and commitment charges. Interest during construction for the ADB loan has been computed at the 5-year United States dollar fixed-swap rate plus a spread of 0.5% and a maturity premium of 0.2%. Commitment charges for an ADB loan are 0.15% per year to be charged on the undisbursed loan amount.

Source: Asian Development Bank estimates.

13. The government submitted a PFR for a fourth tranche of the MFF comprising (i) a regular loan of \$31.00 million, having a 25-year term, including a grace period of 5 years; (ii) an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based

¹³ The project administration manual (PAM) is in Appendix 4.

lending facility; (iii) a commitment charge of 0.15% per year; and (iv) such other terms and conditions set forth in the draft loan and project agreements. Based on the annuity basis repayment with 10% discount factor, the average maturity is 18.31 years, and the maturity premium payable to ADB is 0.20% per year.

14. The summary financing plan is in Table 2. ADB will finance the expenditures in relation to works, equipment, project management, and contingencies. The Government of India will on-lend the ADB loan proceeds to the GOTN. The GOTN will provide \$13.04 million to the investment costs of Project 4 to finance: (i) taxes and duties; (ii) incremental recurrent costs; and (iii) part of works, equipment, and contingencies; and will provide the loan and counterpart funds to the implementing agency. The government has provided ADB with: (i) reasons for its decision to borrow under ADB's LIBOR-based lending facility based on the terms and conditions, and (ii) an undertaking that the choice was its own decision and not made based on any communication or advice from ADB.

Table 2: Summary Financing Plan

Financing Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank	31.00	70%
Ordinary Capital Resource (regular loan)		
Government and Tamil Nadu	13.04	30%
Total	44.04	100%

Source: Asian Development Bank estimates.

15. Climate mitigation is estimated to cost \$0.686 million. ADB will finance 72% of mitigation costs. The climate mitigation measures include clean energy solar photovoltaic panel installations at government-owned tourist facilities to reduce greenhouse gas emissions and promote energy efficiency.

D. Implementation Arrangements

16. The implementation arrangements are summarized in Table 3 and described in detail in the PAM.

Table 3: Implementation Arrangements for Project 4

Aspects	Arrangements
Implementation period	September 2018–June 2020
Estimated completion date	30 June 2020
Estimated loan closing date	27 September 2020
Management	
(i) Oversight body	State Level Steering Committee chaired by the honorable minister of tourism and the chief secretary Principal secretaries of state departments (members)
(ii) Executing agency	GOTN acting through its DOTCRE with PMU in Commissionerate of Tourism
(iii) Key implementing agencies	TTDC, HRCE, Department of Archaeology, Pompuhar Shipping Corporation Limited, Department of Museums with PIUs

Aspects	Arrangements		
(iv) Implementation unit	DOTCRE for Department of Archaeology, Department of Museums HRCE, Pompuhar Shipping Corporation Limited, and TTDC Location: Alangudi, Chidambaram, Hogenakkal, Kancheepuram, Kumbakonam, Sriperumbudur, and Trichy, 35 staff		
	ICB goods	2 contracts	\$12.02 million
	NCB works	9 contracts	\$17.89 million
	NCB goods	3 contracts	\$2.35 million
Project Management and Supervision Consulting Service	QCBS (90:10)	689 person-months	\$2.29 million
Consulting services	Individuals	260 person-months	\$0.70 million
Retroactive financing and/or advance contracting	Advance contracting is requested for civil works and consultant packages. Retroactive financing will be up to 20% of the ADB loan amount for eligible expenditures incurred no more than 12 months before signing of the loan agreement.		
Disbursement	The loan proceeds will be disbursed following <i>ADB's Loan Disbursement Handbook</i> (2017, as amended from time to time) and detailed arrangements agreed between the government and ADB.		

ADB = Asian Development Bank; DOTCRE = Department of Tourism, Culture, and Religious Endowments; GOTN = Government of Tamil Nadu; HRCE = Hindu Religious and Charitable Endowments; ICB = international competitive bidding; NCB = national competitive bidding; PIU = project implementation unit, PMU = project management unit, QCBS = quality- and cost-based selection; TTDC = Tamil Nadu Tourism Development Corporation.

Source: Asian Development Bank.

E. Project Readiness

17. Project readiness of Project 4 is high:
- (i) 36% of contract awards are expected in September 2018. 87% of bids invited. All contracts expected to be awarded in 2018.
 - (ii) Consultant contract to be awarded in November 2018.
 - (iii) Fully staffed PMU and PIUs.
 - (iv) All lands are in possession of the project.

IV. DUE DILIGENCE

A. Technical

18. All subprojects were appraised and confirmed in accordance with the technical and subproject selection criteria outlined in the Framework Financing Agreement.¹⁴ The technical standards and specifications for all heritage conservation works and infrastructure development will follow the Indian prescribed standards. Such works will observe the principle of not altering historic conditions of sites. Tourist and pilgrim attractions are of strategic importance and supported under the state's road map and tourism policy. Project 4 takes a holistic approach to the planning and design of tourist attractions to fill gaps in infrastructure and local capacity in tourism management, service delivery, and marketing and promotion. A conservative design life (15–20 years) is adopted for subprojects. The PMU assessed alternative designs and technical

¹⁴ ADB 2010. *Report and Recommendations of the President to the Board of Directors: Proposed Multitranchise Financing Facility India for Infrastructure Development Investment Program for Tourism*. Framework Financing Agreement and Periodic Financing Request for Project 1 (accessible from the list of linked documents in Appendix 2). Manila.

options and selected those able to be maintained with local knowledge and operationally sustained. Several subprojects have potential for revenue-generation related to user fees and charges (e.g., tourist guest houses, ferries, buses, and museums). Training for sustainable operations and maintenance (O&M) of government staff and service providers will be done and is included in the loan-funded consultants' terms of reference.

B. Economic and Financial

19. **Economic analysis.** The economic rationale for government intervention is sound, as Project 4 supports an improvement in tourism services through the establishment of tourism facilities and infrastructure. An increase in regional income because of the greater number of tourists and the additional tax revenue from the beneficiary tourist spending are benefits considered against the investment under Project 4. The economic internal rate of return for the investment under Project 4 is estimated at 15.2%, indicating sufficient economic return compared to the economic opportunity cost of capital of 9.0%. The results of the sensitivity analysis also revealed that the results are satisfactory, except for the scenario of all downside risks combined, i.e., (i) a capital cost overrun of 20%, (ii) an overrun in O&M costs of 20%, (iii) a decline in estimated benefits of 20%, and (iv) 1-year delay of implementation. However, Project 4 is likely to be economically more viable because of unquantifiable benefits not reflected in the analysis, such as increased property values around tourist destinations.

20. **Financial analysis.** The components of Project 4 are divided into revenue- and non-revenue-generating subprojects. Three revenue-generating subprojects (ferry service operations, buses and boats operations, and tourist rest house operations) were assessed for the O&M recovery. The analysis has revealed that these components are estimated to recover the full O&M cost. The remaining two subprojects—i.e., (i) installation of lighting and signage in different districts of Tamil Nadu, and (ii) improvements to temples and places of cultural attractions—will have no revenue streams and need budgetary support for O&M. Payment for O&M has been assured by the asset owner. However, the GOTN may still need to provide funds in case of an O&M funding shortfall, which the Department of Tourism, Culture, and Religious Endowments (DOTCRE) has committed.¹⁵

C. Governance

21. **Financial management.** A financial management assessment concluded that DOTCRE and its PMU can undertake the financial management of Project 4. DOTCRE has extensive experience in handling large-scale donor-supported projects with substantial values, including Project 2. In addition, DOTCRE and its PMU have an established legal, institutional, and monitoring framework available for budgeting, accounting, and auditing. The overall risk assessment for the project is *moderate*. The risk mitigation measures include: (i) extending full training and capacity building support to enhance the financial management capacity of DOTCRE and the PMU; (ii) strengthening the accounts and finance divisions of the PMU by appointing and recruiting qualified staff; and (iii) procuring a suitable accounting package. Project 4 will provide further support for improving the financial management capacity of DOTCRE and the PMU.

22. **Procurement.** Procurement of civil works and goods including consulting services will follow ADB's Procurement Guidelines (2015, as amended from time to time). The procurement of consultants will follow ADB's Guidelines on the use of Consultants (2013, as amended from time to time). A procurement capacity assessment concluded that the overall procurement risk for the

¹⁵ The provision of funding shortfall during O&M is a loan covenant.

project is *moderate*. The PMU has valuable experience in procurement developed from Tranche 2 and will provide advisory support to the implementing agencies.

23. **Anticorruption.** ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and the DOTCRE. The specific policy requirements and supplementary measures are described in the PAM.

D. Poverty, Social, and Gender

24. Urban poverty in Tamil Nadu is 12.8%.¹⁶ Enhanced tourist arrivals in the state is expected to result in additional employment for the poor through project-based activities, specifically skills training in community-based tourism targeting the poor and women. Community consultations and participation will be an integral part of implementation of pro-poor and gender components.

25. The project is classified as *effective gender mainstreaming*. Key gender issues in the tourism sector in Tamil Nadu are low women's work participation (21.8% of which 42.0% are in marginalized work) and women's safety. A GAP for Project 4 was prepared to address these issues (Appendix 17). The GAP focuses primarily on gender equity in tourism employment and improving women's access to jobs supported through: (i) enhancing skills and necessary linkages, (ii) increasing participation in the decision-making process, (iii) increasing awareness of women's safety, and (iv) creating an enabling environment within relevant institutions. Monitoring and evaluation systems will generate sex-disaggregated information to track outcomes. Financial allocations for implementation of the GAP will be made in the annual work plan and budget. Social development and gender experts, along with project implementation units (PIUs), will support the PMU to ensure implementation and monitoring of the GAP.

E. Safeguards

26. In compliance with ADB's Safeguard Policy Statement (2009), the project's safeguard categories are as follows.¹⁷

27. **Environment (category B).** The executing agency prepared draft initial environmental examinations (IEEs) for subprojects involving civil works in accordance with the environmental criteria in the environmental assessment and review framework.¹⁸ No significant environmental impacts are anticipated. Any impacts will be avoided or mitigated through proven construction measures identified in the environmental management plans. Anticipated environmental impacts are as follows: (i) occupational and community health and safety during excavation and/or trenching works especially in high tourist areas, and (ii) traffic management. DOTCRE developed safeguards capacity from Project 2 and project consultants will support monitoring and management of potential safeguard impacts. Environmental reporting to ADB will be done on a semiannual basis.

28. **Involuntary resettlement (category C).** No permanent impacts, such as land acquisition, physical displacement, livelihood loss, or temporary impact, will occur in the project areas. All works are confirmed within available public land belonging to implementing agencies. The

¹⁶ GOTN. State Planning Commission. 2012. *Twelfth Five-Year Plan (2012–2017)*. Chennai.

¹⁷ ADB. 2009. *Safeguard Categories. ADB's Safeguard Policy Statement (2009)*. Manila.

¹⁸ The draft IEEs were disclosed and will be finalized based on detailed designs and submitted to ADB for clearance. An environmental assessment and review framework was prepared under the MFF.

executing agency prepared a draft land acquisition and involuntary resettlement due diligence report for Project 4, confirming the absence of social safeguard impacts.¹⁹

29. **Indigenous peoples (category C).** There are no indigenous people communities present at or around the subproject sites.

F. Summary of Risk Assessment and Risk Management Plan

30. Significant risks and mitigating measures are summarized in Table 4 and described in detail in the risk assessment and risk management plan.²⁰

Table 4: Summary of Risks and Mitigating Measures

Risks	Mitigation Measures
Lower demand for tourism because of adverse economic conditions	The Government of Tamil Nadu promotes tourism as a government policy priority in its Vision 2023
Delays in construction because of heavy monsoons beyond projections Sudden price surges of materials resulting in cost overruns and delays in work completion	High project readiness and sufficient implementation period will mitigate time delays caused by the monsoon. Sufficient contingency is built into the budget to cover unexpected cost overruns

Source: Asian Development Bank.

V. ASSURANCES AND CONDITIONS

31. The government and the DOTCRE have assured ADB that implementation of the project 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 PAM and loan documents.

32. The government and the DOTCRE have agreed with ADB on certain covenants for the project, which are set forth in the loan agreement and project agreement.

VI. THE PRESIDENT’S DECISION

33. On the basis of the approval by ADB’s Board of Directors for the provision of loans under the multitranche financing facility in an aggregate principal amount not exceeding \$250,000,000 to India for the Infrastructure Development Investment Program for Tourism, the President has approved the tranche as described in para. 4 and such other terms and conditions as are substantially in accordance with those set forth in the draft loan and project agreements.

¹⁹ The draft land acquisition and involuntary resettlement due diligence report was disclosed and will be finalized based on detailed designs and submitted to ADB for clearance. A resettlement framework was prepared under the MFF.

²⁰ The updated risk assessment and risk management plan is in Appendix 18.