India: Visakhapatnam-Chennai Industrial Corridor Development Program

Project Name
Visakhapatnam-Chennai Industrial Corridor Development Program

Project Number
48434-005

Country / Economy
- India

Project Status
Closed

Project Type / Modality of Assistance
- Loan
- Technical Assistance

Source of Funding / Amount
Loan 3424-IND: Visakhapatnam-Chennai Industrial Corridor Development Program

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary capital resources</td>
<td>US$ 125.00 million</td>
</tr>
<tr>
<td>TA 9173-IND: Capacity Development for Industrial</td>
<td></td>
</tr>
<tr>
<td>Corridor Management in Andhra Pradesh</td>
<td></td>
</tr>
</tbody>
</table>

Technical Assistance Special Fund

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Assistance Special Fund</td>
<td>US$ 1.00 million</td>
</tr>
</tbody>
</table>

Strategic Agendas
- Environmentally sustainable growth
- Inclusive economic growth
- Regional integration

Drivers of Change
- Gender Equity and Mainstreaming
- Governance and capacity development
- Partnerships
- Private sector development

Sector / Subsector
- Industry and trade / Large and medium industries

Gender
Effective gender mainstreaming

Description
The Visakhapatnam-Chennai Industrial Corridor Development Program (VCICDP) will complement the ongoing efforts of the Government of Andhra Pradesh (GoAP) to
enhance industrial growth and create high quality jobs. The VCICDP comprises a multitranche financing facility (MFF), a grant, and a policy-based loan (PBL). The MFF and the grant will support priority infrastructure investments in the Visakhapatnam-Chennai Industrial Corridor (VCIC) and the PBL will support policy reforms and institutional development in the state. The technical assistance will support the implementation of policy reforms, especially in strengthening institutions for corridor management, improving ease of doing business, and providing capacity building support.

Project Rationale and Linkage to Country/Regional Strategy

While India has seen a rapid structural transformation and achieved strong economic growth since 1991, one of the most pressing policy challenges is to create more productive and well-paying jobs in manufacturing and services which has lagged with a contribution GDP. India has adopted an industrial corridor approach to stimulate manufacturing and an Act East policy to integrate the Indian economy with Asia’s dynamic global production networks. The industrial corridor approach involves the creation of an efficient multimodal transport network supported by quality infrastructure and logistics within a defined geography, and a policy framework that facilitates business operations for integration with global production networks.

In line with these policies, the government and the Asian Development Bank (ADB) identified the East Coast Economic Corridor (ECEC) India's first coastal corridor extending over 2,500 kilometers (km) from Kolkata in West Bengal to Tuticorin in Tamil Nadu. The VCIC, which covers more than 800 km of coastline in Andhra Pradesh, is proposed to be developed as the first phase of the ECEC. In the state of Andhra Pradesh, which has 49.4 million people making it the 10th most populous state in India, the manufacturing sector contributes 12% to the state’s GDP lagging the national average of 15%. There is a pertinent need to usher in greater degree of industrialization in the state by addressing challenges such as low industrial diversification, and concentration of manufacturing sector employment in small, labor-intensive, informal enterprises with low skills, productivity, and earnings. Key infrastructure in industrial clusters remains inadequate to support the burgeoning demand for efficient industrial infrastructure and robust skills inventory. It also needs to further improve its procedures for doing business, labor-related laws, land management, and taxation laws if it is to enhance its competitiveness and benchmark itself with other countries in the region such as Singapore, the Republic of Korea, and Malaysia. The VCICDP is in line with ADB’s country partnership strategy for India.

Impact

Contribution of the manufacturing sector to the gross domestic product, trade and employment of GoAP increased

Project Outcome

Description of Outcome

Growth and competitiveness of the VCIC enhanced.

Progress Toward Outcome
The policy-based lending (PBL) is completed. Implementation support for strengthening institutions and improving ease of doing business is ongoing through CDTA.

Implementation Progress

Description of Project Outputs

Corridor management strengthened and ease of doing business improved.

Visakhapatnam-Chennai Industrial Corridor infrastructure strengthened and more resilient.

Institutional capacities, human resources, and program management strengthened.

Status of Implementation Progress (Outputs, Activities, and Issues)

1. The Government of Andhra Pradesh (GoAP) has complied with all 12 policy loan conditions under Tranche 1 of PBL in 2017 (see below the summary of compliance). Tranche 1 amount of $62.5 million was released on 1 Feb 2018.

2. The GoAP has complied with the conditions of Tranche 2. Considering the good current progress, $62.5 million for Tranche 2 was released in October 2019.

3. The Capacity Development for Industrial Corridor Development consultant was mobilized in August 2017. It supports the GoAP to monitor the progress, comply the necessary policy actions, implement the institutional strengthening and investment promotion. The CDTA is currently supporting the state government to develop Green Corridor Concept Framework aimed at making VCIC a green manufacturing hub that promotes sustainable economic growth, while mitigating the environmental and social impacts.

(Summary of major compliances)

Output 1. Corridor management strengthened and ease of doing business improved (by 2024)

1a. Corridor management institutions established and operational:

(1) The GoAP has issued the ordinance for establishing Andhra Pradesh Industrial Corridor Development Authority (APICDA) on October 6, 2017. It has been operationalized with human resources plan and business plan on 29 April 2019.

(2) The GoAP issued Government Order on October 31, 2017 for the formation of SPVs at all VCICs. The GoAP incorporated two SPVs: the Visakhapatnam Industrial Node Development Corporation Limited on 4 September 2018; and the Chittoor Industrial Node Development Corporation limited on 10 October 2018.

(3) The GoAP approved on October 10, 2017 the roadmap for project development mechanism. GoAP has sanctioned the project development facility under the PDM on 20 June 2018.

(4) The dedicated investment promotion agency has been formed in Economic
Development Board (EDB) via Government Order issued on March 17, 2016. The EDB has conducted two international investor conferences.

1b. States rating remains in top five on Ease of Doing Business:

(5) Single desk policy has been notified via Government Order dated June 6, 2016 and operationalized across the state subsequently.

(6) Lands for industrial use have been identified in Vizag and Chittoor note in the survey report. The state government launched a land database for industrial nodes readily available online to investors.

1c. New e-portal and single-desk system operational for issuing business-related licenses to more than 90% of the applicants:

(7) e-Portal has been established and operationalized across the state under the Single Desk Policy for online applications for doing business and related government incentives.

1d. New industrial and sector policies notified and implemented with fiscal incentives and special packages for women entrepreneurs:

(8) New industrial and sector policies has been implemented after the notification via Government Order on April 29, 2015. $45.8 million was granted to 999 industrial units in the four VCIC nodes during FY2017 and FY2018. Special incentives worth $4.5 million were offered to 408 female entrepreneurs.

Output 2. Visakhapatnam-Chennai Industrial Corridor Infrastructure [under L3430/G0495-IND: VCICDP - Project 1]

Output 3. Institutional capacities, human resources, and program management strengthened

3a. Skill enhancement programs conducted for at least 25,000 persons (at least 20% women), including workers, entrepreneurs, and students

(9) A road map for skill development has been approved by APSSDC on September 13, 2017. In FY2018, the APSSDC has run trainings to 28,156 candidates of whom 9,781 or 34.7% were women.

Geographical Location
Andhra Pradesh

Safeguard Categories

Environment
   B
Involuntary Resettlement
   C
Indigenous Peoples
   C
Summary of Environmental and Social Aspects

Environmental Aspects

The PBL is categorized as B for environment, and measures will be taken for the assessment and mitigation of likely induced impacts resulting from the expected increase in industrialization.

Involuntary Resettlement

The PBL is categorized as C for involuntary resettlement as it is not anticipated to have any impacts.

Indigenous Peoples

The PBL is categorized as C for indigenous peoples, as it is not anticipated to have any impacts.

Stakeholder Communication, Participation, and Consultation

During Project Design

Stakeholders consultations were conducted during preparation of the PBL.

During Project Implementation

Continuous widespread consultations are being held with all stakeholders.

Business Opportunities

Consulting Services
Not Applicable

Procurement
Not Applicable

Contact

Responsible ADB Officer
Matsunaga, Akira

Responsible ADB Department
South Asia Department

Responsible ADB Division
Urban Development and Water Division, SARD

Executing Agencies
Department of Industries & Commerce, Government of Andhra Pradesh

Timetable

Concept Clearance
11 Jan 2016  
Fact Finding  
18 Nov 2015 to 26 Nov 2015  
MRM  
07 Apr 2016  
Approval  
20 Sep 2016  
Last Review Mission  
-  
Last PDS Update  
08 Oct 2020  

**Funding**

**Loan 3424-IND**

<table>
<thead>
<tr>
<th>Approval</th>
<th>Signing Date</th>
<th>Effectivity Date</th>
<th>Closing Date</th>
<th>Revised</th>
<th>Actual</th>
</tr>
</thead>
</table>

**Total (Amount in US$ million)**

- **Project Cost**: 125.00
- **ADB**: 125.00
- **Counterpart**: 0.00
- **Cofinancing**: 0.00

**Loan Utilization**

<table>
<thead>
<tr>
<th>Date</th>
<th>ADB</th>
<th>Others</th>
<th>Net Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative Contract Awards</td>
<td>17 Jun 2022</td>
<td>125.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Cumulative Disbursements</td>
<td>17 Jun 2022</td>
<td>125.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**TA 9173-IND**

<table>
<thead>
<tr>
<th>Approval</th>
<th>Signing Date</th>
<th>Effectivity Date</th>
<th>Closing Date</th>
<th>Revised</th>
<th>Actual</th>
</tr>
</thead>
</table>

**ADB**

<table>
<thead>
<tr>
<th>Gov</th>
<th>Beneficiaries</th>
<th>Project Sponsor</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,000,000.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**Cumulative Disbursements**

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Date Generated: 15 June 2024

ADB provides the information contained in this project data sheet (PDS) solely as a resource for its users without any form of assurance. Whilst ADB tries to provide high quality content, the information are provided "as is" without warranty of any kind, either express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, and non-infringement. ADB specifically does not make any warranties or representations as to the accuracy or completeness of any such information.

Source URL: https://www.adb.org/projects/48434-005/main