

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	India	Project Title:	Accelerating Infrastructure Investment Facility in India (Tranche 3)
Lending/Financing Modality:	Multitranche Financing Facility	Department/ Division:	South Asia Department Public Management, Financial Sector and Trade Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY	
Poverty targeting: General intervention	
A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy	
<p>The investment project supports poverty reduction development goals of the Government of India and the Asian Development Bank (ADB) for India. Strong growth since the mid-1990s has raised gross domestic product (GDP) per capita by over 5% per year. Growth has also become more inclusive as about 140 million people have been taken out of poverty in less than 10 years (2007–2017). However, many Indians still lack access to core public services, such as electricity and sanitation. Achieving strong and balanced regional development is also key to promote inclusive growth, as income inequality and disparities in access to core public services between states and between rural and urban areas are large. Despite more inclusive growth, India ranked a disappointing 60th among the 79 developing economies assessed in the World Economic Forum's latest Inclusive Development Index. This is reflected in growing inequality, in light of the fact that India's richest 1% own 53% of its wealth, up from 36.8% in 2000.^a The rise in inequality is compromising the pace at which India is lifting people out of extreme poverty (about one-third of the world's population living on under US\$1.90 live in India—around 224 million people).</p> <p>The country partnership strategy (CPS) 2018–2022 of ADB for India is closely aligned with India's development objectives under its 15-year vision and strategy. Accordingly, the CPS focuses on three pillars namely (i) boost economic competitiveness to create more and better jobs by expanding infrastructure networks for transport and energy along economic corridors, (ii) provide inclusive access to infrastructure networks and social services by improving the infrastructure bottlenecks in lagging regions, and (iii) address environmental degradation. In addition, the country assistance and program evaluation (CAPE) 2007–2015, highlights that the first two multitranche financing facilities to India Infrastructure Finance Company Limited (IIFCL) amounting to \$1.2 billion catalyzed investments under the public-private partnership (PPP) modality of around \$14.6 billion, achieving an estimated average fund mobilization ratio of 12 times. In this, the CAPE also indicated that ADB's finance sector strategy is aimed at promoting greater private sector participation through PPP in infrastructure. In light of this guidance, the proposed facility seeks to expand the availability of funding sources for infrastructure projects, which will significantly assist in expanding the availability of high-quality infrastructure in India.</p>	
B. Results from the Poverty and Social Analysis during PPTA or Due Diligence	
<p>1. Key poverty and social issues. India's poverty rate fell from 37.2% in FY2004 to 21.9% in FY2011, reducing the number of the absolute poor by 137 million. Inequality, as measured by the Gini coefficient, increased marginally from 0.27 in FY2004 to 0.28 in FY2011 in rural areas, and from 0.35 to 0.37 in urban areas. India achieved most of the Millennium Development Goals, although its Human Development Index score of 0.62 in 2015 was lower than the median (0.67) for developing countries. A growing gap between higher- and lower-income states remains a chronic and major concern.^b Accelerating poverty reduction therefore requires targeting lower-income states where most of the poor are concentrated. The government has prioritized this agenda, with programs to (i) extend rural road connectivity and uninterrupted electricity access to all villages by 2019, (ii) rapidly expand financial inclusion using a national identity based digital platform, and (iii) set up Smart and AMRUT cities as economic growth hubs in those states.</p> <p>2. Beneficiaries. Average annual growth during FY2012–FY2016 was 2.5% in agriculture, 7.4% in manufacturing, and 8.6% in the services. However, the structural transformation toward modern manufacturing and services has not been accompanied by a commensurate employment increase in these sectors. Agriculture remains the largest employer, which means half of India's workforce has low productivity and low incomes. As the economy needs to absorb about 10 million new workers each year, accelerating the structural transformation and job creation is essential to ensure that economic transformation is inclusive.</p> <p>Although India has improved its global ranking in the quality of infrastructure index from 87 to 68 during 2014–2016,^c infrastructure continues to be a major bottleneck. To meet the accessibility and mobility requirements of the growing economy, the road infrastructure needs massive investments to widen roads, pave surfaces, improve road safety, and maintain assets. Despite ongoing investments to strengthen the rail system, such as assigning dedicated freight corridors, it still suffers from congestion on high-density routes, slow freight train speed, and high freight costs. Efficient connectivity of the road, rail, and port systems also remains critical to contain high logistics costs and build global competitiveness. Power generation capacity needs to keep pace with rapid economic growth but constrained</p>	

by financial difficulties of power utilities. About 25% of households remain unelectrified, and many more suffer from intermittent power supply.

3. Impact channels. About half of India's workforce is engaged in agriculture, which contributes only 14% to India's GDP. This illustrates the sector's low productivity, and hence, limited income earning opportunities. Labor productivity in agriculture has been estimated to be only 29% of labor productivity nationally. The manufacturing sector, which has considerable untapped potential, employs only 11% of the workforce while contributing 16% to India's GDP. Moreover, about 80% of the manufacturing workforce is employed in the informal sector, where productivity and earnings tend to be low and firm size is often too small to benefit from productivity-enhancing technology. Private investment in the formal sector manufacturing has been concentrated in capital-intensive and skill-intensive sectors and has largely bypassed the labor-intensive subsectors. Physical infrastructure like road, transport, and communications provide geographic access and information flow, thereby increasing labor mobility and making it easier for surplus labor to move to places where labor is in short supply. Good infrastructure is also likely to usher in industrial or agro-industrial development. High quality infrastructure also brings in influences and stimuli and result in changes in mentalities, attitudes, opportunities, and socio-economic structures, along with a rise in income levels. Apart from directly impacting productivity, infrastructure development is expected to attract better teachers and doctors, expand learning and health-care opportunities, and improve human capital in a region. Studies of rural roads have shown how they raise the productivity and value of land for poor farmers.^d There is also evidence that a better transportation and safer roads increase school attendance and electricity allows more study time, while water and sanitation access reduce child mortality.^e Various studies suggest that investment in infrastructure facilitates job creation by increasing agriculture and manufacturing productivity, and distributes the benefits of economic growth more evenly.^f

4. Other social and poverty issues. The cost to address India's infrastructure deficit is about \$230 billion per year.^g There are sizable gaps in financing and institutional capacities. The fiscal space for some state governments is increasingly constrained. Meanwhile, private sector participation in infrastructure dropped from more than \$55 billion in 2010 to \$5 billion in 2015 as nonperforming infrastructure assets of previous PPP investments increased.^h The government is trying to create more fiscal space by enhancing the efficiency of tax collection and expenditure distribution, and by devolving more resources to states. It is also seeking to revitalize PPPs by strengthening PPP institutions, promoting improved contractual modalities, pursuing fair allocation of risks, and strengthening progress monitoring.

5. Design features. The key anticipated impact on poverty will be through financial sector development and greater affordability of high quality infrastructure developed through the PPP modality. More efficient and lower cost infrastructure would lead to greater affordability and higher usage among the poor leading to an improvement in their productivity and income.

II. PARTICIPATION AND EMPOWERING THE POOR

1. Participatory approaches and project activities. The enhanced availability of long-term finance for PPP subprojects will help in financing at least 13 PPP subprojects that will benefit subproject areas.

2. Civil society organizations. The engineering, procurement, and construction contractors often conduct consultations in the form of focus group discussions (FGDs) and surveys to identify project affected persons. These FGDs and surveys guide the contractors in determining compensation and remuneration packages in the event of any land acquisition or damage to crops due to civil works related to subproject. The safeguard due diligence reports will document the FGDs, where applicable, with respect to environmental, resettlement, and indigenous peoples safeguards issues. In addition, the development of infrastructure will expand the labor market to the poor have access. Further, the indirect impacts of improved infrastructure on the poor accrue through access to complementary markets resulting in price reduction in consumer and capital goods.

3. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA):

NA Information gathering and sharing NA Consultation NA Collaboration NA Partnership

4. Participation plan.

☐ Yes.

☒ No. No direct interaction with civil society

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: no gender elements

A. Key issues. While the project will not have direct gender benefits, an indirect gender impact is envisaged in the form of improved and more affordable infrastructure services. Female and male entrepreneurs alike have suffered due to the lack of quality infrastructure, such as a regular power supply for production units and roads for market access. Women will spend less time collecting water and fuel when better infrastructure is available to them, allowing them more time to engage in other livelihood activities. A regular water supply and adequate drainage improves working conditions for women in the informal sector, who usually work from home in rural India, and affordable infrastructure will assist women and other vulnerable groups through better quality health care and access to education.

B. Key actions. <input type="checkbox"/> Gender action plan <input type="checkbox"/> Other actions or measures <input checked="" type="checkbox"/> No action or measure			
IV. ADDRESSING SOCIAL SAFEGUARD ISSUES			
A. Involuntary Resettlement Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI			
1. Key impacts. No significant resettlement is expected as category A subprojects are excluded. Land for subprojects is generally acquired prior to ADB funding or through negotiated settlement. Projects usually come to IIFCL after the technical closure and all activities pertaining to land acquisition and compensation, if any, have already been initiated and/or accomplished. Subprojects under the facility, therefore, generally do not trigger any involuntary resettlement impacts.			
2. Strategy to address the impacts. IIFCL has an appropriate environmental and social safeguards framework in place to address the likely key impacts of tranche 3. The environment and social management unit checks for subproject compliance with applicable national regulations during the due diligence study and audit. The due diligence reports are then submitted to ADB for verification and clearance. Monitoring and assessment of safeguards compliance is based on the lender's independent engineering report and site visits. Selection of project sites is done in consultation with ADB for any pertinent social issues in the subprojects.			
3. Plan or other Actions. <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> No action </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Combined resettlement and indigenous peoples plan <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework <input type="checkbox"/> Social impact matrix </td> </tr> </table>		<input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> No action	<input type="checkbox"/> Combined resettlement and indigenous peoples plan <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework <input type="checkbox"/> Social impact matrix
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B. Indigenous Peoples Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
1. Key impacts. Subprojects assessed as category A or B for indigenous peoples are prohibited.			
2. Strategy to address the impacts. Not applicable.			
3. Plan or other actions. <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> Social impact matrix <input type="checkbox"/> No action </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Combined resettlement plan and indigenous peoples plan <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework <input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary </td> </tr> </table>		<input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> Social impact matrix <input type="checkbox"/> No action	<input type="checkbox"/> Combined resettlement plan and indigenous peoples plan <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework <input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary
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V. ADDRESSING OTHER SOCIAL RISKS			
A. Risks in the Labor Market			
1. Relevance of the project for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L). <input type="checkbox"/> unemployment <input type="checkbox"/> underemployment <input type="checkbox"/> retrenchment <input type="checkbox"/> core labor standards			
2. Labor market impact. Not applicable.			
B. Affordability Not applicable.			
C. Communicable Diseases and Other Social Risks			
1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): <input type="checkbox"/> Communicable diseases <input type="checkbox"/> Human trafficking <input type="checkbox"/> Others (please specify) _____			
2. Risks to people in project area. Corporate social responsibility initiatives often provide awareness on HIV and other livelihood activities for women and encourage subprojects to undertake gender specific interventions to reduce such risks in the process.			

VI. MONITORING AND EVALUATION

1. Targets and indicators. As the project is a financial intermediation, the project's major target is to catalyze over \$2.4 billion of private sector investment for financially closing subprojects by 2023. IIFCL, as the project implementing agency, will serve as the intermediary between ADB and the subprojects in terms of monitoring for performance.
2. Required human resources. IIFCL, as the implementing agency, will serve as the intermediary between ADB and the project owner (special purpose vehicle) in terms of monitoring for performance.
3. Information in the project administration manual. Project review and monitoring will be submitted in the form of audit sheets and performance reports, which will be submitted by IIFCL on a semiannual basis. These will contain compliance monitoring in line with the environmental and social safeguards framework and environment and social safeguards as prescribed in the ADB Safeguard Policy Statement.
4. Monitoring tools. Semiannual reports from the project management unit and annual audited project financial statements.

^a For comparison, the richest 1% in the United States own 37.3% of its wealth.

^b The per capita income in five high-income states (Gujarat, Haryana, Karnataka, Maharashtra, and Tamil Nadu) grew by 6.0% during FY2012–FY2016. In five large low-income states where 54% of the country's poor are concentrated (Bihar, Jharkhand, Madhya Pradesh, Odisha, and Uttar Pradesh), it grew by 5.0% during the same period.

^c World Economic Forum. 2016. [The Global Competitiveness Report, 2016–2017](#). Geneva; and World Economic Forum. 2014. [The Global Competitiveness Report 2014–2015](#). Geneva.

^d H. Jacoby. 2000. Access to Markets and the Benefits of Rural Roads. *The Economic Journal*. 110 (465). pp. 713–737.

^e M. Fay et al. [Achieving the Millennium Development Goals: The Role of Infrastructure](#). *World Bank Research Working Paper Series*. No. 3163. Washington, DC: World Bank.

^f R. Murgai and R. Zagha. 2010. Building Infrastructure for Accelerated Poverty Reduction. New Delhi. BS Books. pp. 54–75; S. Fan et al. 2000. [Government Spending, Growth and Poverty: An Analysis of Interlinkages in Rural India](#). *American Journal of Agricultural Economics*. 82(4). pp.1038–1051; S. Datta. 2012. The Impact of Improved Highways on Indian Firms. *Journal of Development Economics*. 99(1). pp. 46–57, J. Rud. 2011. Infrastructure Regulation and Reallocations within Industry: Theory and Evidence from Indian firms. *Journal of Development Economics*, 99(1), pp. 116–127.

^g ADB. 2017. [Meeting Asia's Infrastructure Needs](#). Manila. This amount is equivalent to 7.1% of GDP, compared with 5.5% of GDP invested during FY2012–FY2013.

^h This is associated with the lower viability of many PPP projects because of implementation delays, lower-than expected revenues, and other risks that had to be borne by investors.

Sources: Government of India. National Institution for Transforming India. 2017. [India 2031-2032: Vision, Strategy, and Action Agenda](#). Delhi and ADB. 2017. [Country Partnership Strategy: India 2018–2022](#). Manila.