



## Concept Paper

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Project Number: 55154-001  
August 2021

# Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1

## India: Strengthening Multimodal and Integrated Logistics Ecosystem

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**Asian Development Bank**

## CURRENCY EQUIVALENTS

(as of 11 August 2021)

Currency unit	–	Indian rupee/s (₹)
₹1.00	=	\$0.0134
\$1.00	=	₹74.4215

## ABBREVIATIONS

ADB	–	Asian Development Bank
CO <sub>2</sub>	–	carbon dioxide
COVID-19	–	coronavirus disease
EXIM	–	export–import
GDP	–	gross domestic product
LPTs	–	logistics parks and terminals
MMLP	–	multimodal logistics project
MOCI	–	Ministry of Commerce and Industry
NLC	–	national logistics council
NLP	–	national logistics policy
PBL	–	policy-based loan
PGA	–	partner government agency
SLDE	–	secured logistics document exchange
SMILE	–	Strengthening the Multimodal and Integrated Logistics Ecosystem
TA	–	technical assistance
t-km	–	ton-kilometer

## 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., FY2021 ended on 31 March 2021.
- (ii) In this report, “\$” refers to United States dollars, unless otherwise stated.

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## PROGRAM AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number:</b> 55154-001	
<b>Project Name</b>	Strengthening Multimodal and Integrated Logistics Ecosystem (Subprogram 1)	<b>Department/Division</b>	SARD/SAPF
<b>Country</b>	India	<b>Executing Agency</b>	Ministry of Commerce
<b>Borrower</b>	Government of India		
<b>Country Economic Indicators</b>	<a href="https://www.adb.org/Documents/LinkedDocs/?id=55154-001-CEI">https://www.adb.org/Documents/LinkedDocs/?id=55154-001-CEI</a>		
<b>Portfolio at a Glance</b>	<a href="https://www.adb.org/Documents/LinkedDocs/?id=55154-001-PortAtaGlance">https://www.adb.org/Documents/LinkedDocs/?id=55154-001-PortAtaGlance</a>		
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
✓ <b>Transport</b>	Multimodal logistics		250.00
		<b>Total</b>	<b>250.00</b>
<b>3. Operational Priorities</b>		<b>Climate Change Information</b>	
✓ 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			
✓ Strengthening governance and institutional capacity		<b>ADB Financing</b>	
✓ Fostering regional cooperation and integration		Adaptation (\$ million)	11.36
		Mitigation (\$ million)	90.90
		<b>Cofinancing</b>	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
<b>Sustainable Development Goals</b>		<b>Gender Equity and Mainstreaming</b>	
SDG 9.1		Some gender elements (SGE)	✓
SDG 12.4			
SDG 13.a		<b>Poverty Targeting</b>	
		Geographic Targeting	✓
<b>4. Risk Categorization:</b>	Complex		
<b>5. Safeguard Categorization</b>	Environment: C Involuntary Resettlement: C Indigenous Peoples: C		
<b>6. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>250.00</b>	
Sovereign Programmatic Approach Policy-Based Lending (Regular Loan):		250.00	
Ordinary capital resources			
<b>Cofinancing</b>		<b>100.00</b>	
Korea Exim Bank - Programmatic Approach Policy-Based Lending (Loan)		100.00	
(Not ADB Administered)			
<b>Counterpart</b>		<b>0.00</b>	
None		0.00	
<b>Total</b>		<b>350.00</b>	
Note: An attached technical assistance will be financed on a grant basis by the Technical Assistance Special Fund (TASF-OTHERS) in the amount of \$1,000,000.			
<b>Currency of ADB Financing:</b> US Dollar			

## I. THE PROPOSAL

1. Strengthening the Multimodal and Integrated Logistics Ecosystem (SMILE) is a proposed programmatic policy-based loan (PBL) to India to bolster its institutional and policy framework for interministerial coordination and planning, which will motivate private sector players to participate in multimodal logistics parks (MMLPs), improve efficiencies in external trade logistics, and encourage the use of smart and automated systems for improved service delivery. The program is fully aligned with the country partnership strategy, 2018–2022 of the Asian Development Bank (ADB) for India and its objectives of boosting economic competitiveness to create more and better jobs (strategic pillar 1), ensuring inclusive provision of infrastructure networks and services (strategic pillar 2), with cross-cutting themes related to private sector participation in transport and logistics; and encouraging the private financing of infrastructure projects.<sup>1</sup> The program also directly supports ADB's Strategy 2030 and several of its operational priorities: 1—reducing remaining poverty and inequalities (para. 3); 2—accelerating progress in gender equality (para. 18); 3—tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability (paras. 9–12); 6—strengthening governance and institutional capacity (paras. 9–12); and 7—fostering regional cooperation and integration (paras. 11–13).

2. The proposed programmatic PBL modality with two subprograms of \$250 million each, in FY2022 and FY2024 respectively, supported by attached transaction technical assistance (TA, para. 17),<sup>2</sup> is appropriate because (i) the program will support crucial structural reforms to strengthen institutions, coordination, and processes; (ii) the government has shown strong commitment to reforms aligned with its development objectives (paras. 8 and 14); and (iii) structural reforms need proper sequencing to ensure sustainability. Subprogram 1 includes actions that lay a critical policy and institutional foundation for further reforms. Subprogram 2 will be processed within 26 months of the first one to further build on those actions, and strengthen systems at different levels, including associated ministries, partner government agencies (PGAs), and subnational governments.

## II. PROGRAM AND RATIONALE

### A. Background and Development Constraints

3. **Strong macroeconomic framework.** India was one of the world's fastest-growing economies, averaging annual gross domestic product (GDP) growth of 6.6% from FY2013 to FY2020, supported by sound macroeconomic management that contributed to a substantial reduction in poverty.<sup>3</sup> The central government's fiscal deficit averaged 3.6% during FY2016–FY2020, lower than 4.8% in FY2011–FY2015.<sup>4</sup> The government rolled out several structural reforms, including the introduction of a goods and services tax, lower corporate tax rates to boost investment, and income tax reforms. In FY2021, GDP growth decelerated sharply to –8.0% 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.<sup>5</sup> The government prioritized

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<sup>1</sup> This lending proposal was 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. A preliminary draft of the policy design and monitoring framework is in Appendix 1.

<sup>2</sup> 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 (para. 15).

<sup>3</sup> Computed from [the annual GDP data](#) of the Ministry of Statistics and Plan Implementation (accessed 2 June 2021).

<sup>4</sup> Reserve Bank of India. 2020. [Handbook of Statistics on Indian Economy 2019-20](#) (Table 232). Mumbai.

<sup>5</sup> ADB. 2021. [Asian Development Outlook – Supplement](#). Manila (July).

manufacturing growth as a key contributor to this economic revival and to resilience (para. 14).

4. **Core development problem.** An integrated logistics network enables the efficient movement of goods from production and distribution centers to consumer markets. It boosts economic growth and employment by making trade competitive, improving producer margins, reducing wastage during transit, increasing demand, and lowering carbon emissions.<sup>6</sup> However, India's logistics industry suffers from inefficiencies that are impeding the country's manufacturing and services competitiveness. The logistics costs were estimated at 13.5% of India's GDP and 18% of the final price of goods in 2017—substantially higher than the 8%–9% of GDP and 9%–10% of the final price of goods in developed nations (footnote 6). In logistics performance, India ranked 44th of 160 countries in 2018, below Japan (5th), the Republic of Korea (25th), the People's Republic of China (26th), Thailand (32nd), Viet Nam (39th), and Malaysia (41st).<sup>7</sup>

5. **Silo approach to logistics.** Infrastructure has been developed under different ministries based on their specific requirements.<sup>8</sup> The composite system of clearances and approvals required at state and federal level for logistics infrastructure development has evolved into incremental layers of regulations and regulators. Standards and regulatory protocols associated with the physical assets used in warehousing, including temperature-controlled warehousing, are not rationalized to allow for greater inter-operability resulting in their sub-optimal use. Non-standard nomenclatures related to logistics facilities has resulted in varying interpretations, unintegrated development, and inadequate monitoring, while disjointed development has led to deficient process automation, unintegrated information systems, and poor service delivery. This has discouraged the planned and coordinated development of modern infrastructure such as MMLPs, which can provide significant economies of scale.

6. **Lack of economies of scale.** Almost 99% of logistics' contribution to GDP comes from small and largely unorganized operators.<sup>9</sup> The resulting fragmentation of services impeded the adoption of modern technology and skills. India has a shortage of world-class logistics professionals and skilled workers.<sup>10</sup> Poor road management and multiple stoppages affect service reliability, impose additional costs, and slow average truck speeds to 30 km–40 km per hour—half the global average speed of 60 km–80 km per hour.<sup>11</sup> Still, 59% of the freight movement in India is by road—the result of inadequate multimodal transport development. Rectifying the skewed modal mix in India could potentially lower the costs by ₹210 billion–₹270 billion (\$2.8 billion–\$3.6 billion) by 2025 and reduce the sector's carbon footprint.<sup>12</sup>

<sup>6</sup> World Bank research in Latin America shows that reducing the share of logistics costs in the final price of goods by 14% can increase demand for those goods by 8%–18% and increase employment by 2.5%–16.0%. India loses an estimated 40% of agricultural production to supply chain wastage. CO<sub>2</sub> emissions from logistics accounted for 7% of total carbon dioxide (CO<sub>2</sub>) emissions in India in 2018. Government of India, NITI Aayog; and Rocky Mountain Institute. 2018. [Goods on the Move- Efficiency and Sustainability in Indian Logistics](#). Global Mobility Summit. Delhi.

<sup>7</sup> This ranking is 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, DC.

<sup>8</sup> The responsibility for logistics regulation and development lies with the four transport-related ministries of the central government. State governments are responsible for state roads, transport and traffic regulation, utilities, and warehousing. The Ministry of Commerce and Industry is an important stakeholder. The Central Board of Indirect Taxes and Customs regulates the export–import (EXIM) trade along with 55 other logistics-specific PGAs.

<sup>9</sup> Logistics Skills Council. [Overview on Logistics Industry](#) (accessed 18 April 2021).

<sup>10</sup> A huge shortage of drivers resulted in 28% of trucks lying idle. IRU. 2018. [Driver Shortage for Trucking Industry- An India Perspective](#). Washington, DC.

<sup>11</sup> ADB. 2021. [An Institutional Framework for Efficient Road Freight Transportation in India: Reforms in Compliance and Enforcement Architecture](#). Manila.

<sup>12</sup> Of the alternative modes of transport in India, coastal shipping is the cheapest and the most energy efficient, costing ₹0.15–₹0.2 per ton-kilometer (t-km). Railways cost ₹1.5 per t-km, and road transport costs ₹2.5 per t-km. Deloitte and ASSOCHAM. 2018. [India - On the Cusp of a Logistics Revolution](#). New Delhi (January).

7. **Congestion and delays in external trade logistics and coastal shipping.** Although initiatives were taken to automate customs procedures in India, the clearance of vessels and export–import (EXIM) cargo shipments at ports and airports still involves some manual processes such as physical inspection and paperwork.<sup>13</sup> The process of repositioning foreign vessels for coastal shipping is quite cumbersome. Restrictions remain on mixing coastal and EXIM cargo on foreign roll-on roll-off vessels, which imposes extra voyage costs. Overall, the processes at ports and airports in India require reengineering to establish them as transshipment hubs.

## B. Policy Reform, ADB’s Value Addition, and Sustainability

8. **Government’s reform agenda.** The fragmentation across multiple ministries and agencies led to the uncoordinated and suboptimal development of logistics infrastructure and services, and is a key cause of the system’s binding constraints (paras. 5–7). The government’s high priority of reforming the logistics industry is evident from recent policy initiatives.<sup>14</sup> In 2017, it set up a logistics division in the Ministry of Commerce and Industry (MOCI) to drive interministerial coordination of the reform agenda (para. 14). The key objectives of the division are to (i) increase investment in modern and efficient infrastructure such as MMLPs and cold chain networks by addressing policy, regulatory, procedural, and coordination issues; (ii) digitalize operations to ensure better services; and (iii) reengineer systems and processes for improved efficiency and lower emissions. These reforms underpin the policy targets of improving India’s logistics performance ranking (footnote 7) and reducing the logistics costs to boost manufacturing’s competitiveness. Since 2018, ADB has been supporting the division (para. 13), and the SMILE program builds on that support for the government’s reform agenda.

9. **Reform area 1: Policy and institutional framework established and strengthened for interministerial coordination and decision-making in logistics.** This reform area will tackle the constraints identified in para. 5. In subprogram 1, the government will submit a national logistics policy (NLP) for cabinet approval, including provisions for setting up an interministerial national logistics council (NLC) as the apex body, and other institutional mechanisms for coordinated logistics planning, development, and regulation.<sup>15</sup> The NLP will provide extensive policy guidance and serve as the key driver of comprehensive reforms under subprogram 2. Specifically, the MOCI will (i) ensure cabinet approval of the NLP; (ii) establish the NLC; (iii) operationalize the technical support unit to reinforce infrastructure development and monitoring under the National Master Plan;<sup>16</sup> (iv) establish the institutional arrangements for NLP implementation, including key logistics coordination committees in at least 10 states and 10 cities;

<sup>13</sup> The median time spent by container ships at Indian ports is 0.93 days, compared with 0.35 days for Japan, 0.60 days for the Republic of Korea, and 0.62 days for the People’s Republic of China. United Nations Conference on Trade and Development (UNCTAD). 2020. [Review of Maritime Transport 2019](#). Geneva. Cargo dwell times are more than 36 hours for exports and 48 hours for imports at major Indian airports (Delhi, Mumbai, Chennai, and Bangalore). In comparison, airports in Singapore; Incheon; Dubai; Hong Kong, China; and Sharjah have cargo dwell times of 6 hours or less (exports) and 8 hours or less (imports). Ministry of Civil Aviation. 2012. [Air Cargo Logistics in India: Working Group Report](#). Delhi.

<sup>14</sup> 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 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.

<sup>15</sup> As the apex body for interministerial coordination, the NLC shall comprise the secretaries of related ministries and/or departments, nominees of the states and/or union territories (by rotation), and important stakeholders and experts.

<sup>16</sup> The National Masterplan on Multi-Modal Connectivity (NMP–MMC) is an important tool envisaged under the NLC for integrating industrial and urban agglomerations and improving connectivity to internal markets and trade gateways.

and (v) ensure the development of logistics plans by at least 5 states and at least 10 cities.

**10. Reform area 2: Processes strengthened and standardized to encourage private investment and improve operational efficiency.** This reform area will address the constraints described in para. 5. In subprogram 1, MOCI will (i) approve a reference document on standards for warehousing and related assets to drive warehousing development, and issue an advisory to the banks for adopting the standards as part of their loan due diligence process; (ii) establish an eWarehousing hub, including a national eRegistry of warehouses with geotagging, to act as a discovery platform for users; (iii) finalize the framework guidelines for a national grid of logistics parks and terminals (LPTs), based on interministerial consultations, to provide a development tool for state governments and line ministries, and a unified taxonomy for all facilities of the national grid of LPTs to ensure a commonly understood classification of logistics facilities; and (iv) collaborate with related ministries in operationalizing an industry-led resource center for cold chain logistics to serve as a government-industry interface platform. In subprogram 2, MOCI will (i) institute a system to certify and rate warehouses and related assets based on an independent third-party assessment of their adoption of specified standards; (ii) ensure that at least 10 states adopt a single-window digital interface for warehousing approvals; (iii) operationalize the national eRegistry by onboarding at least 20% of all warehouses across the country; (iv) issue the framework guidelines for a national grid of LPTs for adoption by line ministries and state governments; (v) constitute an interministerial working group to act as a single window for the coordinated approval and development of LPTs, which shall have enrolled at least 10 such development proposals in a new online system created for easy approval and monitoring in accordance with the framework guidelines for the LPT grid; (vi) facilitate the establishment of a geotagged cold chain asset database for use by stakeholders; (vii) issue standards and regulatory protocols for physical assets used in warehousing to allow for greater inter-operability; and (viii) operationalize a system for energy efficient ratings for cold chain infrastructure.

**11. Reform area 3: External trade logistics and movement of domestic cargo through coastal shipping improved.** This reform area will address the constraints identified in para. 7. In subprogram 1, the government will (i) roll out a manual in the form of a mapping and improvement toolkit to reengineer and improve port processes, and implement it in two ports; (ii) allow the use of EXIM containers for domestic movement to reduce the costs of repositioning empty containers; (iii) allow mixing of coastal and EXIM cargo on foreign roll-on roll-off vessels to reduce voyage costs; (iv) operationalize a digital import clearance system for two PGAs after conducting user acceptance testing at one port; and (v) develop a modern risk management system for 4 PGAs to reduce physical inspections.<sup>17</sup> In subprogram 2, the government will (i) implement the port process mapping and improvement toolkit, and a similar toolkit for airports, to reengineer processes at 6 additional ports and 3 airports; (ii) digitize the endorsement of the bill of coastal goods presented for any coastal shipment; (iii) implement standardized processes for foreign vessel conversion for coastal movement, green channel clearance, and priority berthing of coastal cargo to further ease its movement through coastal shipping; and (iv) operationalize the digital import clearance system in 2 PGAs (drugs and cosmetics regulator, and textiles regulator) by conducting user acceptance testing in one port, and have 4 PGAs operationalize a customized risk management effectiveness tool to upgrade risk management principles for better preparedness against emerging risks.

**12. Reform area 4: Smart systems implemented for safe, efficient, and lower-emission logistics.** This reform area will tackle the constraints identified in paras. 6–7. In subprogram 1,

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<sup>17</sup> The 4 PGAs—(i) animal quarantine and certification services, (ii) drugs and cosmetics regulator, (iii) wildlife regulator, and (iv) textiles regulator—are responsible for the bulk of EXIM clearances.

MOCI will (i) develop and disseminate the prototype of a customizable smart road enforcement application for adoption by state governments; (ii) issue guidelines in the form of a primer for smart road enforcement that incorporates best practices for adoption by state governments to ensure consistency in the digitalization of traffic control and management, and minimize truck stoppages; and (iii) test beta version of a secured logistics document exchange (SLDE) for the digital exchange of documents between key stakeholders, including 2 banks, 1 vessel operator, and 1 exporter and/or importer. In subprogram 2, MOCI will (i) ensure that at least 4 state governments adopt the guidelines on smart road enforcement; and operationalize the smart road enforcement application; and (ii) operationalize the SLDE application by ensuring that the key stakeholders have adopted the exchange of digital documents through the SLDE.

13. **ADB's value addition.** Since 2015, ADB has supported several innovative and transformational initiatives in India's logistics segment, including planning and operation of MMLPs in several states, coastal shipping, and improved regional connectivity with South Asia and Southeast Asia.<sup>18</sup> The SMILE program incorporates lessons from these initiatives, particularly the need for interministerial coordination, and process standardization and digitalization. Since 2018, ADB has helped MOCI design and implement logistics reform programs in coordination with other ministries, including initiatives to promote digitalization and risk management systems for EXIM trade. The SMILE program is a culmination of those efforts.<sup>19</sup> The program also complements two ADB programs being processed in India for strengthening the institutional ecosystem for micro, small, and medium enterprises; and industrial corridor development.<sup>20</sup> The synergy across these ADB programs will bring a higher development impact that is aligned with the government's strategic objectives of boosting manufacturing growth (para. 14). ADB coordinated the programs with other development partners (para. 15). Sustainability is primarily embedded in the government's strong ownership of reforms and ADB's partnership with the government for its logistics reform agenda and follow-on actions, including the knowledge, advisory, and implementation support through the attached TA (para. 17).

### C. Expected Outcome of the Reform

14. The SMILE program's reform areas will enable coordination across ministries in (i) encouraging private investment in logistics infrastructure development; (ii) easing users' access to information about available capacities in key assets such as warehousing and cold chains for their efficient use; (iii) enabling faster movement of goods; and (iv) streamlining customs procedures for efficient cargo handling, clearance, and movement. Together, these efforts should result in the targeted outcome—operational efficiency and multimodal expansion of India's logistics industry increased—thereby, boosting growth and competitiveness of manufacturing and trade. The program is aligned with (i) the government's development objective under the Make in India program, which aims to increase the manufacturing share of GDP to 25%

<sup>18</sup> ADB conducted pre-feasibility studies for MMLPs at Jogighopa in Assam, and Debaspete in Karnataka as the lead partner for the Logistics Efficiency Enhancement Program of the Ministry of Road Transport and Highways: ADB. 2020. [Developing Multimodal Logistics Parks in India](#). Manila. ADB is conducting analytical studies for advancing maritime cooperation among Bangladesh, India, Maldives, Myanmar, and Sri Lanka: ADB. 2019. [Advancing Cooperation in the Maritime Sector in South Asia Subregional Economic Cooperation Program](#). Manila (TA 9758-REG). In a joint consulting effort with the Republic of Korea's Knowledge Sharing Program, ADB identified the gaps in port workers' skills in India: Republic of Korea, Ministry of Economy and Finance. 2020. [2019/20 KSP-ADB Joint Consultation Report: Skill Enhancement to Improve Port Operations in India](#). Sejong-si.

<sup>19</sup> ADB. 2018. [India: Supporting Logistics Sector Development](#). Manila (financed by the e-Asia Knowledge Fund and Technical Assistance Special Fund).

<sup>20</sup> ADB is currently processing (i) a \$250 million results-based loan for Strengthening the Micro, Small, and Medium Enterprise Cluster Ecosystem Through Institutional Network of Enterprise Development Centers; and (ii) a \$500 million PBL for the Industrial Corridor Development Program, to strengthen the competitiveness and global value chain linkages of Indian industry.

by 2025;<sup>21</sup> (ii) the Strategy for New India @75, which targets improved efficiency and expansion of logistics in India;<sup>22</sup> (iii) the Self-Reliant India Mission (*Atmanirbhar Bharat Abhiyan*), which was launched in response to the COVID-19 pandemic to support the manufacturing industry and make Indian supply chains more resilient;<sup>23</sup> and (iv) the South Asia Subregional Economic Cooperation (SASEC) Vision and Operational Plan 2016–2025, which seeks to promote regional cooperation and integration for logistics efficiency, improved multimodal connectivity, and better trade access.

#### D. Development Financing Needs and Budget Support

15. The Government of India's fiscal deficit increased significantly to 9.2% of GDP (or \$245.1 billion) in FY2021 as a fallout of the COVID-19 pandemic. It is estimated to decrease to 6.8% of GDP (or \$201.1 billion) in FY2022 (budget estimate), and to 5.4% of GDP (or \$203.2 billion) by FY2024, in line with the government's fiscal deficit to GDP ratio target of 4.5% by FY2026.<sup>24</sup> The government's financing requirement will be met almost entirely from domestic sources that include market borrowings (dated securities), borrowings from financial institutions, and drawdown of cash balances. Gross external borrowings in FY2022 are expected to be \$11,865.4 million, of which \$3,073.5 million will be from ADB and the remaining from other sources, including other development partners. ADB's \$250 million financing for subprogram 1 will account for 0.12% of the net financing need and 4.2% of the net external borrowings in FY2022.<sup>25</sup> A \$100 million parallel cofinancing by the Export–Import Bank of Korea (KEXIM) for subprogram 1 is under discussion with the government (0.05% of the FY2022 fiscal deficit).

#### E. Implementation Arrangements

16. The borrower will be the Government of India. MOCI will be the executing agency for the program. The implementing agencies are (i) the Ministry of Finance; (ii) the Ministry of Road Transport and Highways; (iii) the Ministry of Ports, Shipping, and Waterways; (iv) the Ministry of Railways; (v) the Ministry of Civil Aviation; and (vi) selected state governments. MOCI will constitute a steering committee to monitor the program's implementation, which will be supported by a coordination cell chaired by the special secretary of MOCI (and SMILE program director).<sup>26</sup> For its part, ADB will monitor program implementation through periodic progress reports and regular missions. Procurement, advance contracting, and retroactive financing are not expected. The proceeds of the PBL will be withdrawn in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).<sup>27</sup> The implementation periods are January 2019–October 2021 for subprogram 1, and November 2021–December 2023 for subprogram 2.

### III. TECHNICAL ASSISTANCE

17. The attached transaction TA is proposed to provide knowledge and advisory support and strengthen implementation capacity. The TA team will also conduct studies to further deepen the development impact, including increasing women's participation in the logistics industry. The TA

<sup>21</sup> [Make in India Program](#) (accessed 12 May 2021). Manufacturing generated 17.4% of India's GDP in FY2020.

<sup>22</sup> NITI Aayog. 2018. [Strategy for New India@75](#). India. The strategy identifies interventions in 41 distinct areas aiming for a \$4.0 trillion economy by 2022, when India celebrates 75 years of its independence.

<sup>23</sup> Government of India. 2020. [Atmanirbhar Bharat: Part 1- Businesses Including MSMEs; Part 2: Poor, Including Migrants and Farmers; Part 3: Agriculture; Part 4: New Horizons of Growth; Part 5: Government Reforms and Enablers](#). New Delhi.

<sup>24</sup> ADB estimates based on Government of India, Speech of Finance Minister. 2021. [Budget 2021-2022](#). Delhi.

<sup>25</sup> Development Financing Needs (accessible from the list of linked documents in Appendix 2)

<sup>26</sup> The steering committee, chaired by the secretary of MOCI, will have senior officials from implementing agencies as members. The coordination cell will also have representation from the implementing agencies.

<sup>27</sup> ADB. 2017. *Loan Disbursement Handbook 2017*. Manila.

is estimated to cost \$1,000,000, which will 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 staff, office, administrative help, logistics support, and other in-kind contributions.<sup>28</sup>

#### IV. DUE DILIGENCE REQUIRED

18. Due diligence will assess (i) the technical and institutional capacity of the implementing agencies, (ii) the economic aspects of the proposed reforms, (iii) issues and challenges related to governance, (iv) the impact on poverty and social aspects,<sup>29</sup> (v) gender targeting (expected categorization: *some gender elements*), (vi) climate financing, including ADB's share,<sup>30</sup> and (vii) development partner coordination. The safeguard categorizations are expected to be C for environment, involuntary resettlement, and indigenous peoples. A major risk to the program could be that immediate COVID-19 priorities may divert attention from the medium-term priorities. This risk is mitigated by the program's focus on enabling frameworks that can be carried forward even under resource constraints, and by ADB's joint oversight with the government through the ongoing knowledge support (footnote 19), attached TA (para. 17), and regular monitoring missions.

#### V. PROCESSING PLAN

##### A. Risk Categorization

19. The program is categorized as complex because it exceeds \$50 million for a PBL.

##### B. Resource Requirements

20. It is estimated that 15 person-months of staff and 3 person-months of consultant resources will be required for preparatory work.

##### C. Processing Schedule

21. The milestones and the expected completion dates are summarized in the table.

**Proposed Processing Schedule**

Milestone	Expected Completion Date
Concept paper approval	August 2021
Loan fact finding	August 2021
Management review meeting	August 2021
Loan negotiations	September 2021
Board consideration	November 2021
Loan signing	November 2021
Loan effectiveness	November 2021

Source: Asian Development Bank.

#### VI. KEY ISSUES

22. There are no key issues.

<sup>28</sup> The implementation arrangements for the TA will be aligned with those for the SMILE program. The TA report will be finalized during the fact-finding mission. All consultants will be recruited in line with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). All disbursements under the TA will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (2020, as amended from time to time).

<sup>29</sup> Initial Poverty and Social Analysis (available from the list of linked documents in Appendix 2).

<sup>30</sup> Draft Climate Change Assessment (available from the list of linked documents in Appendix 2).

## PRELIMINARY POLICY DESIGN AND MONITORING FRAMEWORK

<b>Country's Overarching Development Objectives</b>		
Production enhanced and resilience of supply chains improved (Atmanirbhar Bharat [Self-Reliant India])		
<b>Outcome</b>	<b>Risks and Critical Assumptions</b>	
Operational efficiency and multimodal expansion of logistics sector in India increased	Reduced outcome and impact if India's industrial output and external trade are severely affected due to macroeconomic slowdown and prolonged uncertainty due to the COVID-19.	
<b>Indicative Policy Actions: Subprogram 1</b> January 2019–October 2021	<b>Indicative Policy Actions: Subprogram 2</b> November 2021–December 2023	<b>Outcome Indicators</b>
<b>Reform Area 1: Policy and institutional framework established and strengthened for interministerial coordination and decision making in the logistics sector</b>		
1.1. MOCI had submitted to the cabinet the NLP, which includes the following key strategic elements: (i) unified policy and regulatory framework; (ii) digital transformation strategy for logistics; (iii) national master plan for integrated fixed infrastructure, efficient transportation, right modal mix, and rolling and floating stock; (iv) holistic skilling ecosystem and national logistics workforce strategy which includes encouraging women participation in the logistics workforce as an enabler; (v) strengthening M&E framework to measure performance improvement, including gender equality, in the logistics sector; (vi) urban and rural logistics; (vii) logistics for international trade; (viii) improving logistics in states, (ix) resilience, sustainability and innovation, including environmental sustainability; and (x) implementation and monitoring arrangements, including the interministerial NLC as the apex body for effective coordination across ministries comprising secretaries of related ministries and/or departments, nominees of the states and/or union territories (by rotation), important stakeholders and experts.	2.1 The Government shall have (i) approved the NLP, (ii) operationalized the Technical Support Unit to support the infrastructure development and monitoring under the national master plan, (iii) established the NLC for effective implementation of the NLP and national master plan, (iv) established the institutional arrangements for NLP implementation at the state level including state logistics coordination committees in at least 10 states, (v) ensured that at least 5 state governments had developed state logistics policy and plans, and (vi) ensured that at least 10 cities had institutionalized key logistics committee(s) and developed their city logistics plans.	By December 2024: Logistics Performance Index score improved to 3.40. (2018 baseline: 3.18) Source: Logistic Performance Index, The World Bank
<b>Reform Area 2: Processes strengthened and standardized for encouraging private investment and improving operational efficiency</b>		
1.2. MOCI had (i) developed and approved a reference document on standards for warehousing and related assets to drive the development of warehousing in India and (ii) issued an advisory to the banks for adopting	2.2 MOCI shall have instituted a system to certify and rate warehouses and related assets based on independent third-party assessment of their adoption of specified standards.	At least 30% of the new assets created in at least 5 states are confirmed to have adopted the standards. (2020 baseline: None)

Indicative Policy Actions: Subprogram 1 January 2019–October 2021	Indicative Policy Actions: Subprogram 2 November 2021–December 2023	Outcome Indicators
the standards as part of their loan due diligence process for the sector to ensure their adoption by stakeholders.		Source: Industry survey
1.3. MOCI had established an eWarehousing hub which includes a pan-India national eRegistry for warehouses with geo-tag providing information such as available space and type of warehouse to act as a discovery platform for the users and warehouse owners and/or operators.	2.3 MOCI shall have (i) operationalized the national eRegistry by onboarding at least 20% of all warehouses (including privately-owned and/or operated and government warehouses), and (ii) ensured that at least 10 states adopt an online single-window digital interface for securing all approvals required for warehousing.	Average time taken for warehouse registration and operationalization in 10 states which adopted the single-window system reduced by xx%. (202X baseline: xx) <sup>a</sup>  Source: Industry Survey
1.4. Based on interministerial consultation, MOCI had approved the framework guidelines for national grid of LPTs to provide a framework for (i) support by state governments and line ministries in national grid development, and (ii) common taxonomy for all facilities on the national grid of LPTs to increase visibility and have a commonly understood classification of logistics facilities.	2.4 MOCI shall have (i) issued framework guidelines for national grid of LPTs for adoption by relevant line ministries and state governments, and (ii) constituted an interministerial working group on LPTs, which shall have (a) created an online system for enrolment of proposals for development of LPTs, and (b) enrolled at least 10 LPT development proposals via online system for facilitation and monitoring in accordance with the framework guidelines for national grid of LPTs.	
1.5. MOCI had established an industry-led and funded RCCL which will serve as a government-industry interface platform to support and catalyze the development of integrated cold chain networks across the country with focus on energy efficiency.	2.5 MOCI shall have facilitated the (i) establishment of a geo-tagged cold chain asset database for use by the stakeholders, including relevant public and private sector agencies; (ii) rationalization of standards and operating protocols for cold chain infrastructure based on guidelines developed by industry, including energy efficiency standards to allow optimal use of such infrastructure; and	

Indicative Policy Actions: Subprogram 1 January 2019–October 2021	Indicative Policy Actions: Subprogram 2 November 2021–December 2023	Outcome Indicators
	(iii) operationalization of a system for energy efficiency ratings of cold chain infrastructure.	
<b>Reform Area 3: External trade logistics and movement of domestic cargo through coastal shipping improved</b>		
1.6. MOCI, in consultation with MOPSW, and other stakeholders, had rolled out a manual in the form of a <i>Port Process Mapping and Improvement Toolkit</i> , which includes an assessment methodology for reengineering and improving port processes, specifically eliminating redundancies and manual processes, and it is implemented in 2 ports (JNPT and VPT).	2.6 MOCI shall have coordinated with the MOPSW and MOCA to implement the <i>Port Process Mapping and Improvement Toolkit</i> and an <i>Airport Process Mapping and Improvement Toolkit</i> for reengineering and improvement of processes at 6 additional ports and 3 airports, respectively.	Number of hard copy submissions of clearance documents reduced by 15% in at least 6 ports and 3 airports which have implemented detailed manuals. (2020 baseline: xx) Source: Port and airport process mapping reports.
1.7. The Government of India had implemented the following policy initiatives for efficient movement of cargo through coastal shipping in India: (i) allowed the use of EXIM containers for domestic movement to reduce the empty container repositioning costs, and (ii) allowed mixing of coastal and EXIM cargo on foreign Ro-Ro vessels to reduce voyage costs.	2.7 MOCI shall have coordinated with MOPSW and CBIC to (i) digitize the submission of bill of coastal goods and its endorsement; and (ii) ensure the implementation of standardized processes for (a) conversion of foreign vessel for coastal movement; and (b) green channel clearance and priority berthing for coastal cargo, to further ease the movement of cargo through coastal shipping in India.	
1.8. The Government of India had operationalized a digital ICS for 2 PGAs (AQCS and WCCB) by completing UAT at one port of entry. <sup>b</sup>	2.8 The Government of India shall have operationalized digital ICS in 2 additional PGAs (Textile Committee and CDSCO) by completing UAT at one port of entry. <sup>c</sup>	Manual submission of documents reduced by 50%. (2021 baseline: AQCS: 30 documents; CDSCO: 10 documents; WCCB: 11 documents; TC=6 documents)  Source: Business Process Mapping undertaken at the end of the program.
1.9. In terms of Trade Facilitation Agreement and based on global best practices, the Government of India had developed RMS for 4 PGAs (AQCS, WCCB, CDSCO, and Technical Committee) to minimize physical inspections.	2.9 The 4 PGAs shall have further operationalized a customized digital risk management effectiveness tool to fine tune RMS principles for better preparedness against emerging risks.	xx (number) physical touchpoints removed in import clearance process across 4 PGAs. (2021 baseline: 2 physical touchpoints for each PGA)

Indicative Policy Actions: Subprogram 1 January 2019–October 2021	Indicative Policy Actions: Subprogram 2 November 2021–December 2023	Outcome Indicators
		Source: Business Process Mapping undertaken at the end of the program.
<b>Reform Area 4: Smart systems implemented for safe, efficient, and lower-emission logistics</b>		
1.10. MOCI had (i) developed and disseminated the prototype of a customizable smart road enforcement application for adoption by state governments; and (ii) issued guidelines in the form of a primer for smart road enforcement encapsulating best practices internationally and across states for adoption by state governments, to ensure consistency in digitization of traffic control and management.	2.10 MOCI shall have facilitated and ensured that at least 4 state governments had (i) operationalized the smart road enforcement application, and (ii) adopted the guidelines and issued notification to relevant agencies for implementation.	Average truck speed increased to at least 50km/hour in states which have implemented smart measures of road enforcement (computed by the LPPT) 2020 baseline: 40km/hr Source: Baseline- MORTH, Government of India. <a href="#">GST is Good and Simple Tax</a> . Delhi; future monitoring: LPPT
1.11. MOCI had developed the beta version of SLDE and tested through a transaction involving stakeholders including at least 2 banks, a vessel operator, and an exporter and/or importer.	2.11 MOCI shall have operationalized the SLDE by ensuring that different stakeholders including ports and airport terminals, freight forwarders and banking, shipping, and airline companies shall have adopted exchange of documents through the SLDE.	36 logistics related documents for EXIM and domestic trade managed through the SLDE platform. (2021 baseline: 0) Source: SLDE platform reports

**Budget Support****ADB:**

Subprogram 1: \$250 million (loan)

Subprogram 2: \$250 million (loan)

**KEXIM (under discussion):** \$100 million (loan)

ADB = Asian Development Bank; AQCS = Animal Quarantine and Certification Services; CBIC = Central Board of Indirect Taxes and Customs; CDSCO = Central Drug and Standards Control Organization; COVID-19 = coronavirus disease; EXIM = export–import; ICS = import clearance system; JNPT = Jawaharlal Nehru Port; KEXIM = Export–Import Bank of Korea; LPPT = logistics planning and performance tool; LPTs = logistics parks and terminals; M&E = monitoring and evaluation; MOCA = Ministry of Civil Aviation; MOCI = Ministry of Commerce and Industry; MOPSW = Ministry of Ports, Shipping, and Waterways; NLC = National Logistics Council; NLP = National Logistics Policy; PGA = partner government agency; RCCL = Resource Centre for Cold Chain Logistics; RMS = risk management system; Ro-Ro = roll-on-roll-off; SLDE = secured logistics document exchange; UAT = user acceptance testing; VPT = Vishakhapatnam Nehru Port; WCCB = Wildlife Crime Control Bureau.

<sup>a</sup> Survey numbers to be validated by LEADS state level survey currently being undertaken by Logistics Division.

<sup>b</sup> AQCS is under the Department of Animal Husbandry, Dairying, and Fisheries; and WCCB is under the Ministry of Environment and Forests.

<sup>c</sup> CDSCO is under the Ministry of Health and Family Welfare; and Textile Committee under the Ministry of Textiles.

Source: Asian Development Bank.

### **LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/LinkedDocs/?id=55154-001-ConceptPaper>

1. Initial Poverty and Social Analysis
2. Sector Assessment (Summary): Transport (Multimodal Logistics)

#### **Supplementary Linked Documents**

3. Development Financing Needs
4. Draft Climate Change Assessment