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India: Visakhapatnam–Chennai Industrial Corridor Development Program (Second Tranche)

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 16 August 2019)

Currency Unit	–	Indian rupee (₹)
₹1.00	=	\$0.013
\$1.00	=	₹71.43

ABBREVIATIONS

ADB	–	Asian Development Bank
APICDA	–	Andhra Pradesh Industrial Corridor Development Authority
DIC	–	district industry center
MFF	–	multitranches financing facility
MSMEs	–	micro, small, and medium-sized enterprises
PBL	–	policy-based loan
SPV	–	special purpose vehicle
TA	–	technical assistance
VCIC	–	Visakhapatnam–Chennai Industrial Corridor

NOTES

- (i) The fiscal year (FY) of the governments of India and Andhra Pradesh ends on 31 March. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2019 ends on 31 March 2019.
- (ii) In this report, “\$” refers to United States dollars.

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CONTENTS

	Page
I. BACKGROUND	1
II. PROGRAM PERFORMANCE AND STATUS OF POLICY ACTIONS	2
A. Policy Conditions: Corridor Management	2
B. Policy Conditions: Ease of Doing Business	6
III. SAFEGUARDS COMPLIANCE ASSESSMENT	8
IV. PROGRAM ASSURANCES	9
V. CONCLUSION	9
VI. PRESIDENT'S DECISION	9
APPENDIXES	
1. Full Compliance with First Tranche Conditions	11
2. Status of Second Tranche Policy Actions	12
3. List of Verification Documents Submitted for Compliance with Second Tranche Policy Actions	13
4. Status of Program Assurances	15
5. Status of Environmental and Social Impacts of Policy Actions	21

I. BACKGROUND

1. On 20 September 2016, the Asian Development Bank (ADB) approved a multitranche financing facility (MFF) of \$500 million and a policy-based loan (PBL) of \$125 million for the Visakhapatnam–Chennai Industrial Corridor Development Program.¹ ADB also approved a technical assistance (TA) worth \$1 million for Capacity Development for Industrial Corridor Management in Andhra Pradesh on 20 September 2016, and on 26 September 2016, approved ADB administration of a \$5 million grant provided by the Urban Climate Change Resilience Trust Fund under the Urban Financing Partnership Facility.² The program complements the Government of Andhra Pradesh’s ongoing efforts to enhance industrial growth and create high-quality jobs. The MFF and grant support priority infrastructure investments in the Visakhapatnam–Chennai Industrial Corridor (VCIC), and the PBL and TA support policy reforms and institutional development in the state.

2. The Department of Industries and Commerce is the executing agency, and a program management unit under the Commissionerate of Industries is responsible for planning, implementing, monitoring, supervising, and coordinating all program activities. Project implementation units have been established in the Andhra Pradesh Industrial Infrastructure Corporation (APIIC), Andhra Pradesh Road Development Corporation, Transmission Corporation of Andhra Pradesh, and Greater Visakhapatnam Municipal Corporation. The chief secretary of the state chairs the program steering committee which was formed to make policy decisions and oversee implementation.

3. Despite India’s rapid structural transformation, a pressing policy challenge is creating more productive jobs in manufacturing and services to sustain economic growth. In Andhra Pradesh—the 10th most populous state in India with 49.4 million people—the manufacturing sector contributes 12% to the state’s gross domestic product, below the national average of 15%. Diversifying industry and manufacturing employment—away from small, labor-intensive, and informal enterprises with low productivity, earnings, and demand for skills—could usher in greater industrialization. The infrastructure in industrial clusters remains inadequate to support the growing demand for efficient industrial infrastructure. The state needs to improve its procedures for doing business to become more competitive.

4. The state government adopted the Andhra Pradesh Industrial Development Policy, 2015–2020 to establish state-of-the-art infrastructure, promote manufacturing-led growth, enhance inclusivity, foster innovation, and create employment opportunities across sectors.³ Working with ADB, it established the East Coast Economic Corridor, India’s first coastal corridor. Stretching from Kolkata in West Bengal to Kanyakumari in Tamil Nadu, the coastal corridor aims to stimulate growth in manufacturing by strengthening links between domestic urban and industrial clusters and integrating them with regional value chains in Southeast and East Asia. The VCIC, to be developed along the Andhra Pradesh coast, was proposed as the first phase of the East Coast

¹ ADB. 2016. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranchise Financing Facility, Policy-Based Loan, Technical Assistance Grant, and Administration of Grant to India for Visakhapatnam–Chennai Industrial Corridor Development Program*. Manila.

² Financing partners are the Rockefeller Foundation and the governments of Switzerland, the United Kingdom, and the United States.

³ Government of Andhra Pradesh, Department of Industries and Commerce. 2015. *Andhra Pradesh Industrial Development Policy, 2015–2020*. Hyderabad.

Economic Corridor.⁴ With support from ADB, the Government of Andhra Pradesh prepared a conceptual development plan and a regional perspective plan for the VCIC which outline an infrastructure development strategy, identify nodes for industrial development and industries with high potential, and establish a set of priority projects.

5. The strategic direction to promote manufacturing growth and foster quality jobs has not changed since ADB approved the program. The state government further envisions the state becoming a leader in manufacturing to enable value driven growth, local job creation, and market-oriented products, aiming to increase the industry sector's contribution to the state economy from 20% in 2015 to 28% in 2029.⁵ With ADB assistance, in June 2018, the state finalized the VCIC master plan, which will prioritize two nodes, conduct industries assessment, and identify priority projects.⁶

6. The program has three outputs: (i) corridor management strengthened and ease of doing business improved (PBL and TA); (ii) VCIC infrastructure strengthened (MFF and grant), and (iii) institutional capacity, human resources, and program management enhanced (MFF and TA). Innovative and multisectoral, the program can potentially drive the economic transformation of the state. It addresses the operational priority areas of ADB's Strategy 2030 by fostering regional cooperation and integration, making cities livable, strengthening governance and institutional capacity, accelerating progress in gender equality, mitigating climate change, and strengthening climate change resilience.⁷ In line with the strategic pillars of the ADB country partnership strategy for India, 2018–2022, the program boosts economic competitiveness to create more and better jobs and stronger climate resilience.⁸

II. PROGRAM PERFORMANCE AND STATUS OF POLICY ACTIONS

7. The PBL comprises two tranches, each totaling \$62.5 million. Tranche 1 involves reforms to the policy framework, and tranche 2 implements the reforms approved under tranche 1. The release of each tranche is contingent on the satisfactory implementation of specific policy reforms. The first tranche was released on 1 February 2018 upon compliance with 12 tranche policy conditions. Compliance with the 12 policy conditions under the second tranche is detailed below, and the documents reviewed to determine compliance are listed in Appendixes 2 and 3. The Government of Andhra Pradesh has complied with all second tranche policy conditions.

A. Policy Conditions: Corridor Management

8. **Policy condition 1: A state industrial corridor management authority or equivalent operationalized, which will have adopted organizational structure, human resources plan and business plan that should include, among others, streamlined decision-making, and strategy for industrial growth (complied with).** The VCIC envisages annual state gross domestic product growth of about 14% during 2015–2035 under an induced growth scenario.⁹ Achieving the proposed growth rate with increased contribution of the industry sector requires

⁴ ADB. 2016. *Scaling New Heights: Vizag–Chennai Industrial Corridor, India's First Coastal Corridor*. Manila. <https://www.adb.org/publications/scaling-new-heights-vizag-chennai-industrial-corridor>.

⁵ Government of Andhra Pradesh. 2016. *Sunrise Andhra Pradesh Vision 2029*. Amaravati. The state envisions making a structural transformation and sustaining inclusive double-digit economic growth in order to become one of the three best states in India by 2022, the best state by 2029, and a leading global investment destination by 2050.

⁶ ADB. 2018. *Visakhapatnam–Chennai Industrial Corridor Comprehensive Masterplan*. Manila.

⁷ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

⁸ ADB. 2017. *Country Partnership Strategy: India, 2018–2022*. Manila.

⁹ ADB. 2015. *Regional Perspective Plan, Visakhapatnam–Chennai Industrial Corridor*. Manila.

integrated planning, development, and management of the industrial corridor in coordination with multiple agencies including urban and rural local bodies, development authorities, line agencies, the Andhra Pradesh Industrial Infrastructure Corporation, and the state transport and road development agency. Without effective institutions, corridor development would suffer crippling delays and fail to create the enabling policy environment for investment.

9. This policy action aims to establish an institution with sole responsibility for corridor development to ensure that the visions of various stakeholders align. The Andhra Pradesh Legislature approved the establishment of the Andhra Pradesh Industrial Corridor Development Authority (APICDA) as the principal institution responsible for developing the corridor and managing various functions, including planning, regulation, land procurement and allotment, user charges and financing, operations, and investment promotion.¹⁰ The legislature empowered APICDA to direct and regulate the contributions of other state agencies to corridor development in the state. APICDA is governed by a board of directors under the leadership of the chief minister of the state and an executive committee headed by the member-secretary of the board.

10. APICDA's business plan includes an institutional plan defining its roles and responsibilities, an infrastructure and funding plan to develop priority nodes such as Visakhapatnam and Srikalahasti–Chittoor in the VCIC, and a marketing and promotion plan. The human resource plan elaborated APICDA's organizational structure and staffing. The authority comprises five departments: planning, engineering, administration, marketing and communication, and finance and accounts. A cluster development cell maintains a pool of industry and other experts and leaders who can provide guidance on industry requirements under the latest industry trends and developments. This institutional arrangement with the state's highest leadership and professional experts will enable APICDA to intervene as required to provide world class infrastructure and ensure a conducive policy environment for investors.¹¹

11. **Policy condition 2: At least two node-specific special purpose vehicles along with project management units established (complied with).** This policy condition aims to set up dedicated special purpose vehicles (SPVs) responsible for implementing industrial estates within particular corridor nodes. A state government order was issued on 31 October 2017 for the incorporation of SPVs at all VCIC nodes.¹² Under APICDA's administrative oversight, the SPVs promote investment; implement the regulations that govern development; allocate to investors land acquired or procured by APICDA; levy and collect user charges; and develop, operate, and maintain industrial estates and external infrastructure.

12. In cooperation with the Ministry of Corporate Affairs of the Government of India, the Government of Andhra Pradesh 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. The project management units of these SPVs have been established to ensure the smooth implementation of projects in the two nodes. Individual SPVs have been allowed the flexibility to assume suitable modalities to address node-

¹⁰ APICDA was established through Act No. 7 of 2018, and published in the *Andhra Pradesh Gazette* on 4 January 2018. www.legislation.aplegislature.org:9090/Bills/ActBills/English/Eng_actbill_ACTNo_14_10_56_v_1.pdf.

¹¹ Similar dedicated authorities operate successfully in economic corridors globally. For example, the Northern Corridor Implementation Authority manages the Northern Corridor Economic Region in Malaysia, which by the end of 2016 had accumulated investment worth \$19.2 billion and created 103,600 jobs in the region. ADB. 2017. *Economics Working Paper Series 2017. Economic Corridors and Regional Development: The Malaysian Experience*. Manila.

¹² Government of Andhra Pradesh. *Government Order Rt. 321 on the incorporation of SPV dated 31 October 2017*. Andhra Pradesh.

specific needs and challenges. With their successful establishment, SPVs can attract government contributions and private investment for developing node infrastructure.¹³ In collaboration with APICDA, SPVs will help develop attractive industrial estates for manufacturing investors to enhance node competitiveness.

13. Policy condition 3: Project development mechanism established to enhance readiness for development and implementation of infrastructure projects in the state (complied with). To foster rapid industrial growth, the state needs to invest more in infrastructure to establish itself as a globally competitive, attractive location for manufacturing and exports. Industrialists seek state-of-the-art infrastructure in industrial estates to ensure water availability and quality, effluent treatment, uninterrupted power supply, internal roads, and road connectivity to gateways. The Government of Andhra Pradesh requires \$2.7 billion in funding from 2018 to meet VCIC development goals, and has identified projects worth \$2.0 billion in the Srikalahasti–Chittoor node and \$786.0 million in the Visakhapatnam node in the master plan (footnote 6).

14. Growing demand for infrastructure in Andhra Pradesh requires efficient and accelerated project planning. This policy condition aims to institute a project development mechanism (PDM) to ensure the timely preparation of high-quality project designs. The PDM has been established to (i) identify candidate projects for corridor development on a regular basis; (ii) empanel consultants to assist in project preparation; (iii) implement a project development facility with a \$10 million revolving fund; and (iv) prepare eligible projects with feasibility studies, detailed project reports, bidding, and contract awards.¹⁴ Further, the state government is taking advance action to establish a PDM cell to operationalize the mechanism early. The cell will update a list of eligible projects, select consultants and monitor their progress, maintain the project development facility, and develop operating guidelines for the optimal use of the facility.

15. Policy condition 4: A dedicated investor promotion agency notified and operational, and a second global investment promotion event held in the state (complied with). Proactive investment promotion is critical to the success of industrial estates, especially in light of stiffening competition among manufacturers globally and within India. The Government of Andhra Pradesh set up the Economic Development Board as a dedicated investment promotion agency in the state.¹⁵ The chief minister of the state chairs the board, and its members include the minister of industries, the chief secretary to the government, and principal secretaries for finance and industries.

16. The Economic Development Board is a single point of interface for all investors seeking opportunities in Andhra Pradesh. Mandated to promote investment, it proactively markets projects to investors through road shows, meetings, seminars, and other programs in India and overseas, including in Germany, the People’s Republic of China, the Republic of Korea, the Russian Federation, Singapore, the United Arab Emirates, the United Kingdom, and the United States. Since its inception, it has attracted investment from at least 18 firms worldwide worth a combined \$1.5 billion and committed to employ 13,540 workers in the state.¹⁶

¹³ Sri City, in the Chittoor and Nellore districts of Andhra Pradesh, is managed privately in partnership with the Government of Andhra Pradesh and has succeeded in attracting investments from about 24 countries and over 42 multinational companies.

¹⁴ The Government of Andhra Pradesh has approved a road map for the project development mechanism through a government order dated 12 October 2017 and sanctioned the project development facility under the project development mechanism through Government Order Rt. No. 171, dated 20 June 2018.

¹⁵ The Government Order MS No. 87 on the Establishment of Economic Development Board was issued on 17 March 2016.

¹⁶ The activities and achievements of the Economic Development Board are published quarterly in a newsletter available at <http://apedb.gov.in/newsletter.html>.

17. The Economic Development Board successfully conducted two international investor conferences. The second global investment promotion event, on 24–26 February 2018 in Visakhapatnam, was organized by the Government of Andhra Pradesh in collaboration with the Confederation of Indian Industry and the Department of Industrial Policy and Promotion of the Government of India. The event showcased investment opportunities in the corridor and the state, with over 4,200 delegates from over 45 countries participating. With ADB's TA, the state government is strengthening its investment promotion through market study and analysis, consulting with targeted investors, and developing and implementing a branding and marketing strategy for priority nodes.¹⁷

18. **Policy condition 5: State-level road safety policy framework or action plan implemented in at least two industrial estates of Andhra Pradesh Industrial Infrastructure Corporation (complied with).** The Government of India ranks Andhra Pradesh among its worst states for road safety. In 2016, the state ranked seventh in the number of road accidents, recording 24,888.¹⁸ As road transport forms the backbone of the VCIC, road safety should be strictly enforced to enable the safe movement of people and goods and safeguard the lives of workers and surrounding communities. A tranche 2 policy condition requires the implementation in at least two industrial estates of a state road safety policy framework approved under the first tranche.¹⁹

19. The Transport Department of the Government of Andhra Pradesh has implemented several actions identified under the policy framework: (i) convening the State Road Safety Council and the District Road Safety Committee regularly, (ii) conducting road safety campaigns to raise public awareness, (iii) strengthening road safety enforcement, (iv) establishing a database of road safety information, and (v) developing road safety infrastructure with improved road signage and other road safety features.²⁰ In fiscal year (FY) 2017 and FY2018, these actions helped reduce the number of accidents by 17% and fatalities by 27% in Visakhapatnam. In Chittoor, accidents were down by 11% and fatalities by 5% during the same period. To further enhance road safety management capacity in Andhra Pradesh, the state government is currently recruiting consultants under project 1 of the MFF.

20. **Policy condition 6: State-level roadmap for electricity supply implemented in at least two industrial estates of the Andhra Pradesh Industrial Infrastructure Corporation (complied with).** Electricity supply is one of the strongest infrastructure influences on productivity, especially for small and medium-sized enterprises and electricity-intensive industries. Industrial processes can be very sensitive to the quality and reliability of electricity supply and risk severe financial impacts if supply worsens. The state government therefore approved a state roadmap under tranche 1 on 16 January 2017 to enhance electricity supply standards by 2024 to a maximum of one hour of outage per month.²¹

¹⁷ ADB. 2016. *Technical Assistance for Capacity Development for Industrial Corridor Management in Andhra Pradesh*. Manila (TA 9173-IND).

¹⁸ Government of India. Statistics of Road Accidents in India from 2013 to 2016.

<https://data.gov.in/resources/statistics-road-accidents-india-2013-2016> (accessed 11 July 2018).

¹⁹ The framework was approved at the Andhra Pradesh Road Safety Council meeting dated 1 September 2015.

²⁰ District level committees have initiated several activities including (i) road safety campaigns aimed at reducing cases of driving without valid driving license, and (ii) road safety enforcement actions such as procuring speed cameras, towing vehicles, and breath analyzers for detecting drivers' blood alcohol content.

²¹ Transmission Corporation of Andhra Pradesh Limited. *Resource Plan (FY2017–2024)* (accessed 11 July 2018).

21. Electricity transmission and distribution companies have made electric power supply more reliable in all the industrial estates managed by the Andhra Pradesh Industrial Infrastructure Corporation by constructing a distribution substation to strengthen the sub-transmission and distribution network, instituting technological improvements to reduce supply interruptions, and expanding preventive maintenance. Moreover, they are periodically gathering and analyzing data to quantify the benefits of such interventions, and developing a system to report this information to the electricity regulator in a timely way. The ADB TA team is helping the state government implement regulatory and technical interventions and establish a monitoring mechanism for reliability indexes.

B. Policy Conditions: Ease of Doing Business

22. **Policy condition 7: New industrial and sector policies implemented in all four nodes of the Visakhapatnam–Chennai Industrial Corridor (complied with).** This policy condition entails the state government's continued commitment to attracting investors to the corridor from across the globe. To incentivize investors, under a tranche 1 policy condition the government enacted new industrial policies pertaining to the industrial sector in general; micro, small, and medium-sized enterprises (MSME); the aeronautics and defense industries; automobiles and auto components; textiles and apparel; food processing; and electronics. Incentives to investors and manufacturing units include subsidies for capital investments, reimbursement of tax and power consumption charges, an interest subsidy, and reimbursement of costs involved in upgrading skills and training workers. The Industrial Development Policy and Textile and Apparel Policy offers female entrepreneurs special incentives including an investment subsidy and financial assistance for training programs.

23. The state government has implemented these policies by granting incentives since 2015. Across the state, the government provided incentives worth \$158.9 million to 2,653 industrial units during FY2017 and FY2018, out of which \$45.8 million was granted to 999 industrial units in the four VCIC nodes: East Godavari, Guntur, Chittoor, and Visakhapatnam. Special incentives worth \$4.5 million have been granted to 408 female entrepreneurs in the four node districts during FY2017 and FY2018. Further, the state government, with ADB TA, is currently drafting a green corridor concept framework which envisions the VCIC as a green hub for manufacturing that accelerates economic growth and provides environmental protection. It seeks to (i) improve resource efficiency, (ii) reduce environmental impact, (iii) mitigate climate change impacts, (iv) promote sustainable procurement, (v) establish a circular economy, and (vi) develop a green transport network. The concept framework will provide APICDA with policy guidance for planning environmentally sustainable and climate change risk resilient corridor development.

24. **Policy conditions 8 and 9: A statewide single-desk policy operationalized, and the e-portal for doing business becomes the main system for industrial licensing in relevant state departments (both complied with).** These two policy conditions aim to streamline the granting of approvals, permits, and incentives to establish business in the state, which requires industrial investors to obtain about 29 clearances to start a business—12 approvals and clearances before establishment and another 17 before operations can begin. Applying for and keeping track of these approvals from various departments is a considerable burden on investors.²² The Government of Andhra Pradesh implemented a statewide single-desk policy to save applicants time and transaction costs.²³ This one-stop shop aims to provide all necessary

²² The offices include the industries department, local authorities, the revenue department, the state pollution control board, and the electricity department.

²³ The Andhra Pradesh Single-Desk Policy was effected by Government Order MS No. 85, dated 14 June 2016.

clearances to start a business within 21 working days, minimizing the need to interact face-to-face with regulatory authorities through online filing, document submission, and application tracking.

25. An e-portal—established and implemented along with the single-desk policy in June 2016—is now operational across the state for online applications to establish a business and to obtain related government incentives. The portal allows investors to electronically pay fees and duties, obtain several renewal requirements for continuing operations, and apply for allotments of raw materials such as coal and petroleum. Since implementation, the e-portal received 31,060 applications from 13,645 industries: 7,215 classified as micro, 5,538 small, 254 medium-sized, 567 large, and 71 mega.²⁴ Of the 29,707 approved applications, 96.5% were approved within the target period of 21 days, down from an earlier norm of 55–60 days. The single window mechanism significantly reduced the time and complexity of the process, the primary feature investors cite for their satisfaction with the ease of doing business in the state.

26. **Policy condition 10: At least two model district industry centers established (complied with).** This policy condition aims to reposition district industry centers (DICs) as support systems that provide required services to industries. Although DICs had been established as focal points to promote MSMEs at the district level, their services were substandard and constrained by insufficient capital and manpower, complex organizational structure and inefficient processes, limited staff training and capacity, inadequate and outdated infrastructure, and poor planning and accountability. Most DIC functions had been maintained over time with few changes. Reforming and establishing model DICs have helped transform districts into engines of growth for MSMEs, creating jobs and inclusive and balanced regional growth.²⁵

27. As per the policy condition, the Government of Andhra Pradesh established two model DICs in Visakhapatnam and Chittoor districts.²⁶ The state government mandated that the DICs support MSMEs by (i) providing business improvement services including export assistance; (ii) offering marketing support services such as organizing marketing events and providing training on marketing tools; (iii) implementing entrepreneurship development training programs in collaboration with business schools, nongovernment organizations, and industrial training institutions; and (iv) facilitating innovation and spurring research and development by diffusing new technologies, disseminating knowledge on business models for start-ups in innovative technology, and providing financial support. The two model DICs feature enhanced organizational structures, upgraded facilities, training and capacity-building programs for DIC staff, and measures to manage performance and improve processes. The state government is taking advance action to extend these improvements to the remaining 11 DICs in the state in order to build a strong statewide institutional mechanism to support manufacturing growth over the long run.

28. **Policy condition 11: Starting from the first global investment promotion event, at least 25,000 persons (at least 20% women), including workers, entrepreneurs and**

²⁴ According to the Andhra Pradesh Industrial Development Policy 2015–20 the definition of industries in the manufacturing sector in terms of investment in plant and machinery is as follows: (i) micro: does not exceed \$35,000; (ii) small: more than \$35,000 but does not exceed \$700,000; (iii) medium: more than \$700,000 but does not exceed \$1.4 million; (iv) large: more than \$1.4 million but does not exceed \$70.0 million; and (v) mega: projects with an investment of at least \$70.0 million or direct employment generation of 2,000.

²⁵ In Andhra Pradesh, 95% of industrial units are MSMEs but contribute only 20% of investment, as they are hamstrung by low productivity.

²⁶ Government of Andhra Pradesh. Industries & Commerce Department. *Letter no. 851456/Infra/A2/2019-1 on the Establishment of Two Model DICs dated 29 April 2019*. Andhra Pradesh.

students, trained for skill development (complied with). Sustaining high growth requires a highly skilled and knowledgeable workforce able to achieve high productivity and per capita output. The state government targets sustained double-digit growth over the next 15 years and envisages skill development as a key strategy to transform Andhra Pradesh into a developed state by 2029. Proposed infrastructure investments through the program's MFF would create huge demand for skilled workers across multiple sectors. The state government established the Skill and Knowledge Mission, and the Andhra Pradesh State Skill Development Corporation, a 51% privately owned public-private partnership, to pursue skill development initiatives through active industry partnerships.

29. With ADB TA, the Andhra Pradesh State Skill Development Corporation assessed the skills demand to make the VCIC a competitive manufacturing corridor, then developed and implemented vocational education and training programs, with particular attention to promoting women's entrepreneurship and participation in the workforce. A roadmap for skill development in Andhra Pradesh, approved on 13 September 2017, aims to meet industry demand by providing trained, efficient, and affordable labor, as well as meaningful and rewarding employment for workers. Since the first global investment promotion event in January 2017, the corporation organized several training programs for unemployed youth, workers, entrepreneurs, and students, in the corridor itself and further afield in Andhra Pradesh.²⁷ In FY2018, the corporation conducted technical and managerial training programs on information technology and information technology-enabled services, general manufacturing, automobiles, electronics, logistics, telecom, health care, and retail to 28,156 candidates, of whom 9,781 (34.7%) were women.

30. **Policy condition 12: Computerized database of lands for industrial nodes made available to investors on website (complied with).** Procuring land is a major challenge for investors in India, not least in Andhra Pradesh.²⁸ To enhance the ease of doing business in the corridor, this policy action aims to improve information on land availability and the allotment process for industrial use. The state government launched a land database for industrial nodes readily available online to investors in January 2017.²⁹ Data include land availability and prices in industrial estates, summary lists of vacant plots, the framework for earmarking land parcels for industrial use, regulations on the allotment of land, detailed project report checklists, a sample layout plan, and details on the allotment process. The database also includes criteria for evaluating an application for land allotment for industrial use. This can save investors significant amounts of time and transaction costs, thereby improving the ease of doing business.

III. SAFEGUARDS COMPLIANCE ASSESSMENT

31. An environmental and social safeguards compliance assessment reconfirms that the PBL is categorized as B for environment and C for involuntary resettlement and indigenous peoples in accordance with ADB's Safeguard Policy Statement. Safeguards compliance is being met in accordance with the safeguard covenants of the loan agreement as presented in Item 17 of Appendix 4. The adverse impacts of each policy action, including development-induced impacts

²⁷ The programs include the Deendayal Upadhyay Rural Skill Development Scheme for rural youth from low-income families and the Prime Minister's Skill Development Scheme for skill training relevant to several sectors, including automobiles, electronics, information technology, and information technology-enabled services.

²⁸ Government of India. Ministry of Finance. 2006. *Investment Strategy for India, Investment Commission Report*. <https://www.finmin.nic.in/sites/default/files/InvestmentCommissionReport.pdf>.

²⁹ Andhra Pradesh Industrial Infrastructure Corporation Limited. Land Banks for Industrial Use—State Wise Vacancy Information. <https://kpi.apiic.in:8443/KPI/apiicfi/VacantPlots.jsp> (accessed 11 July 2018).

resulting from increased industrialization, were either unobserved or adequately addressed (Appendix 5). With technical support from ADB, the Government of India and the Government of Andhra Pradesh will continue to ensure compliance with the safeguards covenants and avoid adverse impacts or apply mitigation measures.³⁰

IV. PROGRAM ASSURANCES

32. All program assurances remain valid and their implementation progress is satisfactory (Appendix 4).

V. CONCLUSION

33. The Government of Andhra Pradesh has complied with all second tranche policy conditions. The compliance of all policy actions under tranche 1 has been sustained. The state has made substantial progress in implementing transformative reforms to improve corridor management and ease of doing business. The institutional foundation has been set in place, with APICDA assuming the sole responsibility for regulating corridor development and SPVs implementing the industrial estates plan, supported by the PDM. The Economic Development Board has initiated proactive investor promotion through rigorous marketing activities. The state government has provided an enabling environment for industry business by providing incentives to investors (including women), establishing a statewide single desk, enhancing DIC support to MSMEs, and training for skill development. Partly because of these interventions, Andhra Pradesh was ranked first among Indian states for ease of doing business in 2016 and 2017.³¹

34. These policy reforms are embedded in the program, which helps the state become a manufacturing leader in India. This long-term framework—supported by a combination of programmatic investment program, policy-based operations and TA—draws a high level of commitment from the government and various stakeholders. This highlights the value of (i) having a long-term development framework to guide policy dialogues, (ii) the presence of a high level of government commitment to push for reforms, and (iii) TA and investment support to complement policy reforms.

35. Industrial growth requires relentless and consolidated efforts even after program completion. Building on these accomplishments, the state government is taking further action to strengthen its marketing and branding, operationalize the project development facility, and scale up DIC reform across the state. Along with the infrastructure plan proposed in the master plan, the state government is preparing the subprojects to be financed under the loan for project 2 of the MFF. These policy reforms, along with the high-quality infrastructure supported under the MFF, will help the state realize its vision of becoming a globally competitive destination for investment. ADB will continue to engage actively in policy dialogue and provide technical support to help maximize the consolidated development impact.

VI. PRESIDENT'S DECISION

36. In view of the progress made in the implementation of the Visakhapatnam–Chennai Industrial Corridor Development Program, as evidenced by the full compliance with the twelve second tranche policy actions, the President is satisfied with the overall implementation progress

³⁰ The capacity development TA (ADB TA 9173-IND) will be available until 18 August 2020.

³¹ Government of India, Ministry of Commerce and Industry. Department of Industrial Policy and Promotion. 2018. *Business Reforms Action Plan 2017*. Delhi. <http://eodb.DOIC.gov.in/index.aspx>.

of the program and that the necessary conditions for the release of the second tranche have been fulfilled. In accordance with the established procedures, the President has authorized the release of the second tranche in the amount of \$62.5 million.

FULL COMPLIANCE WITH FIRST TRANCHE CONDITIONS

Policy Areas	Required Verification Documents	Compliance Status
1. A state industrial corridor management authority or equivalent notified for providing strategic directions and policies for development of industrial corridors, nodes, and institutions; investor promotion; and development, financing and implementation of relevant infrastructure projects.	Government order and/or notification	Complied
2. Node-specific special purpose vehicles notified with mandate for development and implementation of relevant infrastructure projects.	Government order and/or notification	Complied
3. Road map prepared for a project development mechanism and its management, for planning and preparing infrastructure projects in industrial corridors.	Draft road map	Complied
4. An investor promotion cell in Directorate of Industries expanded to a dedicated investor promotion agency notified to attract investments; and one global investment promotion event held in the state.	Agency documents; promotion events reports	Complied
5. The road safety policy framework enhanced, published, and under implementation.	Approved plan on the website	Complied
6. A state level road map to provide electricity supply as per standards prescribed by the State Electricity Regulatory Commission approved.	Approved plan on the website	Complied
7. New industrial and sector level policies including fiscal incentives for investments and providing special incentives for women, notified and under implementation.	Notifications of new policies	Complied
8. Updated state-wide single-desk policy notified to streamline approval processes for doing business.	Approved single-desk policy	Complied
9. An e-portal operational for online applications for doing business and related government incentives	Operational e-portal system	Complied
10. A reform plan approved for DICs, which includes, among others, rationalized organizational structure, staffing, office infrastructure, streamlined processes for single-point contact, and linkages with the state-level single-desk and e-portal systems.	Approved reform plan to establish model district industry centers	Complied
11. A road map or a policy document approved for skill development.	Approved road map and policy on the website	Complied
12. Lands for industrial use identified in at least two nodes.	Survey reports on the website	Complied

DIC = district industry clusters.

STATUS OF SECOND TRANCHE POLICY ACTIONS

Policy Areas	Required Verification Documents	Compliance Status
1. A state industrial corridor management authority or equivalent operationalized, which will have adopted organizational structure, human resources plan and business plan that should include, among others, streamlined decision-making, and strategy for industrial growth.	The business plan and the human resource development plan documents of said organization	Complied
2. At least two node-specific SPVs along with project management units established.	Documents of two SPVs and project management units	Complied
3. Project development mechanism established to enhance readiness for development and implementation of infrastructure projects in the state.	Approved road map; project development fund documents	Complied
4. A dedicated investor promotion agency notified and operational, and a second global investment promotion event held in the state.	Promotion events reports	Complied
5. State-level road safety policy framework or action plan implemented in at least two industrial estates of APIIC.	Road crash incident reports	Complied
6. State-level road map for electricity supply implemented in at least two industrial estates of APIIC.	Energy department reports	Complied
7. New industrial and sector policies implemented in all four nodes of VCIC.	Annual reports and certification from the DOIC	Complied
8. A statewide single-desk policy operationalized.	DOIC report on single-desk policy	Complied
9. The e-portal for doing business becomes the main system for industrial licensing in relevant state departments.	DOIC report on e-portal operations	Complied
10. At least two model DICs established.	DOIC report on model DICs	Complied
11. Starting from the first global investment promotion event, at least 25,000 persons (at least 20% women), including workers, entrepreneurs and students, trained for skill development.	Andhra Pradesh State Skill Development Corporation report on the number of people trained	Complied
12. Computerized database of lands for industrial nodes made available to investors on website.	Online database of land for industrial nodes made available to investors	Complied

APIIC = Andhra Pradesh Industrial Infrastructure Corporation, DIC = district industry clusters, DOIC = Department of Industries and Commerce, SPV = special purpose vehicle, VCIC = Visakhapatnam–Chennai Industrial Corridor.

LIST OF VERIFICATION DOCUMENTS SUBMITTED FOR COMPLIANCE WITH SECOND TRANCHE POLICY ACTIONS

1. **Policy Action 1**
 - (i) Letter on the operationalization of the state industrial corridor management authority—Andhra Pradesh Industrial Corridor Development Authority (Adoption of Business Plan and Human Resource Plan), dated 29 April 2019

2. **Policy Action 2**
 - (i) Certificate of Incorporation for Chittoor Industrial Node Development Corporation Limited, dated 10 October 2018
 - (ii) Certificate of Incorporation for Visakhapatnam Industrial Node Development Corporation Limited, dated 04 September 2018
 - (iii) Letter on the establishment of project management units for Visakhapatnam and Chittoor node special purpose vehicles (SPVs) in the Visakhapatnam–Chennai Industrial Corridor, dated 29 April 2019
 - (iv) Company master data (for both SPVs)
 - (v) E-permanent account numbers and allotment of tax deduction account number, (dated 10 October 2018 for Chittoor and 04 September 2018 for Visakhapatnam)

3. **Policy Action 3**
 - (i) Approved road map and fund documents of the project development facility, dated 12 October 2017
 - (ii) Creation of Project Development Fund (Government Order RT. No 171, dated 20 June 2018)

4. **Policy Action 4**
 - (i) Meeting summaries:
 - (a) Partnership Summit 2018 in Andhra Pradesh on 24–26 February 2018
 - (b) Chief minister’s visit to London on 24–25 October 2017
 - (c) Chief minister’s visit to Dubai, United Arab Emirates on 21–23 October 2017
 - (d) Chief minister’s visit to the United States on 18–20 October 2017
 - (e) World Economic Forum on 16–20 January 2017
 - (f) Establishment of the Economic Development Board (Government Order Ms. No. 87, dated 17 March 2016)

5. **Policy Action 5**
 - (i) Certification from the Transport Department of the Government of Andhra Pradesh regarding road safety in at least two industrial estates of the Andhra Pradesh Industrial Infrastructure Corporation, dated 23 July 2018

6. **Policy Action 6**
 - (i) Certification from the Transmission Corporation of Andhra Pradesh Limited regarding electricity supply in at least two industrial estates of the Andhra Pradesh Industrial Infrastructure Corporation, dated 04 July 2018
 - (ii) Weblink to the road map and resource map:
<http://www.aperc.gov.in/aperc1/assets/uploads/files/Transco%20Resource%20plan.pdf>

7. **Policy Action 7**
 - (i) Letter on compliance with the covenants—industrial incentives-registration, dated 27 March 2019
8. **Policy Action 8**
 - (i) Letter on compliance with the covenants—single-desk policy registration, dated 27 March 2019
9. **Policy Action 9**
 - (i) Letter on compliance with the covenants—e-portal-registration, dated 27 March 2019
10. **Policy Action 10**
 - (i) Letter on key district industry center (DIC) reforms to be implemented in Andhra Pradesh to enable the establishment of two model DICs, dated 4 April 2019
11. **Policy Action 11**
 - (i) Letter on details of skills development training, dated 12 July 2018
12. **Policy Action 12**
 - (i) List of vacant properties summary for Visakhapatnam Zone Property Wise
 - (ii) Weblink to the computerized database (land availability information and land banks for industries): <http://www.apic.in/>

STATUS OF PROGRAM ASSURANCES

Item	Implementation Status
Loan Agreement	
ARTICLE IV: Particular Covenants	
Section 4.01 (a) The Borrower shall cause the Program Executing Agency to cause the Program to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, business and development practices. (b) In the carrying out of the Program, the Borrower shall perform, or cause to be performed by the Program Executing Agency, all obligations set forth in Schedule 4 to this Loan Agreement	Ongoing. (See more details in this table below for the implementation status of Schedule 4 of the Loan Agreement.)
Section 4.02 The Borrower shall make available, promptly as needed, the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Program and for the operation and maintenance of the Program facilities.	Ongoing. The adequate resources are made available for the smooth implementation of the Program.
Section 4.03 The Borrower shall ensure, and cause the State to ensure, that the activities of its departments and agencies as also of the State with respect to the carrying of the Program are conducted and coordinated in accordance with sound administrative policies and procedures.	Ongoing.
Section 4.04 (a) As part of the reports and information referred to in Section 7.04 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished by the Program Executing Agency, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter. (b) Without limiting the generality of the foregoing or Section 7.04 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB quarterly reports on the carrying out of the Program and on the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.	Ongoing. Sufficient detailed information is provided for ADB's review.
SCHEDULE 4: Program Implementation and Other Matters	
Implementation Arrangements	
1. The Program shall be implemented by the Borrower, and the Program executing agency. The State shall ensure completion of the policy actions to ensure timely release of the First Tranche and Second Tranche as scheduled.	Complied with. The first tranche was released on 1 February 2018. All second tranche policy conditions have been complied with.
2. Towards smooth implementation of the Program, the Borrower shall ensure, or cause the Program executing agency to ensure, that grievances if any from the stakeholders, relating to the Program implementation or use of funds are addressed effectively and efficiently.	Ongoing.
PSC	
3. The Borrower shall cause the State to set up a PSC that shall meet regularly to facilitate and give directions for complying with Policy Actions under the Program.	Complied with. The PSC has facilitated early compliance with policy conditions under

Item	Implementation Status
	the chairmanship of the chief secretary of the state.
4. The Program executing agency shall be responsible for (a) overall coordination and monitoring of the Program, including the Policy Actions; (b) preparing and submitting all required reports to the PSC and ADB; (c) submitting the audited financial statements to ADB; and (d) implementing the TA.	Ongoing. The executing agency is duly undertaking program implementation, including TA, coordination within the state government and the Government of India, and monitoring overall progress.
5. The Borrower and the Program executing agency shall ensure that (a) The Program and the TA as applicable shall conform to all applicable ADB policies including those concerning safeguards, gender, anticorruption measures, procurement, consulting services and disbursement; and (b) The recommendations of the TA as also other necessary actions shall be undertaken in a timely manner to ensure completion of the required Policy Actions and the Program on time.	Ongoing. The program is implemented in accordance with ADB policies and requirements. The TA is supporting the timely implementation of policy actions and capacity building, especially for reliable electricity supply, skills development, investment promotion, and enhanced environmental framework for green industrialization. The TA recommendations are properly reflected in program implementation.
Policy Actions and Dialogue	
6. The Borrower shall ensure that all policy actions adopted under the Program, as set forth in the Policy Letter and the Policy Matrix, continue to be in effect for the duration of the Program.	Ongoing.
7. The Borrower shall keep ADB informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall take into account ADB's views before finalizing and implementing any such proposal.	Ongoing.
Use of Counterpart Funds	
8. The Borrower shall ensure that the Counterpart Funds are used to finance the implementation of certain programs and activities consistent with the objectives of the Program.	Ongoing. The adequate counterpart funds are provided to implement the agreed programs and activities such as establishment of Project Development Funds.
Governance and Anticorruption	
9. The Borrower, the State, Program executing agency, shall: (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Program; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.	Ongoing.
Monitoring and Review	
10. Without limiting the generality of Section 2.05 of the Program Agreement, the State and Program executing agency and	Ongoing.

Item	Implementation Status
ADB shall closely monitor the implementation of the Program and its impact.	
<p>11. (a) The Borrower, the Program executing agency, and ADB shall undertake a midterm review of the Program within one year of Effective Date. The midterm review shall (i) review the scope, design and implementation arrangements of the Program (ii) identify changes needed since the time of the Program performance indicators and objectives; (iv) review and establish compliance with the legal covenants; and (v) identify problems and constraints and remedial measures.</p> <p>(b) In case of any changes required in Program implementation as may be assessed during the midterm review, the Borrower, the Program executing agency, and ADB shall mutually agree on appropriate measures including changes in implementation arrangements to ensure that obligations under the Program are met.</p>	<p>Complied with. ADB dispatched nine missions to review program implementation and discuss the required actions for early compliance with the borrower and the executing agency. All parties confirmed no changes were required to the original scope, design, and implementation arrangement.</p>
Specific Actions	
<p>12. The Program executing agency shall ensure that the recommendations on the Master Plan of VCIC shall be taken up by the State for consideration and adoption by no later than 31 December 2017.</p>	<p>Complied with. Per the master plan, the executing agency prioritized two VCIC nodes (Visakhapatnam and Srikalahasti-Chittoor) and identified infrastructure projects for investment under project 2 of the MFF.</p>
<p>13. By no later than December 2017, the State shall or shall cause the Program executing agency to</p> <p>(a) Prepare the Human Resources Development and Business Plan for the proposed State Industrial Corridor Development Authority or its equivalent;</p> <p>(b) Provide for adequate budget support for the operationalization of the State Industrial Corridor Development Authority or its equivalent, and least two node-specific Special Purpose Vehicles (and related project management units).</p>	<p>Complied with. (See paras. 8–12 in the main text.)</p>
<p>14. By no later than 12 months of Effective Date, the State shall</p> <p>(i) establish and implement the Project Development mechanism towards facilitating timely projects preparation along the State industrial corridors; and (ii) establish the investor promotion agency.</p>	<p>Complied with. (See paras. 13–17 in the main text.)</p>
<p>15. The Program executing agency shall</p> <p>(a) take all measures necessary to facilitate active dissemination and marketing of the e-portal and single-desk policies as also the ease-of-business linked policies, procedures and incentives available in the State to prospective applicants and entrepreneurs within the State, country as well as globally.</p> <p>(b) ensure through the relevant agencies the appropriate and timely skills training is conducted towards compliance of the related Second Tranche policy action.</p>	<p>Complied with. (See paras. 22–25 and 28–29 in the main text.)</p>
<p>16. The State shall make available all necessary land records and maps to relevant consultants/surveyors to enable timely identification of lands for industrial use identified in the nodes in the State, and preparation of the related geographical</p>	<p>Complied with. (See para. 30 in the main text.)</p>

Item	Implementation Status
information system data for dissemination to prospective investors.	
<p>17. The Borrower, State and the Program executing agency shall ensure that:</p> <p>(a) towards strengthening environmental monitoring and enforcement mechanism in the State including more particularly in the VCIC, capacity building is provided/enhanced for the State Pollution Control Board and related regulatory bodies as needed;</p> <p>(b) assistance is provided to the Program executing agency in preparing the design of investment and development plans in the VCIC to ensure that these are environmental standards compliant;</p> <p>(c) adequate resources are provided to the Program executing agency or implementing agencies as the case may be to assess direct/indirect development-related environmental impacts if any, and identify and implement measures to avoid and/or mitigate such impacts; and</p> <p>(d) adequate resources are provided to the Program executing agency or implementing agencies as the case may be to comply with any such identified environmental impacts related mitigation measures.</p>	<p>Ongoing.</p> <p>(a) The State is consulting with regulatory bodies to develop the training program to enhance their capacity. Training will be conducted from the third and fourth quarter of 2019.</p> <p>(b) The concept master plan supported by ADB TA (8949-IND) clarifies the environmental regulatory framework and statutory requirements and provides recommendations for impact mitigation.^a The State is developing the green corridor concept framework with support from ADB TA (9173-IND) (para. 23 of the main text).^b</p> <p>(c) and (d) The State is providing adequate resources to assess and provide mitigation measures for development-induced impacts such improving water resource efficiency and preventing air pollution.</p>
Program Agreement	
ARTICLE II: Particular Covenants	
<p>Section 2.01</p> <p>(a) The State shall carry out the Program with due diligence and efficiency, and in conformity with sound public management, administrative, financial, business, and development practices</p> <p>(b) In the carrying out of the Program, the State shall perform all obligations set forth in the Loan Agreement to the extent that they are applicable to the State, and all obligations set forth in the Program Agreement.</p>	Ongoing.
<p>Section 2.02 The State shall make available, promptly as needed, the funds, facilities, services, and other resources as required, in addition to the proceeds of the Loan, for the carrying out of the Program</p>	Ongoing. The State is making adequate resources available for smooth implementation of the program.
<p>Section 2.03 The State shall carry out the Program in accordance with plans, and programs formulated in accordance with public management best practices. The State shall furnish to ADB, promptly after their preparation, such plans, programs, techniques or methods, and any material modifications subsequently made therein, in such detail as ADB may reasonably request.</p>	Ongoing. The State has implemented the program in accordance with plans, arrangements, and schedule acceptable to ADB.
<p>Section 2.04 The State shall maintain, records and documents adequate to identify the Eligible items finances out of the proceeds of the Loan and to indicate the progress of the Program.</p>	Ongoing.
<p>Section 2.05</p> <p>(a) ADB and the State shall cooperate fully to ensure that the purposes of the Loan will be accomplished.</p>	Ongoing. ADB and the State have closely monitored the program's

Item	Implementation Status
<p>(b) The State shall with a copy to the Borrower, promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Program, the performance of its obligations under this Program Agreement, or the accomplishment of the purposes of the Loan.</p> <p>(c) ADB and the State shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Program, the State and the Loan.</p>	implementation progress and compliance with policy conditions.
<p>Section 2.06</p> <p>(a) The State shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan and the expenditure of the proceeds thereof; (ii) the expenditures financed out of such proceeds; (iii) the Program; and (iv) the administration, operations and financial position of the State; and (v) any other matters relating to the purposes of the Loan.</p> <p>(b) Without limiting the generality of the foregoing, the State shall furnish to ADB quarterly reports on the execution of the Program and the State's budgetary position and its medium-term projections. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, a plan of implementation, progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following period.</p> <p>(c) Promptly after closing date for withdrawal from the Loan Account, but in any event not later than 3 months thereafter or such later date as ADB may agree for this purpose, the State shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution of the Program, including its cost, the performance by the State of its obligations under this Program Agreement and the accomplishment of the purposed of the Loan, including a comprehensive description of the impacts of the reforms under the Program.</p>	<p>Ongoing.</p> <p>The State has provided ADB adequate information required for timely implementation of the program.</p>
<p>Section 2.07 The State shall enable ADB's representatives to examine relevant records and documents pertaining to the use of the Loan proceeds.</p>	<p>Ongoing.</p>
<p>Section 2.08</p> <p>(a) The State shall, promptly as required, take all action within its powers that are necessary to carry out the Program.</p> <p>(b) The State shall at all times conduct its operations in accordance with sound public management, financial, business, development and operational practices, and under the supervision of competent and experienced management and personnel.</p>	<p>Ongoing.</p> <p>The State has implemented the program with due diligence under the oversight of a program steering committee chaired by the chief secretary of the state.</p>
<p>Section 2.09 Except as ADB may otherwise agree, the State shall cause the proceeds of the Loan to be applied to the financing of expenditures for the Program in accordance with the provisions of the Loan Agreement and this Program Agreement.</p>	<p>Ongoing.</p>

Item	Implementation Status
Section 2.10 Except as ADB may otherwise agree, the State shall duly perform all its obligations under the Program Agreement and the Loan Agreement, and shall not take, or concur in, any action which would have the effect of assigning, amending, abrogating or waiving any rights or obligations of the parties under the stated agreements.	Ongoing.
Section 2.11 The State shall notify ADB of any proposal that may impact the Program or alter under the Constitution of India.	Ongoing.

ADB = Asian Development Bank, MFF = multitranches financing facility, PSC = program steering committee, TA = technical assistance, VCIC = Visakhapatnam-Chennai Industrial Corridor.

^a ADB. 2015. *Technical Assistance for Supporting the Preparation and Implementation of the Comprehensive Integrated Master Plan for the Vizag-Chennai Industrial Corridor (TA 8949-IND)*. Manila.

^b ADB. 2016. *Technical Assistance for Capacity Development for Industrial Corridor Management in Andhra Pradesh (TA 9173-IND)*. Manila.

STATUS OF ENVIRONMENTAL AND SOCIAL IMPACTS OF POLICY ACTIONS

Policy Areas	Potential Impacts Assessed at Loan Processing					Status at the Release of the Second Tranche
	Actions Prior to First Tranche Release	Potential Environmental and Social Impacts	Actions Prior to Second Tranche Release	Potential Environmental and Social Impacts	Mitigation Measures	
Corridor management	1. A state industrial corridor management authority or equivalent notified for providing strategic directions and policies for development of industrial corridors, nodes and institutions; investor promotion; and development, financing and implementation of relevant infrastructure projects.	No anticipated impact	1. A state industrial corridor management authority or equivalent operationalized, which will have adopted organizational structure, human resources plan and business plan that should include, among others, streamlined decision-making, and strategy for industrial growth.	Projects financed by the state industrial corridor management authority may overlook applicable environmental and involuntary resettlement and indigenous people considerations.	<ul style="list-style-type: none"> (i) Applicable GOI and GOAP requirements for environmental and social compliance will be implemented. (ii) Strategy for industrial growth will encourage green industrial activities in the VCIC. 	<ul style="list-style-type: none"> (i) No adverse impact has been identified. (ii) In preparing industrial cluster projects, APICDA, with SPVs, implements safeguards compliance per GOI and GOAP standards and regulations. (iii) The planning department and a cluster development cell are handling the environmental and social safeguards. (iv) The GOAP, with the support from ADB's CDTA (TA 9173-IND), is developing a green corridor concept framework.^a (v) Capacity building program is under preparation.

Policy Areas	Potential Impacts Assessed at Loan Processing					Status at the Release of the Second Tranche
	Actions Prior to First Tranche Release	Potential Environmental and Social Impacts	Actions Prior to Second Tranche Release	Potential Environmental and Social Impacts	Mitigation Measures	
	2. Node-specific SPVs notified with mandate for development and implementation of relevant infrastructure projects.	No anticipated impact.	2. At least two node-specific SPVs along with project management units established.	Projects developed by SPVs may overlook applicable requirements of environmental, involuntary resettlement/indigenous peoples and gender issues.	Applicable GOI and GOAP requirements for environmental and social compliance will be implemented.	<ul style="list-style-type: none"> (i) No adverse impact has been identified. (ii) In preparing industrial cluster projects, SPVs under the oversight of APICDA implement safeguards compliance per GOI and GOAP standards and regulations. (iii) SPVs supervise the proposed industries to obtain environmental clearance and consent to establishment and operation from SPCB. (iv) Capacity building program is under preparation.
	3. Road map prepared for a project development mechanism and its management, for	Projects supported by the Fund may not integrate environmental	3. Project development mechanism established to enhance readiness for development and	Projects supported by the Fund may not integrate environmental	Applicable GOI and GOAP requirements for environmental and social compliance will be implemented.	<ul style="list-style-type: none"> (i) No adverse impact has been identified. (ii) The PDM cell supports project implementation

Policy Areas	Potential Impacts Assessed at Loan Processing					Status at the Release of the Second Tranche
	Actions Prior to First Tranche Release	Potential Environmental and Social Impacts	Actions Prior to Second Tranche Release	Potential Environmental and Social Impacts	Mitigation Measures	
	planning and preparing infrastructure projects in industrial corridors.	and social considerations.	implementation of infrastructure projects in the state.	and social considerations.		units by providing necessary resources including consultants to ensure safeguard due diligence in project preparation. (iii) Capacity building program is under preparation.
	4. An investor promotion cell in Directorate of Industries expanded to a dedicated investor promotion agency notified to attract investments; and one global investment promotion event held in the state.	No anticipated impact.	4. A dedicated investor promotion agency notified and operational, and a second global investment promotion event held in the state.	No anticipated impact.		No adverse impact has been identified.
	5. The road safety policy framework enhanced, published and under implementation.	Positive impacts anticipated.	5. State-level road safety policy framework or action plan implemented in at least two industrial estates of APIIC.	Reduction in number of accidents will prevent loss of lives or harm to people, or animals.		(i) The number of accidents and fatalities have dropped (see para. 19 of the main text). (ii) The GOAP is recruiting road safety awareness consultants for

Policy Areas	Potential Impacts Assessed at Loan Processing					Status at the Release of the Second Tranche
	Actions Prior to First Tranche Release	Potential Environmental and Social Impacts	Actions Prior to Second Tranche Release	Potential Environmental and Social Impacts	Mitigation Measures	
						further improvement.
	6. A state-level road map to provide electricity supply as per standards prescribed by the State Electricity Regulatory Commission approved.	No anticipated impact, as GOI and GOAP requirements on environmental and social compliance will be incorporated.	6. State-level roadmap for electricity supply implemented in at least two industrial estates of APIIC.	No anticipated impact, as environmental and social compliance requirements in the roadmap will be adhered to.		(i) No adverse impact has been identified. (ii) The GOAP is conducting the detailed safeguards assessment on a project basis per GOI and GOAP standards and regulations.
Ease of doing business	7. New industrial and sector level policies including fiscal incentives for investments and providing special incentives for women, notified and under implementation.	(i) Participation of women may have positive contribution on socioeconomic development of the community. (ii) Potential induced environmental impacts due to economic and industrial growth.	7. New industrial and sector policies implemented in all four nodes of VCIC.	(i) Participation of women may have positive contribution on socioeconomic development of the community. (ii) Potential induced environmental impacts due to economic and industrial growth.	(i) Encouragement for women participation for sectors such as electronics, pharmaceuticals, and garment manufacturing will be provided in line with existing GOAP and GOI programs. (ii) Legal and/or institutional assessment and capacity building of the State Pollution Control Board and related regulatory bodies to strengthen	(i) Incentives for female entrepreneurs offered per Industrial Development Policy and Textile and Apparel Policy (see para. 22 of the main text). (ii) No perverse incentives have been identified. In addition to incentives mentioned in para 22, the state government with support from ADB's CDTA

Policy Areas	Potential Impacts Assessed at Loan Processing					Status at the Release of the Second Tranche
	Actions Prior to First Tranche Release	Potential Environmental and Social Impacts	Actions Prior to Second Tranche Release	Potential Environmental and Social Impacts	Mitigation Measures	
					<p>enforcement and environmental monitoring mechanism.</p> <p>(iii) Provide resources to assess direct and indirect development-induced impacts and identify measures to avoid and mitigate impacts.</p> <p>(iv) Provide assistance in the design of investment and development plans that are compliant with environment, health and safety standards and supportive green growth.</p>	<p>team is currently considering formulating policies to incentivize industries to promote clean technology, resource efficiency, effective water management, and green product.</p> <p>(iii) The capacity building support from ADB's CDTA team, such as training for SPCB and other regulatory bodies, is under preparation. The training will be conducted from the third and fourth quarter of this year, after the as-is assessment is completed.</p> <p>(iv) The concept master plan clarifies the environmental</p>

Policy Areas	Potential Impacts Assessed at Loan Processing					Status at the Release of the Second Tranche
	Actions Prior to First Tranche Release	Potential Environmental and Social Impacts	Actions Prior to Second Tranche Release	Potential Environmental and Social Impacts	Mitigation Measures	
						<p>regulatory framework including statutory requirements and provides recommendations for impact mitigation. The GOAP is conducting the further detailed environmental assessment on a project basis per GOI and GOAP environmental standards and regulations.</p> <p>(v) The GOAP, with support from ADB's CDTA team, is developing a green corridor concept framework.</p>
	8. Updated statewide single-desk policy notified to streamline approval processes for doing business.	No anticipated impact.	8. A statewide single-desk policy operationalized.	No anticipated impact, as applicable GOI and GOAP environmental and social compliance		<p>(i) No adverse impact has been identified.</p> <p>(ii) Environmental permission such as the consent to establishment and</p>

Policy Areas	Potential Impacts Assessed at Loan Processing					Status at the Release of the Second Tranche
	Actions Prior to First Tranche Release	Potential Environmental and Social Impacts	Actions Prior to Second Tranche Release	Potential Environmental and Social Impacts	Mitigation Measures	
				requirements will be implemented.		operation from SPCB remain required. The capacity building program to enhance the capacity of SPCB is under preparation.
	9. An e-portal operational for online applications for doing business and related government incentives.	Positive impact in terms of promotion and adoption of best international environmental management practices across different sectors of industry.	9. The e-portal for doing business becomes the main system for industrial licensing in relevant state departments.	No anticipated impact.		
	10. A reform plan approved for DICs, which includes, among others, rationalized organizational structure, staffing, office infrastructure, streamlined processes for single-point contact and linkages with the state-level single-desk and e-portal systems.	No anticipated impact.	10. At least two model DICs established.	No anticipated impact.		(i) No adverse impact has been identified. (ii) Capacity building program is under preparation.
	11. A road map or a policy document approved for skill development.	No anticipated impact.	11. Starting from the first global investment promotion event, at least 25,000 persons (at least 20% women), including workers,	No anticipated impact.		No adverse impact has been identified.

Policy Areas	Potential Impacts Assessed at Loan Processing					Status at the Release of the Second Tranche
	Actions Prior to First Tranche Release	Potential Environmental and Social Impacts	Actions Prior to Second Tranche Release	Potential Environmental and Social Impacts	Mitigation Measures	
			entrepreneurs and students, trained for skill development.			
	12. Lands for industrial use identified in at least two nodes.	GOI and GOAP requirements for land acquisition not implemented.	12. Computerized database of lands for industrial nodes made available to investors on website.	Impacts on involuntary land acquisition and resettlement are not anticipated.	<ul style="list-style-type: none"> (i) Social safeguards mitigation actions and plans in accordance with GOI and GOAP included in the master plan. (ii) Development of capacity building program for government agencies for screening and managing any potential safeguards risks and implementing GOI and GOAP requirements on land acquisition. (iii) Site selection criteria include environmental and social criteria and seek to avoid or minimize adverse impacts to the extent possible. 	<ul style="list-style-type: none"> (i) Social impact assessment and resettlement action plan for two nodes (Visakhapatnam and Srikalahasti-Chittoor nodes) included in the master plan prepared under ADB TA (8949-IND).^b (ii) The GOAP is meeting GOI and GOAP requirements for land acquisition. Capacity building program on screening and management of potential risks is under preparation. (iii) Site selection seeks to avoid or minimize adverse impacts and risks to the extent possible.

ADB = Asian Development Bank, APICDA = Andhra Pradesh Industrial Corridor Development, APIIC = Andhra Pradesh Industrial Infrastructure Corporation, CDTA = capacity development technical assistance, DIC = district industries center, GOAP = Government of Andhra Pradesh, GOI = Government of India, TA = technical assistance, PDM = project development mechanism, SPCB = State Pollution Control Board, SPV = special purpose vehicle, VCIC = Visakhapatnam–Chennai Industrial Corridor.

^a ADB. 2016. *Technical Assistance for Capacity Development for Industrial Corridor Management in Andhra Pradesh (TA 9173-IND)*. Manila.

^b ADB. 2015. *Technical Assistance for Supporting the Preparation and Implementation of the Comprehensive Integrated Master Plan for the Vizag-Chennai Industrial Corridor (TA 8949-IND)*. Manila.