

The logo of the Asian Development Bank (ADB), consisting of the letters 'ADB' in a white serif font inside a black square.

# Country Partnership Strategy

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September 2017

## India, 2018–2022 —Accelerating Inclusive Economic Transformation

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 09 August 2017)

Currency unit	–	Indian rupee (₹)
₹1.00	=	\$0.0156
\$1.00	=	₹63.75

## ABBREVIATIONS

ADB	–	Asian Development Bank
AMRUT	–	Atal Mission for Rejuvenation and Urban Transformation
CAPE	–	country assistance program evaluation
CPS	–	country partnership strategy
FDI	–	foreign direct investment
GDP	–	gross domestic product
GESI	–	gender equality and social inclusion
GW	–	gigawatt
INDC	–	intended nationally determined contribution
PMGSY	–	Pradhan Mantri Gram Sadak Yojna
PPP	–	public–private partnership
PSOD	–	Private Sector Operations Department
RCI	–	regional cooperation and integration
SASEC	–	South Asia Subregional Economic Cooperation
SDG	–	sustainable development goal
TA	–	technical assistance
TVET	–	technical and vocational education and training
ULB	–	urban local body
UN	–	United Nations

## NOTES

- (i) The fiscal year (FY) of the Government of India begins on 1 April. FY before a calendar year denotes the year in which the fiscal year begins, e.g. FY2016 begins on 1 April 2016 and ends on 31 March 2017.
- (ii) In this report, “\$” refers to United States dollars.
- (iii) In this report, “₹” refers to Indian rupees.

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## COUNTRY AT A GLANCE

<b>Economic<sup>a</sup></b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>
GDP (\$ billion, current)	1,826.3	1,856.8	2,035.2	2,090.1	2,263.2
GDP per capita (\$, current)	1,478.8	1,484.2	1,606.3	1,629.1	1,742.3
GDP growth (% , in constant prices)	5.5	6.4	7.5	8.0	7.1
Agriculture	1.5	5.6	(0.2)	0.7	4.9
Industry	3.3	3.8	7.5	8.8	5.6
Services	8.3	7.7	9.7	9.7	7.7
Gross domestic investment (% of GDP)	38.6	33.7	34.2	33.2	...
Gross domestic saving (% of GDP)	33.8	32.1	32.9	32.2	...
Consumer price index (annual % change) <sup>b</sup>	10.1	9.4	5.8	4.9	4.5
Liquidity (M2) (annual % change)	9.3	8.7	11.3	13.9	4.6
Overall fiscal deficit (excluding grants) (% of GDP)	6.9	6.7	6.7	7.5	6.5
Merchandise trade balance (% of GDP)	(10.4)	(7.2)	(6.8)	(5.7)	(4.7)
Current account balance (% of GDP)	(4.8)	(1.7)	(1.3)	(1.0)	(0.7)
External debt service (% of exports of goods and services)	7.0	6.8	9.1	10.6	...
External debt (% of GDP)	22.4	23.9	23.9	23.5	20.2
<b>Poverty and Social</b>	<b>1990</b>		<b>Latest Year</b>		
Population (million)	822.0		1,299.0	[2016]	
Population growth (annual % change)	2.1		1.2	[2016]	
Maternal mortality ratio (per 100,000 live births) <sup>c</sup>	556.0		167.0	[2013]	
Infant mortality ratio (below 1 year/ per 100,000 live births)	88.3		37.9	[2015]	
Life expectancy at birth (years)	57.9		68.0	[2014]	
Adult literacy (%)	48.2		74.0	[2011]	
Primary school gross enrollment (%)	77.5		99.2	[2015]	
Child malnutrition (% below 5 years old)	50.7	[1992]	29.4	[2014]	
Population below poverty line (%)	45.3	[1993]	21.9	[2011]	
Population with access to safe drinking water (%)	70.5		94.1	[2015]	
Population with access to sanitation (%)	16.8		39.6	[2015]	
<b>Environment</b>	<b>1990</b>		<b>Latest Year</b>		
Carbon dioxide emissions (million tons)	575.4		1,976.0	[2013]	
Carbon dioxide emissions per capita (tons)	0.7		1.6	[2013]	
Forest area (million hectares)	63.9		70.7	[2015]	
Urban population (% of total population)	25.5		31.0	[2011]	
<b>ADB Portfolio (active loans)<sup>d</sup></b>				<b>As of 31 December 2016</b>	
Total number of loans				116	
Sovereign				87	
Nonsovereign				29	
Net loan amount (\$ million) <sup>e</sup>				15,633.6	
Sovereign				13,155.9	
Nonsovereign				2,477.7	
Disbursements					
Disbursed amount (\$ million, cumulative) <sup>f</sup>				7,196.7	
Sovereign				4,839.7	
Nonsovereign				2,357.0	
Percentage disbursed (disbursed amount/net loan amount)				46	
Sovereign				37	
Nonsovereign				95	

... = data not available, ( ) = negative, [ ] = latest year for which data are available, ADB = Asian Development Bank, FY = fiscal year, GDP = gross domestic product, M2 = broad money, OCR = ordinary capital resources, UNICEF = United Nations Children's Fund.

<sup>a</sup> Growth rates are based on fiscal years, and on an updated GDP series using FY2011 as the base year. The growth rates for FY2016 are based on initial government estimates.

<sup>b</sup> FY2011 base year.

<sup>c</sup> Estimated for women aged 15-49 years old. Latest estimate of 167.0 is for the average of the period 2011-13.

<sup>d</sup> This table covers regular OCR financing for projects and programs, including policy-based lending.

<sup>e</sup> Approved amount net of cumulative cancellations.

<sup>f</sup> Cumulative disbursements from effective date.

Sources: Government of India, International Monetary Fund, World Bank, World Health Organization, UNICEF, and ADB staff estimates.



## I. COUNTRY PARTNERSHIP STRATEGY SNAPSHOT

1. **Key development challenges.** India grew at an average rate of more than 7% since FY2012, which placed it among the world's fastest growing large economies, and resulted in India's share in global GDP rising from 2.4% in 2013 to 3.0% in 2016. The rapid growth has been accompanied by numerous measures to remove the structural bottlenecks and improve the investment climate. The country has more than halved the poverty rate since FY2004 and has achieved most of the Millennium Development Goals. Accelerating such positive trends demands India to address the remaining impediments and emerging challenges, such as (i) building economic competitiveness to create more job opportunities while integrating the economy with global value chains; (ii) resolving infrastructure bottlenecks, particularly for emerging urban growth centers as an engine of economic growth and center of commercial activities; (iii) closing the widening gap between advanced and lagging regions where most of the poor are concentrated; (iv) addressing worsening environmental degradation, natural resource depletion, and adverse climate change impacts; and (v) building greater institutional capacities and a knowledge base to enhance efficiency and accountability of the economic system.

2. **ADB's strategic objectives and priorities.** The Asian Development Bank (ADB) will support India's rapid economic transformation to help the country move from lower towards upper middle-income status; and achieve faster, inclusive, and sustainable economic growth. The country partnership strategy (CPS) 2018–2022 will focus on three pillars. Pillar 1 will boost economic competitiveness to create more and better jobs by expanding infrastructure networks for transport and energy along economic corridors, enhancing management of corridor development and urban centers, and addressing the skills gap to support industrialization. Pillar 2 will provide inclusive access to infrastructure networks and social services by improving the infrastructure bottlenecks in lagging regions, providing better municipal services for the urban poor, and supporting investments in rural infrastructure to improve agricultural productivity and reduce the growing rural-urban income gap. Efficient public sector management will be supported to create fiscal space for investments in inclusive growth for social and rural development. Pillar 3 will address environmental degradation through mitigating the negative impacts of climate change and promoting sustainable natural resource use in the project design.

3. **Alignment with government development plans.** The government has replaced its 5-year national development planning process with a 15-year vision, a 7-year strategy, and a 3-year action agenda. ADB assistance is closely aligned with government priorities and its flagship programs. ADB will also support the government in achieving India's pledge to pursue the United Nation's (UN) Sustainable Development Goals (SDGs) and attain the goals under the intended nationally determined contributions (INDCs).

4. **ADB's value addition and use of scarce resources.** The CPS has adopted five principles to enhance ADB's value addition and maximize impacts: (i) conducting front-end, longer-term strategic studies that will help ADB operations focus on transformative investments; (ii) applying a synergic approach beyond individual sector boundaries where a transformative agenda calls for multi-sectoral solutions and close collaboration between public and private sector operations; (iii) promoting sector reforms and maximizing development impacts by closely aligning ADB operations with the government's flagship programs; (iv) actively engaging with economically less-advanced states by forging long-term partnerships and up-front capacity building through TA loans; and (v) further strengthening the capacity development program under the Capacity Development Resource Center while progressively promoting cross-learning among project agencies, state governments, and national institutions.

## II. COUNTRY DEVELOPMENT CONTEXT

5. **Strong economic growth and macroeconomic stability.** India's annual economic growth rate increased from an average of 6.0% during FY2012–FY2013 to an average of 7.5% during FY2014–FY2016. Strong growth was underpinned by programs and reforms to remove structural bottlenecks and improve the investment climate, such as launching major infrastructure initiatives, liberalizing foreign direct investment (FDI) norms and laws on labor and bankruptcy, and helping states to improve the ease of doing business. Inflation slowed from more than 10.1% in FY2012 to 4.5% in FY2016, aided by prudent monetary control and lower global commodity prices. The current account deficit, which had reached 4.8% of GDP in FY2012, fell to about 0.7% in FY2016. Foreign exchange reserves reached \$362 billion at the end of FY2016, providing a cover equivalent to a year of merchandise imports.

6. **Fiscal consolidation.** The central government steadily reduced its fiscal deficit from 4.9% of GDP in FY2012 to 3.5% in FY2016. The national public debt level remained steady at 68.5% of GDP in FY2016. Key reforms to enhance fiscal efficiency are ongoing, such as the introduction of a pan-India goods and service tax to unify tax collection procedures and digital platforms that collect and store demographic and biometric information to improve the efficiency of tax collection and benefits distribution. In FY2015, the government devolved tax revenues equivalent to 1% of GDP to states, which used these resources to fund capital outlays, education, and health. However, since FY2011, the states' aggregate fiscal deficit has progressively increased, and an increasing number of them are close to the fiscal deficit ceilings imposed by states' own fiscal responsibility laws.<sup>1</sup>

7. **Structural transformation with job creation.** Average annual growth during FY2012–FY2016 was 2.5% in agriculture, 7.4% in manufacturing, and 8.6% in the services. However, the structural transformation toward modern manufacturing and services has not been accompanied by a commensurate employment increase in these sectors. Agriculture remains the largest employer, which means half of India's workforce has low productivity and low incomes. As the economy needs to absorb about 10 million new workers each year, accelerating the structural transformation and job creation is essential to ensure that economic transformation is inclusive. Key constraints include infrastructure bottlenecks, a still-underdeveloped investment climate (despite reforms in some states),<sup>2</sup> regulatory constraints such as labor laws, and limited integration of the manufacturing sector with global markets.<sup>3</sup> The low employability of laborers resulting from the poor quality of skills programs is also an issue. The government has launched the flagship Make in India and Skill India programs to boost manufacturing growth and achieve a 25% share of GDP by 2022. Five economic corridors will be established as the backbone of a globally competitive manufacturing sector, and the skills and employability of laborers will be improved.

8. **Infrastructure bottlenecks.** Although India has improved its global ranking in the quality of infrastructure index from 87 to 68 during 2014–2016,<sup>4</sup> infrastructure continues to be a major bottleneck. To meet the accessibility and mobility requirements of the growing economy, the road infrastructure needs massive investments to widen roads, pave surfaces, improve road safety,

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<sup>1</sup> A 2004 central government commission encouraged states to pass fiscal responsibility laws by, for example, linking passing the laws with conditional debt restructuring and interest rate relief from the central government.

<sup>2</sup> Inclusive and Sustainable Growth Assessment (accessible from the list of linked documents in Appendix 3), para 20.

<sup>3</sup> Inclusive and Sustainable Growth Assessment (accessible from the list of linked documents in Appendix 3), para 38.

<sup>4</sup> World Economic Forum. 2016. *The Global Competitiveness Report, 2016–2017*. Geneva; and World Economic Forum. 2014. *The Global Competitiveness Report 2014–2015*. Geneva.

and maintain assets.<sup>5</sup> Despite ongoing investments to strengthen the rail system, such as assigning dedicated freight corridors, it still suffers from congestion on high-density routes, slow freight train speed, and high freight costs. Efficient connectivity of the road, rail, and port systems also remains critical to contain high logistics costs and build global competitiveness.<sup>6</sup> Power generation capacity needs to keep pace with rapid economic growth, but constrained by financial difficulties of power utilities. About 25% of households remain unelectrified, and many more suffer from intermittent power supply.<sup>7</sup>

9. **Urban transformation.** India's urban population is growing rapidly, increasing pressure on already stretched basic urban services and causing lags in service delivery, housing shortages, costly economic activities, and environmental degradation. Access to basic services such as water supply and sanitation remains low, and the quality and duration of such services are poor.<sup>8</sup> Cities suffer from inefficiencies in urban planning, land use, and floor area regulations (governing land use); underdeveloped property taxation; low investment cost recovery; and fragmented authorities in state agencies and urban local bodies (ULBs). This needs to be reversed. Cities must drive the transformation of urban centers and peripheries into commercial and industrial hubs with livable environments. Key areas of required interventions include devolving authorities to and building the capacities of ULBs, undertaking long-term urban planning, deregulating land and building restrictions, strengthening municipal revenue systems, and systematically building modern and quality infrastructure that can urbanize the planned area over many decades. These will help enhance the bankability of municipal projects and increase urban investments. The government's flagship Smart Cities Mission for 100 priority cities and Atal Mission for Rejuvenation and Urban Transformation (AMRUT) for 500 cities aim to extend essential amenities with well-governed administration to invigorate urban transformation.<sup>9</sup>

10. **Infrastructure requirements and gaps.** The cost to address India's infrastructure deficit is about \$230 billion per year.<sup>10</sup> There are sizable gaps in financing and institutional capacities. The fiscal space for some state governments is increasingly constrained. Meanwhile, private sector participation in infrastructure dropped from more than \$55 billion in 2010 to \$5 billion in 2015 as nonperforming infrastructure assets of previous public-private partnership (PPP) investments increased.<sup>11</sup> The central government is trying to create more fiscal space by enhancing the efficiency of tax collection and expenditure distribution, and by devolving more resources to states (para. 6). It is also seeking to revitalize PPPs by strengthening PPP institutions, promoting improved contractual modalities, pursuing fair allocation of risks, and strengthening progress monitoring. However, states with limited fiscal space need to rationalize expenditures and mobilize revenues, while strengthening investment cost-recovery mechanisms. Urban local bodies need to increasingly tap own revenue sources and private capital.<sup>12</sup>

11. Many government institutions, particularly at lower levels, still lack the capacity to plan, implement, and sustain quality infrastructure in a timely and efficient manner and with sound contract management. Governance constraints also undermine compliance enforcement. In addition, delays in statutory approvals—such as environment, forestry, and land acquisition

<sup>5</sup> Inclusive and Sustainable Growth Assessment (accessible from the list of linked documents in Appendix 3), para 37.

<sup>6</sup> Logistics costs in India total 13% of GDP, about 30% higher than in more advanced countries.

<sup>7</sup> Website of NITI Aayog <http://niti.gov.in/state-statistics> (accessed on 14 July 2017).

<sup>8</sup> Inclusive and Sustainable Growth Assessment, para 30 (accessible from the list of linked documents in Appendix 3).

<sup>9</sup> AMRUT. <http://amrut.gov.in>; and Smart Cities Mission. <http://smartcities.gov.in/content>.

<sup>10</sup> ADB. 2017. *Meeting Asia's Infrastructure Needs*. Manila. This amount is equivalent to 7.1% of GDP, compared with 5.5% of GDP invested during FY2012–FY2013.

<sup>11</sup> This is associated with the lower viability of many PPP projects because of implementation delays, lower-than-expected revenues, and other risks that had to be borne by investors.

<sup>12</sup> Inclusive and Sustainable Growth Assessment (accessible from the list of linked documents in Appendix 3), para 31.

approvals—continue to affect the implementation of public and private undertakings. This highlights the need to build capacity and expedite interagency coordination.

12. **Private sector development.** Corporate gross fixed capital formation declined from an average of 11.6% of GDP during FY2011–FY2013 to 11.0% of GDP in FY2015. Growing nonperforming assets and recapitalization needs in the banking sector continue to affect performance of the private sector. To reverse the trend, the government is strengthening regulatory oversight to resolve the banks' stressed assets. It also initiated major reforms to make India more attractive to foreign and domestic investors (para. 5), which contributed to record FDI inflows in FY2016.<sup>13</sup> This needs to be translated into accelerated growth in manufacturing and employment by further enhancing competitiveness. To this end, the government needs to tap the opportunities provided by economic corridors to address bottlenecks in infrastructure, the business climate, and global market chain links in an integrated manner, taking advantage of the productivity gains derived from clustered economic activities. The government is also promoting export-oriented and labor-intensive manufacturing FDIs that have global market links and technical and managerial expertise.

13. **Poverty reduction and inclusive economic growth.** India's poverty rate fell from 37.2% in FY2004 to 21.9% in FY2011,<sup>14</sup> reducing the number of the absolute poor by 137 million. Inequality, as measured by the Gini coefficient, increased marginally from 0.27 in FY2004 to 0.28 in FY2011 in rural areas, and from 0.35 to 0.37 in urban areas. India achieved most of the Millennium Development Goals, although its Human Development Index score of 0.62 in 2015 was lower than the median (0.67) for developing countries. A growing gap between higher- and lower-income states remains a chronic and major concern.<sup>15</sup> Accelerating poverty reduction therefore requires targeting lower-income states where most of the poor are concentrated. The government has prioritized this agenda, with programs to (i) extend rural road connectivity and uninterrupted electricity access to all villages by 2019, (ii) rapidly expand financial inclusion using a national identity based digital platform, and (iii) set up Smart and AMRUT cities as economic growth hubs in those states. Access to basic social services such as education and health also must be ensured, and the quality and outcomes of such services need to be improved. To meet these requirements, the capacities of relevant agencies must be enhanced.

14. **Gender equality.** Based on the UN's SDG indicators, India has made progress on some dimensions of gender equality, including (i) maternal mortality, where the ratio decreased from 212 (per 100,000 live births) in 2007–2009 to an average of 167 in 2011–2013; (ii) literacy, where the literacy rate improved to 74.0% and the gender gap narrowed to 16.7 percentage points; (iii) female participation in local governance structures, with women comprising 46.7% of village council representatives;<sup>16</sup> and (iv) access to basic services, where household coverage improved to 43.5% for tap water, and 46.9% for toilets. However, the sex ratio for children under age 7 declined from 934 in 2001 to 918 in 2011.<sup>17</sup> Female employment in India's organized sector was as low as 20.5%. Low asset ownership, particularly land, affects women's access to extension

<sup>13</sup> Inclusive and Sustainable Growth Assessment (accessible from the list of linked documents in Appendix 3), para 20.

<sup>14</sup> Estimates are based on the national poverty line. The latest poverty data are for FY2011.

<sup>15</sup> The per capita income in five high-income states (Gujarat, Haryana, Karnataka, Maharashtra, and Tamil Nadu) grew by 6.0% during FY2012–FY2016. In five large low-income states where 54% of the country's poor are concentrated (Bihar, Jharkhand, Madhya Pradesh, Odisha, and Uttar Pradesh), it grew by 5.0% during the same period.

<sup>16</sup> World Bank Open Data. Proportion of Seats Held by Women in National Parliaments (%). <http://data.worldbank.org/indicator/SG.GEN.PARL.ZS?end=2015&start=2015&view=map>.

<sup>17</sup> Office of the Registrar General & Census Commissioner, India. 2011. *Census of India*. New Delhi.

services, training, new technologies, and credit. The government prioritizes women's equal participation in the economy and protection from violence.<sup>18</sup>

15. **Regional and global integration.** Given its geographic location, as well as the potential size of the market and production, India is well placed to tap opportunities from and lead the promotion of regional and global integration. The government is stepping up programs for transport, energy, and trade facilitation using subregional and regional frameworks, such as South Asia Subregional Economic Cooperation (SASEC) and Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation. These frameworks provide India's less-developed eastern and northeastern regions with better links (transport, energy, tourism, and trade) with Bangladesh, Bhutan, Nepal, and Myanmar. After spearheading efforts to finalize a long-term vision and strategy for SASEC, India is pushing for fast implementation of the vision's flagship initiatives. It is also pursuing an Act East Policy to explore increasing trade and investment flows with the Association of South East Asian Nations and East Asian countries. Free trade access to global markets is also needed to boost manufacturing exports.

16. **Environmental sustainability and climate change.** Environmental degradation, including air and water pollution, urban congestion, forest degradation, and depleted water resources, has emerged as a major challenge. Overexploitation of groundwater is also a serious problem.<sup>19</sup> Environmental degradation costs are equivalent to about 5.7% of GDP.<sup>20</sup> With its terrain stretching from the coastlines to the Himalayas, India is one of the countries most vulnerable to the impacts of climate change.<sup>21</sup> Vulnerability to natural disasters is also high. The government released its INDCs to the 21st session of the Conference of the Parties in 2015, specifying mitigation and adaptation actions. India is rapidly expanding renewable energy generation capacity, and introducing and increasing clean energy taxes on coal and fossil fuels. The UN Environment Programme assessed India to be on track to achieve its pledges by 2020.<sup>22</sup> In terms of adaptation, the INDCs set out measures to improve the urban environment, build resilience across the country, and sustain water and natural resources through integrated and knowledge-driven planning and management.

### III. COUNTRY STRATEGY FRAMEWORK

#### A. Lessons from Previous Strategy

17. The country assistance program evaluation (CAPE) for India rated ADB's strategy and program in 2007–2015 *successful*.<sup>23</sup> It concluded the main public sector programs (transport, energy, water and urban, finance, and public sector management) and private sector programs were *successful*. However, several programs performed below expectations. Implementation was rated *less than efficient*, because of time extensions in many projects. However, the CAPE acknowledged positive capacity development impacts through ADB's long-term engagement.

<sup>18</sup> Government of India, Ministry of Women and Child Development. 2016. *National Policy for Women 2016: Articulating a Vision for Empowerment of Women (Draft)*. Delhi.

<sup>19</sup> Without appropriate measures, overexploitation is likely to affect 60% of India's groundwater blocks by 2025.

<sup>20</sup> World Bank. 2013. *India: Diagnostic Assessment of Select Environmental Challenges—An Analysis of Physical and Monetary Losses of Environmental Health and Natural Resources*. Washington DC.

<sup>21</sup> India could lose an equivalent of 1.8% of its annual GDP by 2050. M. Ahmed and S. Suphachalasai. 2014. *Assessing the Costs of Climate Change and Adaptation in South Asia*. Manila: ADB.

<sup>22</sup> United Nations Environment Programme. 2016. *The Emissions Gap Report 2016*. Nairobi.

<sup>23</sup> ADB. 2017. *Country Assistance Program Evaluation: India, 2007–2015*. Manila. The CAPE did not rate projects in agriculture, natural resources, and rural development; education; and health as most projects in these sectors were approved in the second half of the evaluation period and are ongoing.

18. The CAPE made the following strategic recommendations: (i) clearly specify the inclusive economic growth approach in the new CPS; (ii) intensify strategic focus on programs for climate change, particularly adaptation; and RCI, including regional public goods beyond infrastructure; and (iii) strengthen the identification of knowledge needs, focusing on innovation and the design and implementation of an effective capacity development strategy. Operational recommendations were to (i) improve process efficiency by identifying the implementation bottlenecks and causes of low disbursement ratios; (ii) implement gender action plans with sound monitoring while synthesizing and disseminating good practices; (iii) improve monitoring of financial intermediary loans for infrastructure while helping strengthen PPP regulations and institutions; and (iv) address the high cancellation rate of nonsovereign operations. These are reflected in the new CPS.

## **B. National Development Strategy**

19. **Key development goals.** The government is replacing its 5-year national development plan with a 15-year vision (up to FY2031), a 7-year strategy (up to FY2023), and a 3-year action agenda (FY2017–FY2019).<sup>24</sup> The emerging vision aims to achieve prosperity, poverty eradication, equality, cleanliness, transparency, employment, gender equality, and hopefulness. By FY2031 the government's targets include 8% annual average economic growth, which will lead to \$7.5 trillion in GDP and a poverty rate below 5%.<sup>25</sup> The vision will also set out national and state goals following India's pledge to pursue the SDGs.

20. **Development strategy.** Within the framework of the vision and its goals, the key elements of the government's development strategy, as embodied in the 3-year action agenda, include (i) prudently managing the macroeconomy through fiscal discipline and more efficient tax collection and benefit distribution; (ii) transforming key industries by doubling farm incomes within 5 years to rapidly extend financial inclusion, and swiftly creating well-paid jobs in the manufacturing and modern service sectors; (iii) rapidly expanding growth to enable inclusive infrastructure in urban and rural areas, including higher private investments in affordable housing for all; (iv) ensuring access to social services (education, health, and social protection) with substantial improvements in the efficiency and quality of delivery; (v) enhancing governance, curbing corruption, and building institutional capacity and systems; and (vi) addressing rising environmental challenges and climate change concerns.

21. **Key initiatives to implement the strategy.** Fast industrialization and job creation are being pursued through the (i) Make in India initiative by designating industrial corridors and/or zones, and pursuing orderly investments and reforms for ease of doing business (para. 7); (ii) Sagarmala project, a port-led industrialization project that aims to expand port facilities to significantly reduce logistics costs; and (iii) Skill India initiative, which aims to enhance employability by improving people's skills. The Smart Cities and AMRUT programs (para. 9) will establish dynamic economic growth hubs across the country, while the Swachh Bharat Abhiyan (Clean India Mission) aims to end open defecation and contribute to livable urban and rural environments. The Power for All initiative plans to extend uninterrupted access to power to all rural households by 2019. Meanwhile, the Pradhan Mantri Gram Sadak Yojana (PMGSY) aims to extend rural connectivity to all rural villages by 2019.<sup>26</sup> The Jan Dhan–Aadhaar–Mobile initiative combines Jan Dhan's digital bank accounts, the Aadhar national identification system, and mobile

<sup>24</sup> The new process is led by a new policy think tank, the National Institution for Transforming India, set up in January 2015, which replaces the Planning Commission.

<sup>25</sup> A. Panagariya. 2017. *India 2031–32: Vision, Strategy and Action Agenda*. Presentation at the Third Meeting of the Governing Council of NITI Aayog. Delhi. 23 April.

<sup>26</sup> PMGSY will connect all habitations with a population size of 500 persons or more in the plain areas and 250 persons or more in hill states and tribal and desert areas.

phones to pursue rapid financial inclusion. This initiative is part of the Digital India program, which aims to use digital platforms to enhance public administration efficiency. The National Solar Mission aims to increase India's solar power generation capacity to 100 gigawatts by 2022, from 13.1 gigawatt as of June 2017,<sup>27</sup> and will contribute to India's INDC commitment to have 40% of installed capacity from non-fossil-fuel energy resources.

### C. Role of Development Partners

22. **Development assistance.** India's major development partners include ADB, Agence Française de Développement, the Japan International Cooperation Agency, KfW, and the World Bank. The Asian Infrastructure Investment Bank and the New Development Bank have also joined as new multilateral funding agencies. The development partners focus predominantly on infrastructure, although the World Bank has a higher share of operations in social services (health and education) and rural livelihoods through its concessional funding window, which is being phased out.<sup>28</sup> In addition, UN agencies provide specialized technical support in social and environment sectors.<sup>29</sup> The Ministry of Finance is the government's nodal agency that coordinates and consults with India's development partners to ensure that effective and prioritized assistance is provided, following the country's development agenda and the priorities of the central and state governments and sectors.

23. Total external assistance in FY2015 was about \$9.61 billion, or 0.46% of GDP, compared with aggregate government investment of 3.9% of GDP.<sup>30</sup> Given the small proportion of external assistance, the government's guiding principle is to seek "finance plus" or high value addition to financing by development partners, through specialization and focus, high quality of design, strong portfolio performance, innovative financial structure, and sustained impact. Specific areas include (i) reforms and capacity building that will accelerate transformation; (ii) knowledge solutions and innovations, including new technologies, that can be demonstrated and disseminated to enhance impact; and (iii) financial instruments and mechanisms for project entities to attract greater financial resources from third parties. ADB will work with the government and India's development and knowledge partners to mutually learn, harmonize, replicate, and augment these finance-plus elements.

### D. ADB's Strategic and Thematic Objectives, and Public and Private Sector Operational Priorities

24. **Country partnership strategy objectives.** ADB will support the government's goal of faster, inclusive, and sustainable growth accompanied by rapid economic transformation and job creation, as well as its pledge to achieve the SDGs.<sup>31</sup> The assistance will focus on areas where ADB has a comparative advantage. It will have three strategic pillars (Figure): (i) boosting economic competitiveness to create more and better jobs, (ii) providing inclusive access to infrastructure networks and services, and (iii) addressing climate change and increasing climate resilience.

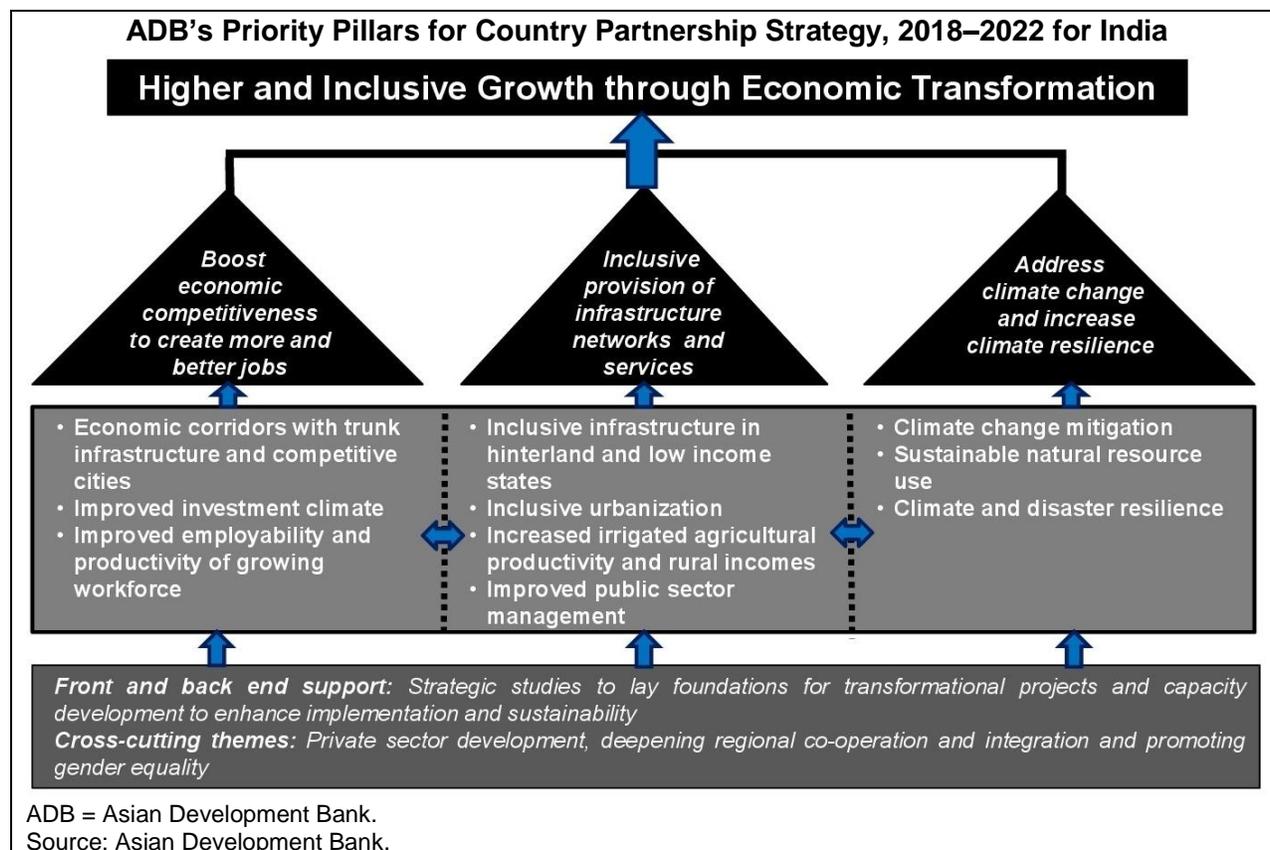
<sup>27</sup> Government of India, Ministry of New and Renewable Energy. June 2017. *Response to Rajya Sabha question*. (See <http://164.100.47.5/qsearch/QResult.aspx>)

<sup>28</sup> India graduated from the World Bank's International Development Assistance (IDA) in June 2014 but received transitional support on an exceptional basis during the IDA17 period (1 July 2014–30 June 17).

<sup>29</sup> This includes technical agencies of the UN such as the International Fund for Agricultural Development (IFAD).

<sup>30</sup> Aggregate government investment includes investment by the central and state governments. It excludes investment by public financial and nonfinancial companies.

<sup>31</sup> The CPS will work directly toward achieving SDGs 6 (clean water and sanitation), 7 (affordable and clean energy), 8 (decent work and economic growth), 9 (industry, innovation, and infrastructure), and 11 (sustainable cities and communities).



25. **ADB's value addition.** The CPS will be driven by front-end strategic studies that will identify high-priority transformative investments, and associated policy advice. ADB will adopt a synergic approach beyond sector and thematic boundaries to address multi-dimensional development challenges, such as supporting municipal reforms to leverage private investments in urban infrastructure. ADB will strengthen its engagement with lower-income states to help address critical gaps in infrastructure and services, while helping build capacity, especially in inexperienced agencies.

### 1. Strategic Pillars

26. **Pillar 1: Boosting economic competitiveness to create more and better jobs.** To fully utilize the potential of the economic corridors, a three-pronged approach will be taken: (i) build trunk infrastructure and competitive cities in the economic corridors, (ii) improve the investment climate for industrial development, and (iii) boost the employability and productivity of the growing workforce.

27. **Economic corridors with trunk infrastructure and competitive cities.** ADB will continue to support strategic planning studies to develop economic corridors and coastal economic zones, such as the East Coast Economic Corridor, in order to drive India's economic transformation. In line with the strategic plans, ADB will support investments to make Indian cities, their clusters, and the industrial nodes competitive, well connected, and capable of providing a clean livable environment. This will entail building trunk infrastructure—such as railways, expressways, ports, and logistics facilities—to connect the industrial nodes with national and

global value chains, high-voltage electric power transmission systems, and smart distribution systems. These will support the government's Make in India initiative and Sagarmala project, as well as the Act East and National Manufacturing policies. Urban investments will focus on vitalizing the government's Smart Cities initiative. ADB will support long-term urban development planning and basic urban infrastructure investments, including for multimodal public transport facilities and smart transport management. Since the corridors cover multiple states, ADB will explore assisting large-scale infrastructure investments through clusters of sector investments in larger areas and/or multisector projects on specific cities and clusters, in a sequential manner.

28. **Improved investment climate.** ADB will provide policy and strategic advice, and assist with the implementation of measures to develop the industrial clusters particularly in the corridors. The aim is to ensure that the planned large infrastructure pays off and attracts businesses and industries. The assistance will cover (i) capacity building of the institutions for corridor management; (ii) measures to continue improving the ease of doing business, such as e-business and unified online portals; and (iii) industrial and sector policy strengthening. Assistance to major municipalities will strengthen their capacity to realize the full potential of revenue mobilization through sound land use planning and improved municipal tax systems. The aim is to enhance the bankability of municipal sector projects, thereby reducing and eventually replacing direct public sector project finance with financial intermediation.

29. **Improved employability and productivity of growing workforce.** To boost the employability and productivity of the growing workforce, ADB will continue to support technical and vocational education and training (TVET). ADB will focus on reforming and scaling up TVET, strengthening industrial engagement, and improving TVET quality. These will establish centers of excellence. In line with the national skills development agenda, ADB will assist the states in meeting their industrial needs by building state-of-the-art TVET infrastructure, enhancing the relevance of training, strengthening the credibility of certification (by establishing outcome-based training norms and improving the competency of trainers), and strengthening the institutional capacity of state agencies. ADB will further support introducing quality vocational education in high schools and colleges, leveraging private sector involvement in TVET infrastructure, and pilot testing and scaling up technology-based skills training (e.g., infrastructure, manufacturing, and entrepreneurship). Twinning with reputed international skills development institutes and cross-learning across states on national and international best practices will also be promoted.

30. **Pillar 2: Inclusive provision of infrastructure networks and services.** Through increased partnership with low-income states, ADB will support the acceleration of regionally balanced and inclusive growth by focusing on market-to-hinterland links and providing inclusive services to cities and hinterlands.

31. **Inclusive infrastructure in hinterlands and low-income states.** ADB will support investments in infrastructure and institution building in states and areas with poor access to transport and energy. In the transport sector, ADB projects will focus on improved road connectivity at the state, district, and rural levels to improve access to services and enhance productivity and incomes. Assistance for rural road development through PMGSY will continue. ADB projects will focus on capacity building, road safety, sustainable road maintenance, innovative materials and technologies, and private sector participation. Investments in railways will help local industries access freight transport services. In the energy sector, ADB will support the government's target to provide uninterrupted electricity connections to all by connecting villages to the electricity grid. ADB assistance will improve the financial and technical performance of distribution utilities by deploying smart grid technologies, integrating with renewable energy sources, and helping build necessary institutional capacity. ADB will also support feeder

separation between agriculture and household uses to promote stable power supply for households. The project design will adopt measures to provide better electricity access for the poor, while enhancing water use efficiency and productivity through a multidisciplinary approach.

**32. Inclusive urbanization.** ADB's urban sector program will contribute to inclusive growth by assisting low-income states and supporting investments in municipal infrastructure (water supply, sanitation, solid waste management, urban transport and traffic management, tourism infrastructure, and urban health services). ADB support will help India achieve the SDGs to enhance the coverage, quality, and continuity of basic services. It is aligned with the government's three flagship urban programs: Smart Cities Mission, AMRUT, and Swachh Bharat Mission. Combined support will be provided to (i) promote municipal reforms and improve governance, including adopting e-governance systems; (ii) build the capacity of ULBs in project implementation and utility service delivery; and (iii) develop financial intermediaries in states. ADB programs will also adopt innovations, such as uninterrupted pressurized water supply, smart metering and operation to reduce nonrevenue water, fecal sludge management, wastewater reuse and recycling, and waste-to-energy initiatives. Targeted poverty reduction (such as in urban slums) and GESI mainstreaming components will support inclusiveness. Agendas such as affordable housing and slum development will be explored as private sector operations. ADB will also reinforce government efforts to develop health systems in urban areas that can deliver quality health services and reach the urban poor and vulnerable.

**33. Increased irrigated agricultural productivity and rural incomes.** ADB will focus on government priorities to double farmers' incomes and achieve improved water use efficiency. ADB will target modernizing major and medium irrigation systems, which offer greater opportunities to improve water use productivity. This will showcase innovations in infrastructure modernization, efficiency improvement, and sustainable operation and maintenance in selected states. The involvement of the private sector in large-scale schemes will also be demonstrated.<sup>32</sup> Building on irrigation modernization, ADB will provide support to intensify and diversify agriculture production, and to develop value chains by forming farmers' cooperatives and motivating the private sector to invest in agribusiness and value-chain networks. ADB will also explore opportunities to support the government's priority for financial inclusion and rural housing primarily through private sector operations. ADB support to agriculture can be expanded depending on country demand.

**34. Improved public sector management.** ADB will extend assistance to improve the efficiency of public sector resource management at the state, local, sector (including public sector), and project levels. Three areas will be emphasized. First, ADB will help states and ULBs create fiscal space and develop sound fiscal discipline through fiscal consolidation and improved capacity of public financial management. Support may include budgetary reforms with medium-term expenditure frameworks, rationalization of recurrent expenditures and subsidies, and strengthening revenue mobilization systems of state governments and ULBs (para. 28). Second, asset sustainability and cost recovery through user fees and other revenues will be pursued in all investment projects to ensure sustained asset maintenance while containing the repayment burden. Third, ADB will support government efforts to strengthen public financial management, including the systems and capacities for procurement, contract management, and accounting.

**35. Pillar 3: Addressing climate change and increasing climate resilience.** ADB will support government efforts to meet India's INDCs and improve the resilience of the economy to the adverse climate change impacts.

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<sup>32</sup> This includes design-build-operate or performance-based management contracts.

36. **Climate change mitigation.** ADB will assist the government in implementing its INDC commitment to increase the proportion of renewable energy consumption.<sup>33</sup> The assistance will cover solar photovoltaic and wind power generation. It will also focus on green corridors or high-voltage transmission lines to evacuate renewable power to load centers through sovereign and nonsovereign lending modalities, including financial intermediation. ADB will support capacity building to enable the electricity companies to integrate intermittent renewable energy. It will also support energy storage solutions such as pump storage hydropower to improve the demand–supply balance. ADB may also consider financing efficiency improvement and pollution control of thermal power plants. ADB will work with domestic financial institutions to deepen access to climate financing for renewable energy development and energy efficiency improvement. In the urban sector, ADB will support methane capture from wastewater and solid waste management facilities, as well as the development of nonmotorized and low-carbon mass transit in cities.

37. **Sustainable natural resource use.** ADB will support the government’s strategy to reduce climate change impacts. Irrigation modernization will directly contribute to the National Water Mission’s target to improve water use efficiency by 20%. Gains in large-scale irrigation efficiency will (i) lessen the pressure on India’s scarce water resources; (ii) reduce conflict between agriculture, industries, and urban users; and (iii) mitigate further water stress resulting from climate change. River basin water resource management will be applied to strengthen water governance with prudent management of water and the environment. This will consist of providing policy and legal advisory services and capacity building, and showcasing the latest innovations in basin management. ADB support for integrated flood management and river bank erosion protection will continue, demonstrating the use of lower-cost flood protection and erosion infrastructure combined with nonstructural measures. Support for coastal erosion management will help the transition from traditional hard protection toward more environmentally appropriate and sustainable solutions such as beach nourishments, dune management, and/or artificial reefs.

38. **Climate and disaster resilience.** ADB will mainstream climate change adaptation and disaster risk management across all sectors, and promote the consideration of climate proofing in infrastructure projects. ADB will pay special attention to increasing urban climate change resilience, particularly in environmentally sensitive states and cities that require unique and customized approaches. These include hilly and forested cities with fragile environments and cities that are likely to face water-related disaster risks such as flooding and natural resource degradation in cities along major rivers and water bodies. ADB will assist new projects to assess natural disaster and climate change vulnerability, and incorporate appropriate resilience measures, including structural and nonstructural instruments, into the project designs.

## 2. Crosscutting Themes

39. **Private sector development.** ADB will continue prioritizing private sector development and private participation in infrastructure investments. ADB’s public and private sector departments will closely collaborate. While the operations of the Private Sector Operations Department (PSOD) are dynamic and driven by private demand, ADB support for front-end strategic studies (such as on the East Coast Economic Corridor) will provide platforms for identifying and assisting in implementing priority investments and related policy advice in a synergic manner. ADB’s private sector operations will support the three strategic priorities of the CPS, explore more innovative and inclusive infrastructure, and catalyze the development of the finance sector. ADB will consider support for transport (ports, airports, roads, railways, and logistics), power (including clean and renewable energy), urban infrastructure (including

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<sup>33</sup> Inclusive and Sustainable Growth Assessment (accessible from the list of linked documents in Appendix 3), para 36.

sewerage and solid waste management), affordable housing, financial inclusion, agriculture (including agribusiness and irrigation), manufacturing, health, and education. Transactions from low-income states will be prioritized, including funding financial institutions for onlending to increase women's access to finance.

40. ADB will also support the government's priority to revive and enhance private financing of infrastructure projects, including PPPs. ADB will continue its long-term partnership to strengthen the PPP policy and institutional framework and PPP capacity, such as establishing a dedicated PPP institute, strengthening state-level PPP setups and appraisal systems, and supporting the development of tools and instruments to bolster PPP operations. ADB's sovereign operations will also support extending PPPs by enhancing the bankability of infrastructure projects, particularly in the energy and urban sectors, to attract private financing (para. 28). New contractual modalities, such as annuity and long-term operation and maintenance contracts, will also be explored. ADB will also provide assistance to strengthen sector regulations and develop a capital market with innovative financial instruments. Further, ADB will explore opportunities to provide transaction advisory services for more complex and innovative PPP investments.

41. **Regional cooperation and integration.** ADB's RCI operations will implement the South Asia Subregional Economic Cooperation Operational Plan, 2016–2025 and will be guided by the SASEC: Powering Asia in the 21st Century vision document.<sup>34</sup> The operational plan focuses on (i) upgrading and expanding multimodal transport connectivity to address critical bottlenecks and support trade routes; (ii) comprehensively facilitating trade to complement multimodal transport networks; (iii) enhancing electricity trade to expand energy supply and secure power reliability; and (iv) promoting synergies between economic corridors in SASEC countries and beyond, and optimizing their development impact through improved cross-border links. The formulation and endorsement of the SASEC vision, which India spearheaded, frames the SASEC program to generate greater synergies between countries in order to accelerate sustainable and economic growth. These include (i) leveraging natural-resource-based industries in a SASEC country by tapping into latent industrial demand within the subregion, (ii) promoting industry-to-industry links within the subregion to develop and strengthen regional value chains, and (iii) expanding the region's trade and commerce by providing access to regional and global markets.

42. **Gender equality.** Following government policies and programs on gender equality, ADB will support strengthening GESI outcomes in ADB-financed projects through assistance in quality gender analyses at preparation, robust GESI action planning reflected in a monitoring framework, and provision of adequate human and financial resources for implementation. ADB will selectively use grants and technical assistance (TA) to build knowledge and capacity to design, implement, and deliver GESI outputs and outcomes; and will document good practices and lessons through knowledge products. ADB will carry out gender mainstreaming across all sectors in consultation with central and state governments. Systematic monitoring of the gender equality outputs, outcomes, and impacts of projects with gender equity or effective gender mainstreaming as themes will be a priority. ADB will also facilitate an exchange of good practices between government agencies and development and knowledge partners.

## **E. Priorities for Knowledge Support**

43. **Knowledge management.** India is encountering more complex and diverse challenges as its economy rapidly moves toward upper middle-income status. This suggests an increasingly

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<sup>34</sup> ADB. 2016. *South Asia Subregional Economic Cooperation Operational Plan, 2016–2025*. Manila; and ADB. 2017. *SASEC: Powering Asia in the 21st Century*. Manila.

important role for ADB in providing knowledge solutions. The government's interests include (i) strategic studies to identify growth pathways, transformative investment opportunities, and policy advice; (ii) sector studies to identify and help address gaps in knowledge, capacity, and priority investments; and (iii) knowledge products to synthesize sound implementation practices, innovations, and new technologies. ADB's country knowledge plan, 2018–2022 for India sets out the knowledge products to meet these three purposes, in line with CPS operational and thematic priorities and government priorities and flagship programs.<sup>35</sup> In addition, ADB will collaborate with local knowledge institutions (including think tanks and universities, and other development partners) to explore and disseminate knowledge. ADB will also explore two-way learning to capture, and disseminate India's lessons and experiences of addressing complex development challenges with other project agencies, state governments, national institutions and development member countries, and strengthen knowledge cooperation.

## IV. STRATEGY IMPLEMENTATION

### A. Indicative Resource Parameters

44. Given the need to strategically address India's substantial and complex development challenges, and as requested by the government, ADB will scale up its lending level, focus it on transformative investments with strategic and policy advice. ADB proposes annual lending of \$3.00 billion–\$4.00 billion for 2018–2022 including private sector operations, compared with an average of \$2.65 billion per year in 2012–2016, subject to resource availability and project readiness.<sup>36</sup> Further, ADB will explore cofinancing opportunities through coordination led by the government, particularly when large investment opportunities are identified. Concessional climate funds will also be explored for relevant projects. ADB will also explore diversification of financial instruments.<sup>37</sup>

45. ADB will judiciously use TA to support the preparation of the lending program, capacity development, strategic studies, and other knowledge programs based on demand. To support increased lending and nonlending outputs, TA resources will need to be increased from an annual average of \$6.6 million in 2013–2016. ADB will explore cofinancing resources, as well as TA loans and project design advances for project preparation and capacity building.

46. ADB proposes a 70:30 average cost-sharing ratio for the overall loan portfolio during the CPS period. For individual projects, ADB will follow government guidelines.<sup>38</sup>

### B. Implementation Priorities

47. **Sector and geographical coverage.** The CPS will be broad-based covering the following sectors: transport; energy; urban infrastructure and services (including urban health); public sector management; agriculture, natural resources and rural development; and education and skills. Around 85% of the lending program will be devoted to the first three infrastructure sectors. It also envisages progressive enhancement of the annual lending program to low income states, particularly those in the lower group.

<sup>35</sup> India Country Knowledge Plan 2018–2022 (accessible from the list of linked documents in Appendix 3).

<sup>36</sup> The sovereign allocation for 2018–2020 is \$7.5 billion. Since the overall envisaged amount exceeds the indicative resource allocation, ADB will try to mobilize additional funding from internal sources (e.g., regional set-aside).

<sup>37</sup> This includes local currency financing, PPPs, and credit enhancement products such as guarantees.

<sup>38</sup> The guidelines were introduced by the government in December 2011 and propose a minimum government share of 50% for central projects, 30% for general category state projects, and 20% for special category state projects.

48. **Sound portfolio performance.** The CPS involves diverse implementation partners with varying capacities. ADB will aim for annual disbursement to progressively become commensurate with the increased annual lending level. First, ADB will build robust pipelines on the basis of scoping and strategic studies to identify transformative investment opportunities, in consultation with the government. Second, ADB and the government will enhance quality at entry by adhering to readiness criteria covering processing, implementation, and policy aspects, while ascertaining that the executing agency will have the capacity to handle a project of that size. TA loans and project design advances will be used to enhance agency capacity and implementation readiness. Third, ADB will systematically pursue orderly implementation through close progress monitoring and support, capacity building, and oversight mechanisms such as tripartite review meetings to undertake troubleshooting and compliance enforcement of corrective actions.

49. **Strategic advice and capacity development.** One of the priorities of the CPS is strengthening ADB's role in providing effective strategic and policy advice, and in developing capacity and institutions at the project and higher levels, as an integral part of ADB's lending operations. While ascertaining country demand, ADB will support front-end strategic studies at the regional level (e.g., economic corridor and logistic parks); and at the state, sector, or thematic levels (e.g., state-level assessments, Smart Cities Mission, and National Water Mission). Such studies will not only help identify major investments, but also provide exemplary pathways and policy advice for requisite reforms to reach the objectives (e.g., labor-intensive industrialization and long-term urban development plans with multiple bankable projects).

50. ADB will further mainstream capacity development in its lending operations: a requisite cost may be set aside with clear output targets for implementation capacity in all relevant areas, as well as policy and institutional changes. Capacity and knowledge, once developed and retained within the partner agencies,<sup>39</sup> will be used for cross-learning with less-advanced agencies, as well as state departments and central ministries. The Capacity Development Resource Centre, jointly established by the government and ADB, will play an important role. It will provide critical training and cross-learning opportunities, and will document advanced implementation and related practices as a reference knowledge base. This can be used for dissemination and capacity building beyond ADB operations. ADB will also explore and introduce international best practices and new technologies in partnership with knowledge partners.

51. **Use of country systems.** To enhance implementation efficiency, ADB will move towards using country systems for procurement and safeguards.<sup>40</sup> This will apply to executing agencies with established systems and capacity that are equivalent with ADB policies and harmonized with international standards. The milestones include equivalent legal or regulatory frameworks, acceptable institutional systems, implementation capacity and track record, and an action plan to close any gaps between the country system and ADB policies.<sup>41</sup> Following the request of the government in April 2016, ADB has assessed and adopted the country system (at agency level) for procurement and safeguard for POWERGRID as approved by ADB's Board of Directors in February 2017. Further applications will be considered for cases that meet the criteria.<sup>42</sup>

<sup>39</sup> ADB and the government will seek commitments from project executing agencies to deploy strong project leadership and retain key staff for a sufficient period as part of the terms of engagement.

<sup>40</sup> ADB's Safeguard Policy Statement (2009) (SPS) has provisions for using country safeguards systems (CSS) in ADB projects at the agency/project, sector, subnational, and national levels.

<sup>41</sup> For CSS, adoption is subject to "equivalence" (CSS having provisions corresponding to the objectives and principles of SPS) and "acceptability" (the agency having necessary capacity and experience to use its own CSS). ADB's new procurement policy also provides for the use of alternative procurement arrangement including the country systems.

<sup>42</sup> ADB has also drafted a national equivalent assessment for safeguards, which will be finalized in consultation with the government. On this basis, proposals for the use of CSS at a sector-, agency-, or project-level can be considered subject to the equivalence and acceptability assessments of the concerned sector, agency, or project.

52. **Strengthening of the resident mission.** In line with the Midterm Review of Strategy 2020: Action Plan, ADB's India Resident Mission has been monitoring the performance of all projects in India.<sup>43</sup> About 65%–70% of projects are being delegated to the resident mission, and more staff will continue to lead project implementation, while increasing its involvement in project processing for seamless portfolio management. PSOD plans to deploy additional staff to India during the CPS period.

### C. Monitoring of Results

53. ADB and the government will use the CPS results framework, which focuses on the outcomes in priority areas, to track the achievement of target results. ADB will monitor and update the framework annually during country programming missions, with modification as necessary, and preparation of the country operations business plan. All priority areas and outcome indicators reflected in the CPS results framework are aligned with the SDGs and will be closely monitored. ADB will systematically monitor (i) the outputs and outcomes of the GESI action plans attached to projects classified *gender equity* and *effective gender mainstreaming*, and (ii) the impact of the capacity development initiatives targeting ADB-assisted projects. ADB will document lessons learned and best practices through knowledge products for distribution in training and peer-to-peer learning in country and subregional events.

### D. Risks

54. **Fiscal stress.** In India, an increasing number of states and ULBs are under fiscal stress because of rising development and recurrent expenditures to fill infrastructure gaps and meet rising remuneration needs. While the country has a well-established fiscal control and adjustment system, ADB will explore supporting fiscal reforms in state governments to create more fiscal space for investments in infrastructure and social development. It will also assist state and local governments in preparing bankable projects that can be supported through financial intermediaries. Sector operations will pursue sound cost recovery mechanisms of investments and asset management by collecting fees and building other revenue mechanisms to ascertain that investments will not cause additional fiscal stress.

55. **Implementation capacity.** The capacity of the project executing agencies to handle multidisciplinary tasks on interdepartmental coordination (such as for statutory requirements) and externally caused risks has been an issue, along with governance in terms of compliance and enforcement in project operations. While the agencies have made progressive improvements, scaling up operations while expanding into low-income states where agency capacity is generally lower will place additional stress on the overall portfolio performance. The risks will be mitigated by (i) making project sizes commensurate with the executing agency's capacity; (ii) mainstreaming capacity development in the project design, and using TA loans and project design advances to front-load capacity and readiness building; (iii) forging long-term partnerships and seeking clear upfront commitments to deploy strong leadership and retain key staff; and (iv) providing systematic support through the Capacity Development Resource Centre and on-the-job training with direct oversight of results and outcomes.

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<sup>43</sup> ADB. 2014. *Midterm Review of Strategy 2020: Action Plan*. Manila.

### COUNTRY PARTNERSHIP STRATEGY RESULTS FRAMEWORK

Country Development Impact Indicators with which the CPS Is Aligned <sup>a</sup>				
1. GDP growth rate increased to 8.0% per year by 2032 (2013–2016 baseline average: 6.8%) <sup>b</sup> 2. Proportion of population living below the national poverty line decreased to below 5% by 2032 (FY2012 baseline: 21.9%) <sup>c</sup> 3. Urban GDP increased to 75% by 2030 (2011 baseline: 63%) <sup>d</sup> 4. Farmers' annual incomes doubled by 2022 (2015 baseline: ₹120,193) <sup>e</sup>				
CPS Objectives and Related Impacts	CPS Priority Areas	Key Outcomes that ADB Contributes to	Outcome Indicators	CPS Resources
Boost economic competitiveness to create more and better jobs	Build economic corridors with trunk infrastructure and competitive cities  Improve institutions and investment climate, including for corridor development  Address skills gap to support industrialization  Deepen regional connectivity	Improved job creation and income-earning opportunities  Improved potential for direct and foreign investment  Improved employability and productivity of growing workforce  Better connectivity between domestic and international markets	Contribution of the manufacturing sector to GDP increased to 25% by 2022 (2016 baseline: 16.5%) <sup>f</sup>  Global ranking for ease of doing business improved to 30 or above by 2020 (2016 baseline: 130) <sup>f</sup>  100 smart cities developed by 2022 (2014 baseline: 0) <sup>d</sup>  Railways' annual freight carrying capacity increased to 1.3 billion tons by 2022 (2015 baseline: 1.0 billion tons) <sup>f</sup>  Cargo handled by major and nonmajor ports increased to 2,000 million tons by 2022 (2015 baseline: 1,500 million tons) <sup>f</sup>  400 million people in the labor force acquired technical and vocational education and training by 2022 (2015 baseline: 10 million) <sup>g, k</sup>  Vocational training integrated with formal education in at least 25% schools by 2020 (2015 baseline: 0%) <sup>g, k</sup>  Interregional power transfer capacity augmented to 72,250 MW by 2016–2017 (2013 baseline: 31,850 MW) <sup>f</sup>	<b>Ongoing portfolio</b> Ongoing sovereign loan projects (as of 30 June 2017):  Number: 16 Amount: \$2.00 billion  <b>Planned operations and contribution:</b>  <b>Sovereign</b> \$2.06 billion of regular OCR 2018–2020  <b>Technical assistance</b>  Nonlending: \$3.31 million per year
Inclusive provision of infrastructure networks and services	Provide inclusive infrastructure in hinterlands and low-income states	Greater availability and reliability of energy supply	Road freight traffic increased to 1.7 trillion ton-km in 2022 (2011	<b>Ongoing portfolio</b> Ongoing sovereign loan

CPS Objectives and Related Impacts	CPS Priority Areas	Key Outcomes that ADB Contributes to	Outcome Indicators	CPS Resources
	<p>Promote inclusive urbanization</p> <p>Increase agricultural efficiency</p> <p>Improve public sector management</p> <p>Improve health system</p>	<p>Better connectivity in rural and urban areas</p> <p>Improved supply of drinking water, sanitation, and waste management services in urban areas</p> <p>Improved agriculture productivity and rural incomes</p> <p>Efficient use of public finances</p> <p>Healthier population</p>	<p>baseline: 1.2 trillion ton-km)<sup>f</sup></p> <p>Road passenger-km increased to 10.2 trillion pass-km in 2022 (2011 baseline: 7.4 trillion passenger-km)<sup>f</sup></p> <p>Number of deaths from road traffic accidents reduced to 5.1 per 10,000 vehicles by 2022 (2013 baseline: 7.6 per 10,000 vehicles)<sup>h</sup></p> <p>100.0% of households connected to electricity by 2019 (2017 baseline: 74.6%)<sup>i, k</sup></p> <p>Aggregate technical and commercial losses reduced to 15% in 2018-19 (2014 baseline: 24.6%)<sup>j</sup></p> <p>100.0% of urban households provided with safe drinking water as per government standards by 2019 (2015 baseline: 97.1%)<sup>j, k</sup></p> <p>100.0% of the urban population used improved sanitation facilities, including safe scientific disposal of waste, by 2019 (2015 baseline: 63%)<sup>i, k</sup></p> <p>Annual average growth rate of agriculture increased to 4.0% during 2018–2022 (2012–2015 baseline: 1.8%)<sup>e</sup></p> <p>Preventable deaths of newborns and children under 5 years old eliminated by 2030 (2013 baseline: 49)<sup>h, k</sup></p> <p>Maternal mortality ratio reduced to less than 70 per 100,000 live births by 2030 (2013 baseline: 167)<sup>h, k</sup></p>	<p>projects (as of 30 June 2017):</p> <p>Number: 58 Amount: \$9.30 billion</p> <p><b>Planned operations and contribution:</b></p> <p><b>Sovereign Lending:</b> \$8.61 billion of regular OCR for 2018–2020</p> <p><b>Technical assistance</b></p> <p>Nonlending: \$6.89 million per year</p>

CPS Objectives and Related Impacts	CPS Priority Areas	Key Outcomes that ADB Contributes to	Outcome Indicators	CPS Resources
Address climate change and increase climate resilience	Promote sustainable natural resource use  Enhance climate change response	Improved water management efficiency  Higher efficiency and carbon mitigation through power generation from renewable sources  Environmentally sustainable transport system	Water use efficiency enhanced by 20% in all sectors by 2022 (2011 baseline: 38%) <sup>j</sup>  Renewable energy capacity increased to 175 GW by 2022 (2016 baseline: 43 GW) <sup>i</sup>  Modal share of public transport in cities with population greater than 1 million, including women, increased to 32% in 2022 (2008 baseline: 27%) <sup>d, k</sup>	<b>Ongoing portfolio</b> Ongoing sovereign loan projects (as of 30 June 2017):  Number: 13 Amount: \$2.00 billion  <b>Planned operations and contribution:</b>  <b>Sovereign</b> Lending: \$5.52 billion of regular OCR for 2018–2020  <b>Technical assistance</b>  Nonlending: \$1.99 million per year

ADB = Asian Development Bank, CPS = country partnership strategy, GDP = gross domestic product, GW = gigawatt, km = kilometer, MW = megawatt, OCR = ordinary capital resources.

<sup>a</sup> A. Panagariya. 2017. *India 2031–32: Vision, Strategy and Action Agenda*. Presentation at the Third Meeting of the Governing Council of NITI Aayog. Delhi. 23 April.

United Nations. *Sustainable Development Goals*. <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

<sup>b</sup> United Nations. Goal 8: Promote Inclusive and Sustainable Economic Growth, Employment and Decent Work for All. <http://www.un.org/sustainabledevelopment/economic-growth>.

<sup>c</sup> United Nations. Goal 1: End Poverty in All Its Forms Everywhere. <http://www.un.org/sustainabledevelopment/poverty>.

<sup>d</sup> United Nations. Goal 11: Make Cities Inclusive, Safe, Resilient and Sustainable.

<http://www.un.org/sustainabledevelopment/cities>.

<sup>e</sup> United Nations. Goal 2: End Hunger, Achieve Food Security and Improved Nutrition and Promote Sustainable Agriculture. <http://www.un.org/sustainabledevelopment/hunger>.

<sup>f</sup> United Nations. Goal 9: Build Resilient Infrastructure, Promote Sustainable Industrialization and Foster Innovation.

<http://www.un.org/sustainabledevelopment/infrastructure-industrialization>.

<sup>g</sup> United Nations. Goal 4: Ensure Inclusive and Quality Education for All and Promote Lifelong Learning.

<http://www.un.org/sustainabledevelopment/education>.

<sup>h</sup> United Nations. Goal 3: Ensure Healthy Lives and Promote Well-Being for All at All Ages.

<http://www.un.org/sustainabledevelopment/health>.

<sup>i</sup> United Nations. Goal 7: Ensure Access to Affordable, Reliable, Sustainable and Modern Energy for All.

<http://www.un.org/sustainabledevelopment/energy>.

<sup>j</sup> United Nations. Goal 6: Ensure Access to Water and Sanitation for All.

<http://www.un.org/sustainabledevelopment/water-and-sanitation>.

<sup>k</sup> Indicators implying gender equality, measuring changes in women's health and wellbeing and impacts on women's lives derived from increased access to quality basic services.

Source: Asian Development Bank.

## COUNTRY KNOWLEDGE PLAN AT A GLANCE

Knowledge Theme	Scope of ADB's Planned Knowledge Operations
<b>General and Economic Policies</b>	
Development vision and strategy	Development vision and strategy for Assam (and interested state)
Macroeconomic assessment	Periodic macroeconomic updates for <i>Asian Development Outlook</i> ; growth diagnostics studies; etc.
<b>Boost Economic Competitiveness to Create More and Better Jobs</b>	
Industrial Corridor Development and Strategic Studies to Identify Growth Paths	<p>East Coast Economic Corridor (ECEC) study:</p> <ul style="list-style-type: none"> <li>- Vizag–Chennai Industrial Corridor Master Planning</li> <li>- Tamil Nadu Corridor Comprehensive Development Plan and Master Plan</li> <li>- Odisha Comprehensive Development Plan and Master Plan</li> <li>- West Bengal Comprehensive Development Plan</li> </ul> <p>Rajasthan Productive Clusters Development Roadmap</p> <p>Study of developing transport and logistics hubs in India</p> <p>Long-term planning and capacity building of Smart Cities and Atal Mission for Rejuvenation and Urban Transformation (AMRUT) Cities in the corridors (through \$7 million cluster technical assistance “Building Urban Climate Change Resilience in India”)</p> <p>Synergies between ECEC and <i>Sagarmala</i> – technical assistance for connectivity of ports, railways, and roads for value chain integration under the framework of South Asia Subregional Economic Cooperation (SASEC)</p>
Skills	<p>Technical assistance (strategic and policy advice, investment planning) to support skill development in select states.</p> <p>Technical assistance for capacity development to National Skill Development Corporation (\$1.1 million) and National Skills Development Agency (\$1.5 million)</p>
<b>Inclusive Provision of Infrastructure Networks and Services</b>	
Connectivity	<p>State road planning, project design, implementation, road safety and asset management (in low-income states)</p> <p>Operation planning and sustainable maintenance for major bridges including new Ganga bridge</p> <p>Technical assistance for national highways in coastal corridor</p>
Power to People	<p>Technical assistance to support Smart Grid Mission in select states</p> <p>State level roadmaps for reducing aggregate technical and commercial losses through system modernization and reforms</p>

Knowledge Theme	Scope of ADB's Planned Knowledge Operations
Inclusive Urbanization	<p>TAs to assist national flagship urban programs including Smart Cities and AMRUT Cities in select states (Madhya Pradesh, Rajasthan, etc.)</p> <p>Extension of smart solutions (modern system with 24x7 water supply, nonrevenue water reduction, wastewater reuse and recycling, etc.)</p>
Agriculture Intensification	<p>Innovative irrigation water management solutions</p> <p>Studies for developing cold storage and associated value chains for fishery and agriculture sectors</p>
<b>Address Climate Change and Increase Climate Resilience</b>	
Energy Efficiency	<p>Solar park development and transmission in select states (Rajasthan, Uttar Pradesh, etc.)</p> <p>Support for planning railway investments, e.g., dedicated freight corridors, railway energy efficiency improvement, and railway capacity improvement and electrification, to help lower CO<sub>2</sub> emissions and help India meet 2030 emission targets.</p>
Sustainable and Resilient Cities	<p>Diagnostics and pilots on climate-proofed urban planning; developing and testing green buildings, climate-resilient transport, and smart energy systems; and/or strengthening knowledge exchange through <i>Building Urban Climate Change Resilience in India</i></p> <p>Studies on localization and testing of the city infrastructure investment prioritization tool and roll-out in various cities, participation in a pre-feasibility studies training, preparations for the Indian Urban Forum, supported through Cities Development Initiative of Asia in collaboration with Administrative Staff College of India, Centre for Environmental Planning and Technology, National Institute of Urban Affairs, Society for Development Studies, and the Energy and Resources Institute.</p> <p>Urban public transport studies in association with metro and other urban transport improvement projects.</p>
Sustainable Natural Resource Use	<p>Technical assistance and technical assistance loan to support the implementation of the National Water Use Efficiency Improvement Support Program</p> <p>Application of advanced and new technologies (riverbank and coastal erosion management, flood risk management, etc. with climate change response systems)</p>
<b>Cross-cutting Themes</b>	
Private Sector Development	<p>Technical assistance to strengthen PPP policy and institutional framework, tools and instruments, and state-level capacities</p> <p>Technical assistance to dedicated national- and state-level investment funding agencies to formulate bankable investment</p>

Knowledge Theme	Scope of ADB's Planned Knowledge Operations
	<p>projects while building capacities, including National Infrastructure Investment Fund and Tamil Nadu Infrastructure Fund.</p> <p>Knowledge base to promote private investments (created through project operations) in economic corridors, social infrastructure such as healthcare and education, financial institutions contributing to employment such as manufacturing, agribusiness, and housing, sanitation, solar PV and wind power generation, waste to energy projects, etc.</p>
Regional Economic Cooperation	<p>Study on participating in global value chains: country and sector level analysis</p> <p>Impact studies on trade facilitation in South Asia</p> <p>Studies on greater integration between India and Southeast and East Asia</p> <p>Study of developing transport and logistics hubs in India</p> <p>Facilitation of motor vehicle agreements and electronic cargo tracking systems in SASEC</p> <p>Technical assistance for negotiations on India–Myanmar–Thailand Motor Vehicles Agreement and the Maritime Transport Cooperation Agreement between India and the Association of South East Asian Nations</p>
Gender Mainstreaming	<p>Best practice synthesis and dissemination on gender mainstreaming in urban, tourism, transport, energy projects and gender policies of the government and ADB</p> <p>Establishment and dissemination of gender audit systems</p>
Capacity Development for Project Implementation	<p>Capacity building technical assistance (\$5.35 million to be continued) to provide project implementation training based on systematic capacity rating and annual calendars, in partnership with local institutes</p> <p>Knowledge syntheses and dissemination on advance practices on project implementation (including best practices, frequently asked questions, case studies, etc.)</p> <p>Synthesis and dissemination of a range of “finance plus” outputs from sector project operations</p> <p>Capacity development technical assistance for Department of Economic Affairs' Aid, Accounts and Audit Division including risk management study</p> <p>Development Effectiveness Brief 2020</p> <p>Monitoring and Evaluation Database for India Projects</p>

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/CPS/?id=IND-2018>

1. Inclusive and Sustainable Growth Assessment
2. Development Coordination Matrix
3. Country Operations Business Plan: India COBP 2018–2020

**Supplementary documents**

4. India Country Knowledge Plan 2018–2022