Industrial Corridor Development in India – Programme Architecture and Next Steps

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Funding Sources: DMIC Project

**Government Sources**
- Project Development Fund (PDF) – *USD 155 Million
- Project Implementation Trust Fund (PITF) – *USD 2.7 Billion
- Ceiling per node/ city - *USD 385 Million – USD 460 Million
- Land – being made available by the State Government

**External**
- USD 4.5 Billion – Committed by Govt. Of Japan through a mix of JICA and JBIC

**Other Potential Sources**
- Asian Development Bank
- World Bank
- Project Financing from other Multilateral/ Bilateral banks
- Public Private Partnership

*1 USD = Rs. 65

About 60-65% projects will be implemented on PPP basis and balance are trunk infrastructure projects being funded by GoI.

Opportunities for funding agencies
Key attributes of institutional framework

- **Formation of SPV**
  - Separate node/city level SPV needs to be incorporated
  - Shareholders Agreement (SHA) and State Support Agreement (SSA) to be executed between Government of India and the State Government
  - Government of India’s contribution to the SPV to be capped at Rs. 3000 crore per node/city. Share of GoI in a node/city level SPV will be limited to 50%
  - SPV to be headed by the Senior State Government Official

- **Delegation of Powers to the SPV**
  - Planning and Development functions to be transferred and delegated to the SPV
  - Municipal Functions, wherever possible, needs to be delegated to the SPV
  - SPV should have the sole right to monetize the land and use the funds for infrastructure development
  - SPV to be notified as an industrial township under the provisions of Article 243Q (1)(c) of the Constitution of India
  - No change in Master Plan/Development (including change in land use) to be permitted without the approval of the Board of the SPV
  - SPV can leverage resources by raising long term debt finance through credit enhancement and other instruments
Key attributes of institutional framework

- **Transfer of land**
  - Land to be made available by the State Government from their own resources
  - Land to be transferred to the SPV by the State Government

- **Others**
  - Contribution of Government of India will be released as Equity/Debt. No grants envisaged from Government of India
  - GoI share in project specific SPVs and sectoral holding companies can be up to 100%
  - Master Plans/Development Plans for the development of industrial cities will be approved by the State Governments concerned with the concurrence of the Government of India.
Government of India is taking up the development of the following industrial corridors:

- Delhi Mumbai Industrial Corridor
- Bangalore Mumbai Economic Corridor
- Amritsar Kolkata Industrial Corridor
- Chennai Bangalore Industrial Corridor
- Chennai Vizag Industrial Corridor
Karnataka Region - 3 Priority Nodes (Dharwad, Belagavi & Chitradurga- Davangere) finalised by Govt. of Karnataka out of 6 nodes. Dharwad Node being taken up for master planning.

Maharashtra Region - All 4 (Pune, Satara, Solaphur & Sangli) node locations considered.

Perspective Plan has identified around 232 projects under various sectors, across two States (134 in Karnataka & 98 in Maharashtra). Out of which 82 are priority projects for Phase I.

These projects predominantly cover development of Ports, Port connectivity, DFC, Greenfield Expressway, other Rail & Roads, Node development (external & Internal Infrastructure), Energy etc.
Progress:

- Consultant has been appointed for preparation of the Perspective Plan for the project;

- Inception report has been submitted by the consultants and comments have been received from four States out of seven States in AKIC region;

- Interactions have been held with the respective State Government(s) for taking the project forward.
The Comprehensive Integrated Master Plan for Chennai Bengaluru Industrial Corridor has been prepared.

Master Planning for three nodes namely Tumkur (Karnataka), Ponneri (Tamil Nadu) and Krishnapatnam (Andhra Pradesh) has been completed and submitted.

The report was discussed by Joint Monitoring Committee on ……. and accepted by Government of India and three states.

Tender for carrying out Environment Impact (EIA) studies has been issued.

Steps have been inititied for drafting of Shareholder’ Agreement (SHA) & State Support Agreement (SSA).
Asian Development Bank (ADB), consultant of VCIC has submitted the final report on Conceptual Development Plan (CDP) of VCIC.

ADB has prioritized two nodes namely Vishakhapatnam and Srikalahasti-Yerpedu of Andhra Pradesh for which master planning would be initiated by third quarter of 2015.

Regional Perspective Planning of VCIC is in progress.

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- ADB has prioritized two nodes namely Vishakhapatnam and Srikalahasti-Yerpedu of Andhra Pradesh for which master planning would be initiated by third quarter of 2015.
- Regional Perspective Planning of VCIC is in progress.
Unified institutional framework for the overall planning, development, funding, implementation, operation, supervision and continuous dissemination of the learning across the Industrial Corridor Projects for better planning and implementation.
Role of Unified Authority: NICDA

- Unified institutional framework for the overall planning, development, funding, implementation, operation, supervision and monitoring of projects

- Smooth and effective coordination with the various stakeholders including the partner States and concerned Line Ministries

- Development of necessary expertise for appraisal and approval of projects

- Expert handling of complex technical, institutional, financial and project structuring requirements associated with projects in Industrial Corridors

- Integrated forecast and allocation of resources in terms of funding, manpower etc., required for the implementation of the various projects
Role of Unified Authority: NICDA

• Continuous dissemination of the learning from the various Industrial Corridors, and creation of effective management information systems for better planning and implementation

• Facilitating State Government(s) through setting up of Project Monitoring Unit (PMU) for steering various project development activities

• Priority projects for infrastructure up-gradation will be identified and taken forward for implementation in consultation with the State Government(s) and concerned Line Ministries
Key Objectives of NICDA

• **Institutional Framework**
  - Developing the overall enabling institutional, funding and operational framework for the Industrial Corridors
  - NICDA will be empowered to take up new industrial corridors, nodes and Early Bird Projects on the recommendation of State Governments
  - Entering into agreements with the DMICDC/State Governments/other SPVs/public or private organizations to give effect to the modalities outlined in previous paragraphs

• **Project Development**
  - Carrying out project development activities for the industrial corridors and assuming the role of Project Development Partner and Knowledge Partner for all SPVs and State Governments
  - Appraising all project proposals placed before it and sanctioning equity/debt to SPVs and grants for project development as per extant financial delegation
  - Undertaking implementation of specific projects
Key Objectives of NICDA

- **Funding of Projects**
  - Providing funds in the form of equity/debt in the node/city level SPVs and project specific SPVs. The financial structuring of SPVs shall be decided by NICDA in consultation with other shareholders.
  - The investment of various shareholders over and above their equity shall be treated as loan to the SPV.
  - Raising long-term capital from financial institutions, and after due approvals, raising funds through appropriate debt instruments, tax free bonds, capital gains bonds, credit enhancement etc. for supporting the development of industrial cities, in and around the industrial corridors
  - Funding the cost of land in node /city SPVs and project specific SPVs
Thank You