
CONCEPT PAPER

DELHI MUMBAI INDUSTRIAL CORRIDOR

1. Background

Government of India plans to develop Multi-modal High Axle Load Dedicated Freight Corridor (DFC) between Delhi and Mumbai, covering an overall length of 1483km, with end terminals at Tughlakabad and Dadri in the National Capital Region of Delhi and Jawaharlal Nehru Port at Mumbai.

Government of India has further proposed establishing, promoting and facilitating “Delhi Mumbai Industrial Corridor (DMIC) along the alignment of DFC between Delhi and Mumbai. The objective of DMIC, supported by world-class infrastructure, would be to optimize on the present potential, enhance investment climate and promote the economic development of the region through creation of a long term enabling environment.

An MOU relating to the DMIC has been signed between the Ministry of Economy, Trade and Industry (METI) of Japan and the Ministry of Commerce and Industry (MoCI) of India to explore the opportunities for mutual cooperation. MoCI has further initiated the process by appointing M/s IL&FS Infrastructure Development Corporation Limited (IIDC), New Delhi as Consultant for preparation of conceptual framework for DMIC.

2. Delhi-Mumbai Dedicated Freight Corridor

The envisaged alignment of freight corridor passes through six states Uttar Pradesh, NCR of Delhi, Haryana, Rajasthan, Gujarat and Maharashtra and is mostly aligned parallel to the existing railway tracks.

Distribution of length of dedicated freight corridor indicates that Rajasthan (39%) and Gujarat (38%) together constitute 77% of total length of the alignment of freight corridor, followed by Haryana and Maharashtra (10% each) and Uttar Pradesh and the National Capital Region of Delhi (1.5% of total length each) between Delhi and Mumbai.

It is envisaged that the alignment of the proposed corridor will have nine junction stations, at following locations, for exchange of traffic between the existing railway system and the DFC, in addition to the end terminals at Tughlakabad and Dadri in NCR of Delhi and J.N.Port in Navi Mumbai.

- Vasai Road: To cater to traffic to/from Mumbai, other than J.Nehru Port
- Gothangam: For traffic to/from Hazira Complex, Jalgaon-Udhna
- Makarpura (Vadodara): For traffic to/from Ahmedabad, Vadodara and Vadodara-Godhra Routes
- Amla Road (Sabarmati): For traffic to/from ICD-Sabarmati, Viramgam-Sabarmati Route, Ahmedabad, Rajkot and Bhavnagar Divisions of Western Railway
- Palanpur: For traffic to/from Kandla/ Mundra Ports and Gandhidham Area
- Marwar Junction: For Traffic from/to Jodhpur area (and ICD-Jodhpur)
- Phulera: For traffic to/from Jaipur-Tundla and Jaipur-Sawai Madhopur Routes
- Rewari: For traffic to/from Rewari-Hissar-Ludhiana/Bathinda Routes
- Pirthala (Tughlakabad): For traffic to/from Tughlakabad (and ICD-Tughlakabad)

3. Vision for DMIC

The vision for DMIC is to create strong economic base with globally competitive environment and state-of-the-art infrastructure to activate local commerce, enhance foreign investments and attain sustainable development.

Delhi-Mumbai Industrial Corridor is to be conceived as a Model Industrial Corridor of international standards with emphasis on expanding the manufacturing and services base and develop DMIC as the 'Global Manufacturing and Trading Hub'.

4. Project Goals

The developmental planning for DMIC aims to achieve certain end results with implementation that would ensure realization of envisaged vision for the project and lead to economic development. Accordingly the project goals for DMIC are:

- Double employment potential in five years (14.87% CAGR)
- Triple industrial output in five years (24.57% CAGR)
- Quadruple exports from the region in five years (31.95% CAGR)

5. Sectoral Objectives

The sectoral objectives for Delhi-Mumbai Industrial Corridor (DMIC) envisage provision of quality industrial investments and world class infrastructure facilities which, inter alia, includes:

Industrial Infrastructure:

- Up gradation of existing industrial clusters/industrial estates with requisite facilities;
- Developing new industrial clusters or townships and export oriented manufacturing zones;
- Development of 'Skill Development Centers (or) Knowledge Hubs' consisting of schools, colleges, vocational institutes, engineering/ technical institutes, agricultural colleges with state-of-the-art research and development facilities with integrated residential, health/recreational facilities;
- Developing agro-processing hubs with cold storage, packaging and distribution and other allied infrastructure;
- Developing IT/ ITES Hubs/ other service oriented facilities.

Physical and Social Infrastructure:

- Efficient logistics chain with multi-modal transshipment zones and logistic hubs;
- Provision of Feeder Road and Rail connectivity to ports, hinterlands and markets;
- Augmentation of existing port infrastructure and developing Greenfield ports;
- Up gradation/ Modernization of Airports;
- Captive Power Generation Plants with power transmission facilities;
- Ensuring effective environment protection mechanism for sustainable long term development;
- Dovetailed residential, commercial, institutional, leisure/ recreational infrastructure to ensure attractive investment climate.

6. Project Influence Area

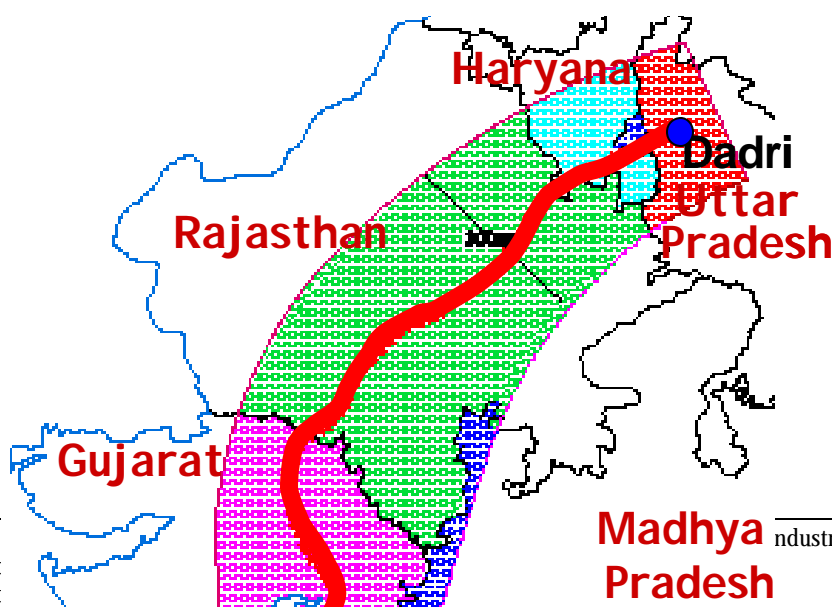
In order to optimize on the alignment of DFC and the feeder transport infrastructure requirements, influence region for development of high impact economic regions with quality infrastructure is considered to be extended up to 150km on both sides of the alignment of DFC. In addition to the influence region, development of DMIC would also include augmentation of feeder rail and road connectivity to hinterland, markets and the select seaport locations along the western coast.

Project Influence Area (PIA) for DMIC comprises of 436,486Sqkm area, which constitutes 13.8% of geographical area of overall India. Based on the area distribution, PIA of DMIC comprises of seven states and two union territories:

- Project Influence States include Delhi, Uttar Pradesh, Haryana, Rajasthan, Madhya Pradesh, Gujarat, Maharashtra
- Project Influence Union Territories include Diu & Daman, Dadra & Nagar Haveli

DMIC State	Area Under Project Influence Area (Square Km)	Total Area of Impacted State (Square Km)	Percent Total Area of Respective State under PIA
Delhi	1,483	1483	100%
Haryana	26,410	44,212	60%
Rajasthan	198,849	342,236	58%
Gujarat	120,706	196,024	62%
Maharashtra	56,760	307,713	18%
UT of Dadra & Nagar Haveli	491	491	100%
UT of Diu & Daman	122	122	100%
Uttar Pradesh	28,265	238,566	12%
Madhya Pradesh	2,866	308,144	1%
Uttaranchal	533	53,566	1%
Total of All States under influence	436,486	1,492,557	29.2%

Project influence area for DMIC comprises of a combined population of 178 Million constituting approximately 17% of total population of the country. DMIC states contribute 50% of agricultural produce of principal crops of the country and 60% of overall exports from the country. Moreover, the foreign investment trends indicate that DMIC states cater to 52% of overall FDI equity investments into the country during January 2000-December 2006.



Project Influence Area of Delhi-Mumbai Industrial Corridor

7. Integrated Corridor Development Approach for DMIC

DMIC passes through a combination of well developed, moderately developed and under developed industrial areas with varying natural resources, human skills and with or without quality physical and social infrastructure.

The “*missing link*” is the infrastructure-logistics, industrial, and social, which is incapable of handling the envisaged industrial output and exports. The Delhi Mumbai Industrial Corridor proposes to address this bottleneck through a holistic approach while benefiting from the inherent strengths and competitiveness of each of the DMIC states.

Accordingly, high impact/ market driven nodes are proposed to be identified along the corridor to provide transparent and investment friendly policy/facility regimes under which integrated **Investment Regions (IRs)** and **Industrial Areas (IAs)** would be set up. These regions are proposed to be self-sustained industrial townships with world-class infrastructure, road and rail connectivity for freight movement to and from ports and logistics hubs, served by domestic/international air connectivity, reliable power, quality social infrastructure, and provide a globally competitive environment conducive for setting up businesses.

8. Concept of Node Based Development

An **Investment Region (IRs)** would be a specifically delineated industrial region with a minimum area of around 200 square kilometers (20,000 hectares) while the maximum limit is based on the specific site's potential, while an **Industrial Area (IAs)** would be developed with a minimum area of around 100 square kilometers (10,000 hectares) for the establishment of manufacturing facilities for domestic and export led production along with the associated services and infrastructure. Identification of suitable locations for development of Investment Regions or Industrial Areas along the DMIC is carried out on the basis of following criteria:

Selection Criteria for Investment Region:

- To ensure at least one such node in each of the DMIC State to spread the economic benefits;
- Benefit from the proximity to Metropolitan Areas as Delhi, Mumbai;
- Potential for Developing Greenfield Ports (or) Augmentation Possibilities;
- Easy Availability of such huge land parcels and established industrial base.

Selection Criteria for Industrial Area:

- To take advantage of inherent strengths of specific locations (mineral resources, rich agriculture base, availability of skilled human resource base, potential for setting up specific group of industries, IT/ITES etc);
- Selection of suitable locations to ensure an opportunity to transform Under-Developed Regions along the Corridor to Developing/ Well Developed Regions.

9. Location of Investment Regions and Industrial Areas

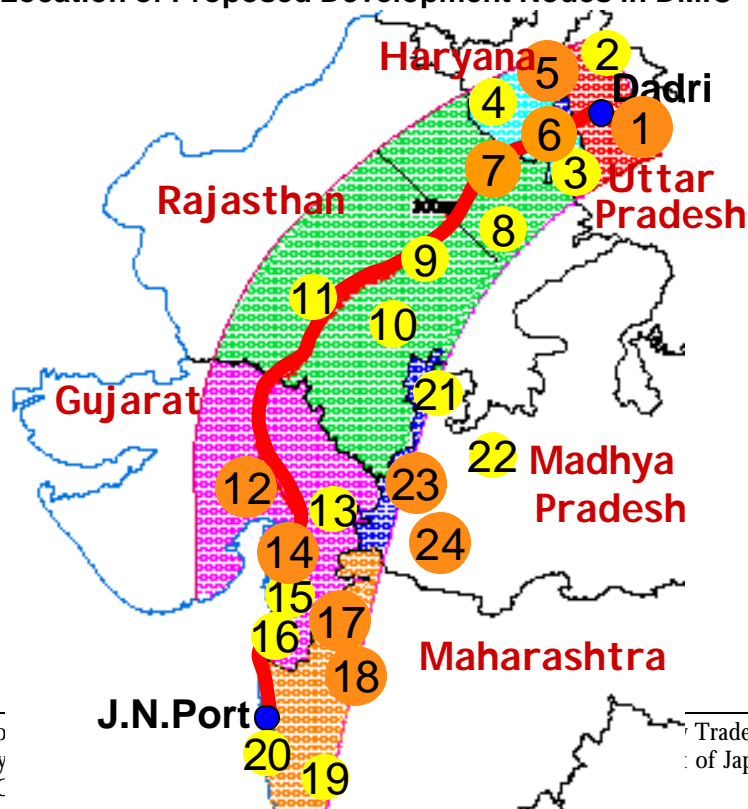
On the basis of the potential for growth and inherent strengths of various locations along the DMIC influence area, nine investment regions and fifteen industrial areas are identified in Uttar Pradesh, Haryana, Rajasthan, Gujarat, Madhya Pradesh and Maharashtra in consultation with various state government agencies.

Proposed Investment Regions and Industrial Areas in DMIC

PHASE I			
S.No	State	Proposed Location	Category of Region
1	Uttar Pradesh	Dadri-Noida -Ghaziabad	Investment Region
2	Uttar Pradesh	Meerut-Muzaffarnagar	Industrial Area
3	Haryana	Faridabad -Palwal	Industrial Area
4	Haryana	Manesar-Bawal	Investment Region

5	Rajasthan	Kushkhera-Bhiwadi-Neemrana	Investment Region
6	Rajasthan	Jaipur -Dausa	Industrial Area
7	Gujarat	Bharuch-Dahej	Investment Region
8	Gujarat	Vadodara-Ankleshwar	Industrial Area
9	Maharashtra	Dighi	Industrial Area
10	Maharashtra	Nahik-Sinnar	Investment Region
11	Madhya Pradesh	Neemuch -Nayagaon	Industrial Area
12	Madhya Pradesh	Pitampura-Dhar-Mhow	Investment Region
PHASE II			
S.No	State	Proposed Location	Category of Region
1	Haryana	Rewari- Hissar	Industrial Area
2	Haryana	Kundli-Sonepat	Investment Region
3	Rajasthan	Ajmer-Kishangarh	Investment Region
4	Rajasthan	Rajsamand-Bhilwara	Industrial Area
5	Rajasthan	Pali-Marwar	Industrial Area
6	Gujarat	Ahemdabad-Dholera	Investment Region
7	Gujarat	Surat+Navsari	Industrial Area
8	Gujarat	Valsad-Umbergaon	Industrial Area
9	Maharashtra	Dhule-Nardhana	Investment Region
10	Maharashtra	Pune-Khed	Industrial Area
11	Madhya Pradesh	Shahjapur-Dewas	Industrial Area
12	Madhya Pradesh	Ratlam -Nagda	Investment Region

Location of Proposed Development Nodes in DMIC



10. Funding Sources

Implementation of DMIC Project requires huge investment for building up of infrastructure. It is envisaged that there will be primarily two categories of projects under the purview of state and central government agencies as:

- Category-1: Projects that can be implemented through Public Private Partnership (PPP Viable Projects) viz.
 - Logistics Infrastructure;
 - Power Plants, Ports and Airports;
 - Special Economic Zones, Industrial Parks, IT/ITES/Biotech Hubs and Agro-Processing Hubs;
 - Knowledge Cities, Integrated Townships; and
 - Augmentation of selected National and State Highways.
- Category-2: Other Projects (Non- PPP Projects) viz.
 - Augmentation of rail linkages and development of connectivity to the identified investment regions/ industrial areas;
 - Provision of requisite urban infrastructure;
 - Augmentation of industrial areas;
 - Provision of missing links and augmentation of state highways.

Various stakeholders viz. state, central government agencies and private investors (domestic and overseas) are expected to arrange requisite funds for implementation of DMIC.

Examples of Possible Source of Funding

DMIC involves development of investment regions/ industrial areas with requisite physical and social infrastructure and capacity enhancement/ up gradation measures for various infrastructure facilities to ensure world-class standards and attract global investments. These development works require systematic mobilization of funds from various multi-lateral (World Bank, ADB) and bilateral agencies besides availing the existing funding mechanisms of Government of India.

It is envisaged that funding for DMIC project could be either through nodal agencies (budgetary/extra budgetary provisions) or through Viability Gap Funding/Long term soft loans extended to the Project SPVs. Moreover, the SPVs could also borrow on their own balance sheets or project recourse basis.

A brief overview of selected funding sources is presented as examples hereafter illustrating the target sectors and the mechanism involved in obtaining the same

Government of India's Funding Mechanisms:

In an endeavour to raise the investment in infrastructure from its existing levels of 4.7% of GDP to around 8%, Government of India is actively promoting Public Private Partnerships (PPP) in the key infrastructure sectors viz. transport, power, urban infrastructure, tourism and railways. PPPs are seen as an important tool for producing an accelerated and larger pipeline of infrastructure investments, and catching up with the infrastructure deficit in the country. A PPP Cell has been established in the Department of Economic Affairs (DEA) and setting up of similar nodal agencies is being undertaken in each of the state across the country to administer various proposals and coordinate activities to promote PPPs. Further, GOI has initiated following funding schemes for development of infrastructure in the country:

- Viability Gap Funding (VGF):

VGF is a special facility to support the financial viability of those infrastructure projects, which are economically justifiable but not viable commercially in the immediate future. It involves upfront grant assistance of up to 20% of the project cost for state or central PPP projects implemented by the private sector developer who is selected through competitive bidding. An Empowered Committee has been set up for quick processing of cases. Sectors short-listed for availing Viability Gap Funding Assistance include:

- Roads and bridges, railways, seaports, airports, inland waterways;
- Power;
- Urban transport, water supply, sewerage, solid waste management and other physical infrastructure in urban areas;
- Infrastructure projects in Special Economic Zones; and
- International convention centers and other tourism infrastructure projects;

▪ India Infrastructure Finance Company Limited (IIFCL):

GOI has established IIFCL as a wholly government-owned company, with an authorized capital of INR 1,000 Crore and paid-up capital of INR 100 Crore to provide long-term finance to infrastructure projects, either directly or through refinance. IIFCL caters to the financing gap in long-term financing of infrastructure projects in the public, private, or PPP sector. Any government project awarded to a private sector company for development, financing, and construction through PPP will have overriding priority under the scheme.

IIFCL is an apex financial intermediary for the purpose of providing financial support to infrastructure projects and facilities in the country. IIFCL renders financial assistance to commercially viable infrastructure projects through:

- Direct lending to eligible projects;
- Refinance to banks and FIs for loans with tenor of five years or more;
- Any other method approved by GOI;

Financial assistance from IIFCL would be available for eligible projects in the following sectors:

- Roads & bridges, railways, seaports, airports, inland waterways, other transportation projects;
- Power;
- Urban transport, water supply, sewerage, solid waste management and other physical infrastructure in urban areas;
- Gas pipelines;
- Infrastructure projects in special economic zones;
- International convention centers, other tourism related infrastructure;
- Special Economic Zones
- Other infrastructure projects, as may be determined from time to time.

Funding from Japan Bank for International Cooperation (JBIC):

The Export-Import Bank of Japan (JEXIM) and the Overseas Economic Cooperation Fund (OECF) merged to form 'Japan Bank for International Cooperation (JBIC)' under the JBIC Law on October 1, 1999. JBIC is a statutory mandate to conduct Japanese Government's external economic policy and economic cooperation. At present India accounts for the largest portion of JBIC funding (with 6.5% share constituting US\$13.2 Billion) among the 27 countries, with an overall loan size of US \$ 184.4 Billion.

JBIC has two distinct operations as International Finance Operations (IFO) and Overseas Economic Cooperation Operations (OECO).

▪ **International Finance Operations (IFO):**

Lends directly to borrowers or via financial intermediaries primarily to finance to promote Japanese exports, imports and economic activities overseas and the stability of international financial order. It involves:

- a. Export Loans- to promote Japanese plant export to developing countries
 - i. All Indian Companies that are importing goods & services from Japan are eligible to avail Export Credit
 - ii. Up to 85% of export portion can be financed, under the terms & conditions prescribed by OECD
 - iii. Local Expenditure can also be financed as part of overall contract, not exceeding 15% of export portion
 - iv. Pricing is linked to applicable currency 'CIRR' (Commercial

- Interest Reference Rate) declared by OECD on monthly basis
- v. JBIC is looking forward to offer Export Loans to Major Indian Banks, for Ultra Mega Power Projects (UMPP) and other Large scale infrastructure projects in India
 - vi. Applicable Rate of Interest (Fixed):
 - Up to 5 Years- 2.18% in Yens or 6.00% in US \$
 - 5 to 8 Years- 2.49% in Yens or 6.03% in US \$
 - 8.5 to 10 Years- 2.68% in Yens or 6.05% in US \$
 - b. Import Loans- to promote import of natural resources and manufactured products to Japan.
 - c. Overseas Investment Loans- to promote overseas investments undertaken by Japanese firms
 - i. Japanese subsidiaries and Joint Ventures in recipient countries are eligible to receive investment loans, which can be in the form of debt or equity
 - ii. Funding may be given directly to subsidiary or Joint Ventures through a financial intermediary.
 - iii. JBIC is looking forward to offer Overseas Investment Loans to Joint Venture Firms and for Investment Promotion Agencies in India
 - iv. Rate of Interest:
 - Average loan period 7 Years- 2.2% Fixed in Yen or 6M LIBOR+0.4375% Floating Rate in US\$
 - Special Rate - 6M LIBOR+spread, or Fixed interest rate
 - d. Untied Loans - Sovereign lending facility aimed at creating an external environment conducive to Japan's global economic activities, and supporting structural adjustment in developing countries.
 - i. Encourages projects that promote infrastructure development, which results in promoting Japanese company's activity in recipient country (Viz. IIFCL, etc in India) as well as financing for CDM Projects to facilitate purchase of Carbon Emission Rights by Japanese Companies along with Kyoto Mechanism.
 - ii. Supports Capital Expenditure Program of Indian Companies which have close relationships with Japanese companies in India
 - iii. Features of Untied Loans:
 - Average Loan period - 07 years
 - Rate: 6 M LIBOR + spread, or fixed interest rate
 - e. Guarantees- providing guarantees to Loans extended by Japanese

Commercial banks and to bonds issued by developing countries. It is similar to Untied Funding.

▪ *Other Economic Cooperation Operations (OEEO):*

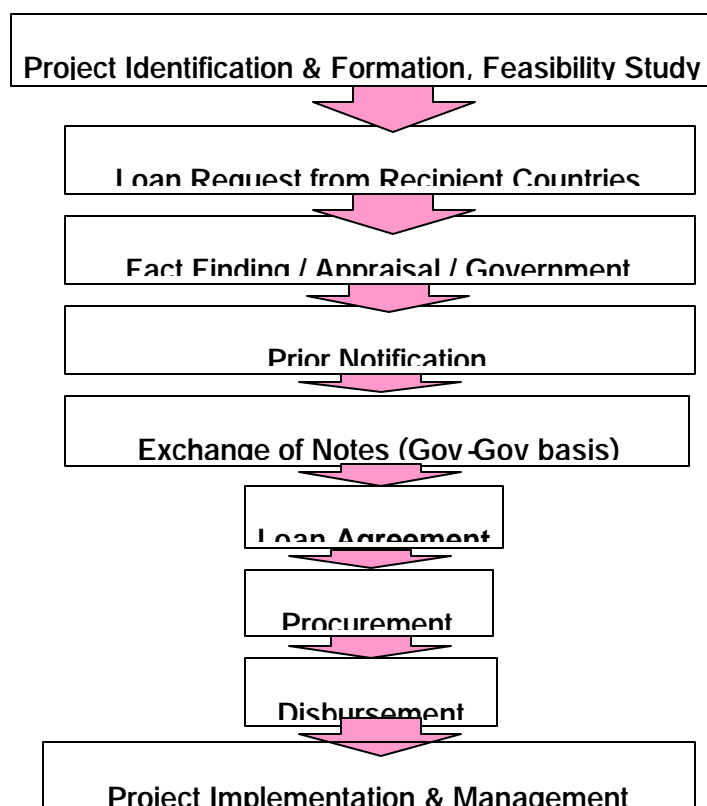
YEN Loans make development funds available to developing countries at low interest rates and with long repayment periods. These loans provide funds to develop and improve the economic and social infrastructure necessary to support self-help efforts and sustainable economic development for developing countries.

Type of Yen Loans

- Project Loans
- Engineering Services (E/S) Loans
- Financial Intermediary Loans (Two-Step Loans)
- Structural Adjustment Loans (SAL)
- Commodity Loans
- Sector Program Loans (SPL)

1. Procedures of Yen Loan

Project Identification & Formation, Feasibility Study



2. Terms and Conditions of Yen Loans to India

(Effective from April 1, 2007 to September 30, 2007)

	Standard / Option	Interest Rate (%)	Repayment Period (Years)	Grace Period (Years)	Conditions for Procurement
General Terms	Standard	1.30	30	10	Untied
	Option 1	1.00	25	7	
	Option 2	0.85	20	6	
	Option 3	0.75	15	5	
Preferential Terms*	Standard	0.75	40	10	Untied
	Option 1	0.65	30	10	
	Option 2	0.60	20	6	
	Option 3	0.50	15	5	
STEP**	Standard	0.40	40	10	Tied

Option	0.30	30	10
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- Preferential Terms: Environment, human resource development, SMEs and peace building
- STEP: Special Terms for Economic Partnership

3. Terms and Conditions of Yen Loans to India

(Effective from October 1, 2007)

	Standard/ Option	Interest Rate (%)	Repayment Period (Years)	Grace Period (Years)	Conditions for Procurement
General Terms	Standard	1.20	30	10	Untied
	Option 1	0.90	25	7	
	Option 2	0.75	20	6	
	Option 3	0.65	15	5	
Preferential Terms	Standard	0.55	40	10	Untied
	Option 1	0.45	30	10	
	Option 2	0.40	20	6	
	Option 3	0.30	15	5	
STEP	Standard	0.20	40	10	Tied
	Option	0.10	30	10	

JAPANESE DEPOSITORY RECEIPT

A Japanese Depository Receipt (JDR) represents ownership in the shares of a foreign company trading on Japanese financial markets. It is one of the funding options and very beneficial financial tool for Indian private companies. The merits of JDRs are financing, enhancing the credibility, expanding the base of shareholders, and promoting the company brand in Japan.

FUNDING COVERED BY NIPPON EXPORT AND INVESTMENT INSURANCE (NEXI)

▪ *Trade and Investment Insurance*

Trade and investment insurance of Nippon Export and Investment Insurance (NEXI) is insurance which covers the risks in overseas trading transactions conducted by Japanese companies, such as export, import, overseas investment, and financing. The role of trade and investment insurance is to mitigate a number of risks – political risks, such as restrictions on remittance of foreign currency, war, civil war; and commercial risks, such as nonpayment by the export counterpart buyer – that are inherent in overseas trading transactions and that cannot be covered ordinary marine insurance.

(?) *Buyer's Credit Insurance*

· Insurance for loans (Buyer's Credit):

This insurance covers losses suffered by a Japanese commercial bank or other financial institution as a result of providing loans to a foreign importer who purchases goods and services from a Japanese exporter. The losses may be incurred when the Japanese commercial bank is unable to receive repayment of the loan due to (i) war, revolution, prohibition of foreign currency conversion into currency, such as yen or dollar, suspension of remittance or force majeure such as natural disaster or (ii) bankruptcy or default of an importer.

(?) *Overseas Untied Loan Insurance*

· Insurance for loan of business funds or bond subscription:

This insurance covers losses suffered by a Japanese company or a commercial bank that provided a foreign government or a company with long-term business funds untied to exports from Japan, or that purchased bonds issued by a foreign government or a company for the purpose of long-term financing. The losses may be incurred when the Japanese company or commercial bank is unable to collect the loan or redeem the bonds, due to war, revolution, and prohibition of foreign currency conversion into yen or dollar, suspension of remittance, force majeure, or bankruptcy/default of a borrower or a bond issuer.

(?) *Overseas Investment Insurance*

- Insurance for investment (equity investment etc.):
This insurance covers losses suffered by a Japanese company, which has established a subsidiary or a joint venture in a foreign country. The losses are incurred when the relevant subsidiary or the joint venture is forced to discontinue its business due to war, terrorism or force majeure, such as natural disaster. The insurance also covers losses incurred when a Japanese company is unable to remit dividends to Japan due to prohibition of foreign currency conversion into yen or dollar or suspension of remittance.

Funding from Multilateral Agencies:

Multilateral agencies such as the Asian Development Bank and the World Bank have welcomed the recent steps taken by Government of India (GOI) with respect to VGF and IIFCL. These agencies are expected to assist GOI in promoting PPPs across sectors and regions of India, through a range of financing and advisory and technical assistance (TA) measures. Moreover, these agencies would also assist governments in tailoring the PPP solutions to specific demands of the individual states, sectors, and projects.

- **Asian Development Bank:**

ADB has reengineered and operationalized new ways of doing business to provide more client-oriented services for state and central level infrastructure development initiatives in India. The ADB could also consider, if required, extending loans (multi-tranche financing facility, local currency loan) to qualified projects in several forms. These include:

- (i) Public sector loans to states/municipalities/executing agencies for financing counter grants/equity support, land/or engineering design;
- (ii) Public sector loans to IIFCL (financial intermediary loan) which would, in turn, provide funds for project companies;
- (iii) Private sector loans or equity investments by the private sector operation arm of the ADB to project companies; and
- (iv) Provision of guarantee to commercial lenders.

The ADB's long-term strategic focus emphasizes creation of effective enabling conditions for private sector participation. It supports the development of appropriate market structures, legal and regulatory frameworks, innovative project structuring, and locally appropriate institutional arrangements and procedures.

- Public Private Infrastructure Advisory Facility (PPIAF):

PPIAF is multi-donor technical assistance facilities aimed at helping developing countries improve the quality of their infrastructure through private sector involvement. PPIAF donors include ADB, World Bank group, Governments of Japan, USA, Canada, UK, Switzerland, Norway, Sweden, Italy and Germany.

Launched in July 1999, PPIAF pursues its mission through channeling technical assistance to governments in developing countries on strategies and measures to tap the full potential of private involvement in infrastructure and identifying, disseminating, and promoting best practices on matters related to private involvement in infrastructure in developing countries.

PPIAF funds a range of activities in eligible sectors and across all developing regions. At the end of December 2006, the PPIAF portfolio covered 537 activities in more than 110 countries, for a total value of \$116 million. Eligible activities include capacity building, infrastructure development strategies, policy, regulatory and institutional reforms, implementing global best practices besides others whereas eligible infrastructure services, aimed at private sector involvement, include:

- Electricity generation, transmission and distribution, natural gas transmission and distribution;
- Water and sewerage (PPIAF's work relating to policy, regulatory and institutional reforms may cover options for private involvement in water and sewerage services provided at all levels of society. However, PPIAF's support to specific investment projects and transactions will focus primarily on services provided by or through utilities);
- Solid waste (PPIAF will not have a major focus on solid waste in general, but may become involved at the policy level and in supporting private sector involvement in solutions for the disposal of solid waste at the metropolitan-level, i.e. >500,000 residents);
- Telecommunications;
- Railways and Ports; and
- Airports and Roads

11. Project Phasing

It is envisaged that the physical development for DMIC will be achieved in three phases and over a time frame of 9 years starting from January 2008. A time frame of five years is envisaged for Phase-1 (i.e. by December, 2012), followed by four years for Phase-2 and Phase-3. Thus the implementation of identified nodes is expected to be completed by December 2016.

In all 12 nodes are identified for Phase-I implementation which includes 6 investment regions and 6 industrial areas. It is envisaged that detailed feasibility studies & master planning could be taken up in parallel for Phase-1 nodes and Feasibility reports/ Detailed Project Reports for select projects (viz. ports/ airports/ SEZs etc) be prepared simultaneously along with main DPR for posing them to investments from various bilateral or multi-lateral agencies including assistance from 'Overseas Development Assistance' (ODA). Nodes identified for phase-1 development are restated as follows:

Investment Regions:

- Dadri-Noida- Ghaziabad Region in Uttar Pradesh as General Manufacturing Investment Region;
- Manesar-Bawal Region in Haryana as Auto Component/ Automobile Investment Region;
- Khushkhera-Bhiwadi-Neemrana Region in Rajasthan as General Manufacturing/ Automobile/ Auto Component Investment Region;
- Bharuch-Dahej Region in Gujarat as Petroleum, Chemical and Petro-Chemical Investment Region (PCPIR);
- Igatpuri-Nashik-Sinnar Region in Maharashtra as General Manufacturing Investment Region;
- Pitampura-Dhar-Mhow in Madhya Pradesh

Industrial Areas:

- Meerut-Muzaffarnagar Zone in Uttar Pradesh as Engineering & Manufacturing Industrial Area;
- Faridabad-Palwal Zone in Haryana as Engineering & Manufacturing Industrial Area;
- Jaipur-Dausa Zone in Rajasthan as Marble/Leather/Textile Industrial Area;
- Vadodara-Ankleshwar Zone in Gujarat as General Manufacturing Industrial Area;
- Industrial Area with Greenfield Port at Dighi in Maharashtra;
- Neemuch-Nayagaon in Madhya Pradesh.

12. Institutional and Implementation Framework

Need for Program Management Approach:

Implementation of the Delhi Mumbai Industrial Corridor Project will require investment on infrastructure development / augmentation, besides investments in the Dedicated Rail Freight Corridor and Industrial Investments in various Economic Regions.

It is inevitable that a project of this magnitude and complexity will require to be implemented on a projectized basis. In the process, the phasing of implementation and the integration of the various project components will require to be carefully articulated and implemented to secure the full potential of the initiative.

In order to ensure that the traditional pitfalls of project implementation are overcome, it is proposed that a Project Development approach be adopted, wherein each facet of the project is rigorously developed from an engineering, financial, contractual, environmental and social perspective, along with inter-linkages, on prioritization and selective basis and prior to commencement of implementation. This exercise would also include the acquisition of all lands required for the implementation of each project.

Moreover, the involvement of multiple Ministries of the Government of India, and the participation of several State Governments, whose active involvement and support will be critical for the success of the project, needs to be integrated, given the timeframe envisaged.

A project of this magnitude would also require significant upfront financial resources to develop and structure activities in an optimum manner. An appropriate Institutional mechanism that is able to exercise oversight and governance becomes critical in this regard. Accordingly, the approach to implementation will require integrating the above and enabling focused program management methodology.

It is important to note in this perspective that a Program Management Consultant (PMC), specialized in infrastructure project development, financing, implementation and project management, would further promote the effectiveness of the below envisaged institutional mechanism for implementation of DMIC.

Institutional Framework for DMIC:

DMIC comprises of a large number of projects, some of which would be amenable to commercial implementation on a Public-Private-Partnership (PPP) basis. However, there would also be a large number of projects within the DMIC, which would require to be implemented departmentally by Government. Thus there is a need draw a distinction between project preparation and development, and project financing and implementation.

Accordingly, it is envisaged that implementation of DMIC project will be through a four-tier institutional framework that would constitute:

- (i) An Apex Authority, that could be headed by Finance Minister with the concerned Central Ministers and Chief Ministers, as members, to oversight the entire program and to ensure that the necessary policy and administrative issues are tackled appropriately within the defined framework.
- (ii) A Dedicated Corporate entity, DMICDC (Delhi Mumbai Industrial Corridor Development Corporation) that functions as a servicing agency for the Apex Committee and coordinates execution of various tasks under the guidance of empowered group arrange financing, and provide advisory services for successful project implementation.
- (iii) A State-level Coordination Entity/ Nodal Agency responsible for coordination between the DMICDC and various state government entities and the project implementing agencies/ special purpose vehicles.
- (iv) Project Specific Entities, such as Special Purpose Vehicles, for individual projects viz. airport, port, industrial area, road, power etc, to mobilize financial resources through appropriate consortia and undertake actual implementation, operation and maintenance.

The above structure supported by the induction of specialized agencies at each level, in the arena of infrastructure financing/project management or implementation, would ensure that necessary managerial capability is available for implementing DMIC.

A brief description of the constitution, roles and responsibilities of the Apex Authority, the Dedicated Corporate Entity DMICDC, State-level Nodal Agency

and the Special Purpose Vehicles that would be created for each of the project components is presented hereafter:

(i) DMIC Steering Authority

It is envisaged that Government of India will facilitate setting up of an Apex Authority, 'DMIC Steering Authority', for implementation of Delhi-Mumbai Industrial Corridor.

Government of India will ensure availability of external physical infrastructure linkages to the DMIC including rail, road (National Highways), ports, airports and telecom, in a time bound manner. This infrastructure would be created/ upgraded through PPPs to the extent possible. Central Government could provide the necessary viability gap funding through existing schemes. Wherever necessary, requisite budgetary provisions for creation of these linkages through the public sector could also be made.

Government of India may designate the Department of Industrial Policy and Promotion (DIPP), Ministry of Industry and Commerce, GoI as the central level nodal agency for implementation of DMIC. On the Japanese side, the Ministry of Economy, Trade and Industry (METI) will remain as a coordinating body for this project. The Task Force co-chaired by Secretary of DIPP and Vice Minister for International Affairs of METI will supervise a process of making the Detailed Project Report (DPR), which will be prepared by the Joint Consultant and completed by the end of the year 2007. The Task Force will also have the functions to make advice to DMICDC in project identification and monitoring of the whole project with a view of strengthening the Indo-Japanese economic relations. The envisaged functions and composition for DMIC Steering Authority are briefly discussed hereafter:

Functions:

- A. Project Approval – planning of the project, approval of its concept and various elements and inter-se prioritization of schemes;
- B. Approval of the financing pattern – proportion of domestic and foreign capital, extent of public-private funding, Grants and Loans, approvals for viability funding arrangements;
- C. Setting up of timelines for implementations and monitoring thereof.

Composition:

- (i) Union Minister for Finance- Chairman, Minister for Commerce & Industry, Deputy Chairman, Planning Commission;
- (ii) Ministers In-charge of Infrastructure, viz., Shipping; Road Transport & Highways; Railways; Civil Aviation and Power, Urban Development
- (iii) Chief Ministers of States through which DMIC passes, viz., UP, Haryana, Rajasthan, Gujarat Madhya Pradesh & Maharashtra.

Union Minister for Environment & Forest, Labour & Employment, Petroleum & Natural Gas, and Chemicals & Petrochemicals would be invitees.

DMICDC will be the servicing agency for this Apex Committee.

(ii) Delhi Mumbai Industrial Corridor Development Corporation (DMICDC)

Considering the prominence of the project, magnitude of infrastructure development works involved and the quality of program management expertise that would be required for timely and successful implementation of DMIC, it is envisaged that a corporate entity be created which is/ has

- Dedicated in nature so that it is fully focused on the program;
- Authority and support of government (central and state);
- Flexibility of a corporate environment; and
- Backing of central government so that funds from various sources can be channelised to the intended areas

In view of the above, it is proposed that a dedicated entity, Delhi Mumbai Industrial Corridor Development Corporation (DMICDC) be formed which could follow a Public-Private Partnership model with stakeholders from the private sector (Banks, FIIs), PSUs as well as from the Central and State

Governments concerned. Alternatively, it could be formed under the aegis of the Department of Industrial Policy and Promotion.

Functions:

- (i) Detailed project preparation and obtaining various clearances for the components/sub-components;
- (ii) Evolving financing patterns for different components including arranging finances, where required, on the basis of a sovereign guarantee;
- (iii) Co-ordination with various Union Ministries and State Governments, Financial Institutions, and Infrastructure development agencies;
- (iv) Monitoring the implementation of various components & sub-components and facilitating in their execution;
- (v) Introducing 'state-of-the-art' implementation methodologies and know-how for quicker implementation of infrastructure projects;
- (vi) To undertake project development services for various central government projects and also help in assisting state governments (where desired);
- (vii) Secretariat of the DMIC Steering Authority.

Composition of DMICDC:

- (i) A full-time CMD;
- (ii) Chairman HUDCO;
- (iii) Chairman India Infrastructure Finance Company Ltd. (IIFCL) – a newly set-up GOI infrastructure agency;
- (iv) Chairman, IDFC;
- (v) Chairman IL & FS;
- (vi) Experts from the fields of Urban Planning, Highways, Railways, Power Development, Skill Development, Agro-processing and Environment;
- (vii) Chairman Delhi-Mumbai Dedicated Freight Corridor (DFC);
- (viii) Representatives of central and state government agencies.

Head of Japan External Trade Relation Organization (JETRO), New Delhi Office would be a special invitee.

Financial Structure of DMICDC::

It is envisaged that DMICDC will be managed by a shell structure with INR 100 Million (USD 2.5 million) as equity, which will be contributed by various stakeholders as follows

- 49 % equity by GOI and State Governments/ Agencies
- 51 % equity by FIIs and other Infrastructure organizations,

(iii) State-level Coordination Entity/ Nodal Agency:

State governments have the lead role in setting up of various Investment Regions/ Industrial areas in the DMIC. Each State Government will notify a nodal agency, which could be a new entity for the purpose or designate existing agencies or corporations. The nodal agency will coordinate with DMICDC in implementation of investment regions/ industrial areas. It is important to note that the implementation of each project in the investment region/ industrial area will be, either through project specific SPCs or through internal resources, at the prerogative of respective state government entities. The role of the state level coordination entity/ nodal agency is as follows:

- Facilitate all clearances required from the State Government
- Acquiring/ assisting in acquiring the land necessary for setting up of the infrastructure, processing and non-processing areas. The acquisition of land if any must be in accordance with law and must provide for rehabilitation as per the laid down norms. As far as possible acquisition of agricultural land may be avoided.
- Ensuring the availability of world-class physical and social infrastructure, utilities and linkages under its jurisdiction within a stipulated time frame. It includes:
 - Power connectivity and availability of reliable and good quality power. The units may also seek open access as per the regulations of the State Electricity Regulatory Commission;
 - Provision of bulk requirements of water;
 - Road connectivity (State roads);
 - Sewerage and effluent treatment linkages;
 - Appropriate infrastructure to address the health, safety and environmental concerns.
- Arrange requisite funding for development of infrastructure, through budgetary resources, by availing existing schemes of Government of

India as VGF and IIFCL etc or through loans from multilateral agencies.

- May notify additional package of incentives for attracting investors and successful development of Investment Regions/Industrial areas under the DMIC.

(iv)Special Purpose Vehicles for Project Implementation

To implement the individual projects, specific Special Purpose Vehicles (SPV) could be formed, which could be entirely private sector entities, be PPP entities, or even purely public sector (central/ state government) entities depending upon the type of projects being implemented. These SPVs could be promoted either by DMICDC or by respective central/ state government agencies. However, there will be considerable savings in time in case SPVs are created through DMICDC as a number of approvals that are required for setting up of SPVs or during disinvestments in later stages can be avoided.

Roles and Responsibilities of the Project Specific Special Purpose Vehicles will include design, finance, construct, operate, maintain and collect user charges/ toll, sharing revenue with the respective government agencies and transferring the project assets to the concerned agency at the end of concession period.

Functions:

- Implementation of specific components of the projects – easier to implement if each component is confined within a state boundary,
- Projects to be awarded to operators, preferably with all relevant clearances and awarded through a bidding process,
- Project operators to raise finances, implement and operate the project.

Composition:

- Own Board of Directors of each SPV

Financial Structure of SPVs :

- Own equity specific to each project,
- Initial small equities could be of DMICDC, which would then be sold to operators selected for implementation.
- Debts raised domestically and externally. Debts could also be raised by DMICDC and passed on to SPVs.

Project Implementation Framework for DMIC:

An illustrative chart showing the proposed implementation structure and workflow is provided in the enclosed Figure.

13. Proposed Policy Regime for DMIC

As approved in the PCPIR Policy, no additional fiscal or financial incentives are proposed for the investment regions planned in this corridor. The units coming up would have the advantage of improved infrastructure. There would also be logistics-hubs to facilitate warehousing and movement of goods, which will be set up through private efforts. A similar advantage in terms of trained manpower would become available to them, as knowledge hubs are also being planned in such regions, on a public-private partnership basis.

The other key policy perspectives for the Ministry of Commerce & Industry, as well as the DMICDC may be as under:

1. Acting as a comprehensive project program management, planning and development entity;
2. To facilitate ease of operation, for participation in the DMIC development program, the DMICDC should act as a single window clearance agency taking upon itself the task of co-ordination with and seeking of clearances from the various agencies concerned;
3. Address environmental concerns and ensure that the developments in DMIC are environment friendly;
4. Prioritizing high technology, export oriented industries with high employment generation potential;
5. Ensuring adequate social and community development perspective to improve the quality of life of people in the region;
6. Establish Institutions of higher technological learning, research and development in various fields and training and retraining of technical personnel to impart them higher skills. A fundamental thrust would also need to be provided on establishing technical and vocational training and meeting specific training needs of existing workers from established industries.

It is desirable that exclusive cells are set up in the Ministry of Environment and Forest (MoEF) and State Pollution Control Boards to expeditiously examine and clear proposals relating to DMIC and similar other corridors in the future.

As part of transit facilitation covering the entire DMIC area, through a conference of Transport Ministers of the various states, the following could serve as useful initiatives for the seamless movement of traffic.

- Modernization, Computerization and Integration of Border Check Posts at inter state transit points;
- Introducing GPS based vehicle identification and location system for safe and efficient freight distribution;
- Implementing smart card based single point electronic payment of toll charges, duties etc. in the DMIC region to facilitate unhindered and expeditious movement of freight vehicles.

14. State Issues

During the interaction with Japanese investors, some of the issues like

taxes, levies on inter-state movement and labour laws were repeatedly highlighted and raised. These specific issues will be attended to in discussions with central and concerned state governments.

15. Joint Consultant(Project Management Consultant)

Delhi Mumbai Industrial Corridor involves execution of a wide range of infrastructure development initiatives. It is inevitable that a project of this magnitude and complexity needs to be implemented on a projectized basis. In the process, phasing of implementation and integration of the various project components will require to be carefully articulated and implemented to secure the full potential of the initiative.

In order to ensure that the traditional pitfalls of project implementation are overcome, it is necessary that a project development approach be adopted, wherein each facet of the project is rigorously developed from an engineering, financial, contractual, environmental and social perspective, along with inter-linkages, on a prioritization basis, and before the commencement of implementation. Thus the Project Development approach enables drawing a distinction between project preparation and development, and project financing and implementation.

Accordingly, the implementation of DMIC involves effective integration of the above aspects with a focused program management methodology. It requires appointment of an institution as a Program Management Consultant (PMC), specialized in infrastructure project development, financing, and implementation and project management. The PMC could be a consortium of premier national level consultants from India and Japan so as to ensure development of nodes and the DMIC region that meets with the expectations of investors from both the countries.

Objective and Scope of Work for PMC:

PMC will work under the aegis of DMIC Development Corporation (DMICDC), the functional secretariat of the Apex Steering Authority, providing necessary advisory assistance with respect to the project

preparation, development, financing and implementation.

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Further to the appointment, the PMC would execute various tasks, over a time frame as detailed below, as part of project development activity for select nodes amongst the 12 nodes identified for Phase-1 implementation of DMIC:

- Phase-1: Empanelment of Consultants, Conceptual Master Planning for Nodes and Component Identification
[August, 2007 to December, 2007 (4 to 6 Months)]
- Phase-2: Detailed Project Report for Nodes, Environment Impact Assessment along with Detailed Cost Estimates and Drawings
[January, 2008 to August, 2008 (8 to 12 Months)]
- Phase-3: Bid Process Management for selection of domestic/ overseas entrepreneurs
[September, 2008 to February, 2009 (4-6 Months)]

Deliverables envisaged under Phase-1:

- Empanelment of domestic and international experts/consultants;
- Undertaking Comprehensive Market Assessment and Location analyses studies for select nodes identifying location strengths and selection of requisite Project Components for each nodes (investment regions/ industrial areas) including details of area requirements for development of the same;
- Preparation of Conceptual Master Plans for each node defining the development zone/ land area, identification of activity/ land use mix along with area allocation for the same;
- Identifying measures for enhancement of key project components that include:
 - Power: Assessing requirements based on the product mix identified, selection of suitable location, identification of fuel sources and requirements for developing transmission lines etc
 - Logistics: Assessing the requirements for efficient logistics system with multi-modal integration in the DMIC region, including connectivity with DFC, Port Network, Container /Cargo Handling and Cold Storage/ Warehousing requirements, truck parking, potential of RORO (Roll on

Roll Off) Facility and other infrastructure for 3rd Party Logistics Operators

- Environment Management: Identification of suitable measures for effective environment management in each of the industrial area/investment region and based on the product mix identified. It would also include potential and provisions for collection, transportation and disposal of scrap-plastic, steel etc.
- Port Development: Identification of measures for augmentation of existing port infrastructure/ development of Greenfield ports to ensure better connectivity with rest of the World;
- Rail Connectivity Augmentation: Identification of suitable measures to ensure enhanced connectivity with DFC, Ports and Hinterland viz.:
 - Augmentation of Rail Connectivity between Indore/Pitampura, Godhra and Vadodara on DFC as well as between Mumbai and Pune to ensure high speed movements for high axle load container trains;
- Road Linkages: Identification of suitable measures for road links to develop missing links, ensure 4/6 lane connectivity/ expressway linkage with each of the investment region/industrial area;
- Water supply System: Identification of Sources and measures for augmentation of Water supply system in the region
- Preliminary Environment and Social Impact Assessment;
- Preparation of Block Cost Estimates for phasewise implementation;
- Assessment for Broad Project Impacts and Preliminary Economic and Financial Viability Assessment for development of the region;
- Identification of suitable measures for ensuring enabling environment in the defined investment region/industrial area;
- Study and examine state acts/laws pertaining to administration of industrial area/ investment region and providing a legal frame work for implementation of investment region/ industrial area;
- Carrying out detailed discussions on the Master Plan with respective line ministries of Gol and State Government Agencies to ensure in-principle approval for the same;

Deliverables envisaged under Phase-2:

- Preparation of Detailed Project Report for each Investment Region/Industrial Area with comprehensive land use/ master plan for the region and development plans for implementation of external and internal infrastructure (both physical and social) viz. port, airport, rail linkages,

highways/expressways, water supply, power system, CETP/ waste water (treatment & disposal), solid waste management, administrative facilities, residential areas, recreational facilities etc

- Environment Impact Assessment and Preparation of Broad Environment Management Plan;
- Prioritization of Project Components for phase-wise development;
- Detailed financial and economic analyses and revenue generation assessment;
- Identification of Funding Sources and tying up finances, selection of suitable financial structure for viable financial model and risk analysis;
- Undertaking review of legal aspects and developing the optimal project structuring in consultation with the DMICDC/ State Government Agencies;
- Designing a management structure for implementation, operation and management of investment region/industrial area;
- Identification of Implementation Mechanism for each project component;
- Preparation of Business Plans for each node;
- Bundling & Un-bundling and allocation of project components to agencies of central/state domain;
- Detailed Discussions with line ministries/ MoEF/ State Government Agencies to ensure necessary approvals for implementation;

Deliverables envisaged under Phase-3:

- Bid Process Management for selection of Entrepreneurs (Domestic & Overseas) for implementation of Project Components in each node through various Public Private Partnership (PPP) formats under Central and State Governments, wherever desired:
 - Formulation of Prequalification criteria, Issue of Request for Qualification (RFQ) inviting developers/entrepreneurs to take up the design, finance, construct, operate and maintain facilities envisaged in each of the project component;
 - Evaluation of RFQ and short listing of investors in consultation with the DMICDC.
 - Issue of the Request for Proposal (RFP) Documents, organizing Pre-Bid Conferences;
 - Evaluation of RFP Documents and identifying preferred bidder/s;
 - Assistance in contract negotiations and reaching concession agreement etc;
 - Assistance in the formulation of Special Purpose Company.

- Coordinating the process of ensuring requisite approvals and clearances for each project component from various relevant authorities till the commissioning of the project;

In addition to above, the PMC will carryout following tasks for implementation of DMIC:

- Advisory assistance for introducing modern practices/latest technologies in the DMIC Region so as to ensure an Enabling Environment (introducing Electronic Tolling System, Computerization and integration of Border Check Posts, GPS based Vehicle-Tracking Mechanism etc);
- Monitoring Project Implementation and Reporting to DMICDC/the Apex Steering Authority;
- Any other services, as deemed relevant, for effective functioning of DMICDC and the Apex Steering Authority for successful implementation of DMIC.

The issue of appointing a PMC jointly by Government of India and Government of Japan was discussed in the Third Task Force Meeting, July 23, 2007. The Japanese side suggested that in view of need to maintain continuity, IL&FS, which has prepared the project concept report, should be appointed as Project Management Consultant.

Japanese government indicated that JETRO would be the supporting consultant and would act as a bridge between Japanese investors, Indian government and consultant. The role performed by JETRO in association with DIPPP/ Project Management Consultant could be:

(a) Contribution to the completion of Detailed Project Report

- Academic inputs on Japanese style manufacturing and “Pacific Ocean Belt.”
- Recommendation on logistic network within the DMIC region and connection with ASEAN region, based on its study.

(b) Participating in DMICDC

Participating in DMICDC board as a special invitee in order to reflect Japanese FDI investors voice to DMIC and to advise DMICDC on a continuous basis, during the preparatory and implementation phase with a view to informing about the requirements of Japanese investors in the corridor.

(c) Promoting Japanese investment to the DMIC region

- Utilize its BSC in Delhi, and its second one planned to be set up in Mumbai, as

- information center for Japanese investors on updated information of DMIC project and investment climate of the DMIC region.
- Provide up-to-date information about DMIC to Japanese potential investors through newly set-up India Business Consultation Desk in Tokyo.
 - Promote investment to the six states located in the DMIC, in cooperation with the state governments, based on the MoU signed among the states and JETRO.
 - Establish web-based business matching site to companies in both countries, especially SMEs, search for potential partners, in cooperation with Confederation of Indian Industry (CII), in accordance with the MoU signed between the two organizations.
 - Dispatch Japanese Business mission to the region.

16. Project Development Fund:

A Project Development Fund (PDF) would need to be created. It will be used as a Revolving Fund and would specifically be used for undertaking project development activities viz. identification of projects, preparation of feasibility reports, detailed project reports (DPRs) etc and its cost would be recovered from successful bidders. Implementing the specific projects. Creating a PDF will also ensure uninterrupted availability of funds for project preparatory activities.

Looking at cost of various projects likely to be implemented in Phase I and Phase II, it was estimated that US\$ 2 –2.5 billion might be required for project preparation alone. Taking 10% of it as initial seed money, a reasonable size of project development fund would be US\$ 250 million.

During the third task force meeting, representative from Government of India and the Japanese Government discussed in detail the setting up of Project Development Fund (PDF). The Indian side stressed upon developing projects by setting up the PDF with seed money and offered to the Japanese side an opportunity to provide funds for the PDF as a symbol of its commitment and partnership in the DMIC project. According to the Indian side, the PDF could be revolved by recovering from successful bidders. It was agreed that the set-up of PDF and details would continue to be discussed after the Japanese side completes internal consultations.

17. Way Forward

The following steps are suggested for immediate implementation of DMIC:

- Approval in principle to the DMIC project
- Setting up of the Apex Steering Authority to convey the strong will of the Government to develop the corridor
- Formation of Delhi Mumbai Industrial Corridor Development Corporation;
- Establishment of Project Development Fund
- Appointment of Project Management Consultant jointly.

ANNEXURE-1

Summary - First Task Force Meeting at Tokyo on 25th May, 2007

The First Task Force Meeting held on May 25, 2007 in Tokyo co-chaired by Mr. Toshiaki Kitamura, Vice Minister for International Affairs on behalf of Government of Japan and Dr. Ajay Dua, Secretary of DIPP on Government of India's behalf.

Various Academic, Consulting, Industry and Trade Business Groups and Financial Institutions of the Country (in all delegates from 18 firms) as well as delegates from the Tokyo Stock Exchange have participated in the Meeting and have presented their observations/ concerns, expectations/ requirements and their willingness to invest in India and participate in the DMIC Project.

The general attitude of business representatives and academicians towards the DMIC project was positive. Moreover, DMIC project is being considered as the first time ever mega regional development project of India and expects that it will mark breakthrough in infrastructure development of India with unprecedented coordination scheme between Central and State Governments.

Summary of Inputs:

1. Concerns/ Requirements made by Japanese Business Representatives

- Infrastructure Development such as Road (Express Highways with interchanges and Electronic Toll Collection System), Railway (high speed and heavy axle load rail linkages), ports, efficient logistics system and ensure uninterrupted power supply system so as to make Delhi-Mumbai Region as First-Class Export Base in Asia;
- Reliable decision-making system to realize DMIC within short period including land acquisition;
- Simplification of Domestic Tax System and ensuring smooth interstate movement for freight vehicles;
- Substantial reduction in Tariff (or) provision of various tax incentives to investors;
- Clear understanding of current Indian domestic regulation including Special Economic Zones;
- Categorization of Car Carrier Truck in Central Motor Vehicle Rules;
- Removing restrictions relating to Licensing Agreements;
- Setting up high standards of environmental protection mechanism;

- Supply of Skilled Labour;
- Labour issue/ Liberalizing labour laws;
- Deregulation of remittance of royalty, salary income and others.

2. *Expected contribution to and participation in DMIC Project*

- Potential investment by manufacturing companies;
- Improvement of logistics and distribution system including that of food processing;
- Operation of Ports;
- Implementation of Electronic Tolling System for Highways & Interstate Borders
- Introduction of Japanese Depositary Receipt (JDR);
- Setting up technical education institutions/ Vocational Schools;
- Independent Power Production (IPP);
- Provide personal/ HR Management and skill training services;
- Environment Planning and Management;
- Project Management/ Program Management;
- Advisory services and financing arrangements for development of roads, ports & power, knowledge cities and other infrastructure facilities and industries.

3. *Suggestions from Academic Experts*

- National and Regional level planning and development strategies integrating industrial and infrastructure development have the potential to accelerate the economic growth prospects of the country;
- India has the growth potential for the manufacturing sector with a unique growth pattern;
- There is a need to develop supporting skill development system and ensure adequate number of multi-skilled workers to cater to the potential industry sectors in the country, through comprehensive national level planning;

ANNEXURE-2

Summary - Second Task Force Meeting at New Delhi on 2nd July 2007

Dr. Ajay Dua, Secretary, DIPP & Co-Chairman welcomed Mr.T.Kitamura, Vice Minister, METI & Co-Chairman and other members to the Second Meeting of Task Force. In his opening remarks, he recalled the efforts made to prepare the Concept Report since the First Task Force Meeting held in Tokyo on 25th May 2007. He indicated that the DMIC Project is perceived in India as a flagship programme for boosting manufacturing and as a practical way to overcome the perceived deficiencies of infrastructure. Thanking the Government of Japan for their support, he mentioned that the Indian Government had put in place a mechanism to speedily workout the project outline and the Concept Paper in consultation with the State Governments and other Ministries.

Mr. Toshiaki Kitamura, Vice Minister, METI expressed happiness on the immense interest shown by the Indo-Japanese business community in the Project. He informed that the DMIC Project is seen as a vehicle for Japanese investments into India. When implemented, the project will enable Japanese businesses to improve their global position. He also outlined importance of the Project in the socio-economic progress of the region. He expected that the DMIC Project would be properly structured to serve as a nursery for many other Japanese investments. Mr. Kitamura introduced views of Japanese investors on the keys to success of the DMIC project. These included: (i) the necessity of a well established organizational structure involving central and state governments to design and implement the DMIC project, (ii) importance of 'soft' infrastructure such as streamlined administrative procedures, and human resource development, (iii) avoidance of speculative behaviors on land within the 'Project Influence Area (PIA)' of project and (iv) simplification of procedures. While implementing the project, the two Governments are required to work very closely, thus taking the Indo Japanese relations to a higher platform.

A presentation on the DMIC Concept was thereafter made. It was decided to explore the possibilities of including the State of Madhya Pradesh as one of the states in the project.

While approving the three-tier proposed organizational structure for the implementation of the Project, it was recommended that a corporate body with a maximum of 50% Government holding be set up to plan, monitor and coordinate work of the DMIC and also assist in raising of finances. It shall also do project development work and act as functional secretariat to the

steering authority headed by the Prime Minister. The Task Force members stressed upon developing bankable projects before awarding them to the best bidder. The role of the State Government in developing projects was found to be crucial. The states would need to coordinate the project at the highest levels. The Railway Board representative mentioned that depending upon projections of traffic and financial viability, the hinterland connectivity could be augmented, while the Ministry of Power representative suggested keeping projects ready with all the clearances etc. Japanese members informed that the DMIC Corridor is likely to have mass movement of automobile related products. They evinced keen interest in setting up logistics facilities and skill development centers around the manufacturing regions. Energy and skill development were pointed out as focus areas needing special planning. Members agreed that it was very important to adhere to the time lines proposed and to start the implementation by January 2008. Members called for completion of concept paper on the DMIC project well before the forthcoming visit of Premier Mr. Abe so that the concept paper could be presented to the two leaders. This will send strong positive signals to the business communities of both the countries.

Both the sides resolved for early settlement of appointment of Joint Consultants to prepare the feasibility studies. It was decided that the issue should be best settled before the visit of Premier Mr. Abe, if time lines are to be observed. It was also decided that the issue of basic organizational structure should be finalized before the visit of Premier Mr. Abe.

Setting up of a Project Development Fund for financing the preparation of the DMIC projects were discussed. Both sides resolved to explore opportunities to tap various sources. Japanese side also mentioned about possibilities of use of Japanese Depository Receipts for financing of the projects taken up by various Special Purpose Vehicles. It was decided to exchange non-papers on the subject before the next meeting of the Task Force.

Mr. Kitamura, Vice Minister, invited the Task Force members to Tokyo on July 23-24, 2007 for the next round of meeting to finalize the Concept Report.

In his concluding remarks, Dr. Ajay Dua, Secretary DIPP thanked the Vice Minister and the Task Force Members for their inputs and appealed for their continued support. It was decided that the suggestions by members as well as those received during 2&3 July 2007 seminars in Delhi and Mumbai will be incorporated in the report, for presentation and finalization of the Concept Paper in Tokyo.

ANNEXURE-3

Critical issues raised by Japanese side on July 2, 2007

1. Necessity of well established organization structure involving centre and state Governments to design and implement DMIC Project.

As informed in the preceding paragraphs, it is proposed to form an apex Committee under the chairmanship of Prime Minister of India. A corporate entity will facilitate planning and project development. State level coordination mechanisms and project specific SPVs will be the implementing agencies

2. Importance of soft infrastructure such as streamlined administrative procedures and human resource development.

Throughout the investment regions / industrial areas, skill enhancement facilities have been planned. For project clearances/ procedures, the following initiatives are proposed:

- Investment regions / industrial areas will contain one or more special economic zones. These zones are empowered by the Act to provide necessary clearances themselves.
- In dialogue with State Governments, it is proposed to constitute empowered authorities like New Okhla Industrial Development Authority (NOIDA) for the investment regions / industrial areas. These authorities will have delegated powers from the State Governments to take decisions locally.
- Movement of material through rail already enjoys a sufficient degree of procedural simplification. DMICDC will be working with railways and other logistic regulators for further simplification. Movement of goods through roads is proposed to be facilitated without interruption by the use of IT as prevalent in developed countries. It is also proposed to start a dialogue with the State Transport Ministers to develop unified policy regime for uninterrupted and low cost movement of material and efficient operation of logistics hub.

So far as simplification in tax regime is concerned, the Government of India has already announced road map of “Goods and Service Tax” to be adopted by 2010, which will replace central and state taxes into a unified tax regime. Other direct and indirect taxes are moving southwards towards ASEAN rates by 2010.

3. Avoidance of speculative behaviour on land

The Japanese side was informed that under “the Land Acquisition Act”, the State Governments could procure private land for public purposes (including infrastructure) at an average rate of last three years. The investment regions / industrial areas identified are brownfield, meaning thereby that most of the ownership of land is already with state infrastructure agencies. Keeping in view, the size of the project influence area at 436, 486 sq. kms. such speculations may not be practically possible. Here it will not be out of place to mention that the DMIC Project influence area is 20% more than the total land area of Japan i.e. 377, 835 kms.

4. Simplification of procedures

Covered in the point 2 above.

5. Use of Japanese Depositary Receipts (JDR) for financing of specific projects

Japanese Depositary Receipts offer a unique way of availing Japanese savings for investments in Indian Companies to fund infrastructure development.