

India

FY2017 Ex-Post Evaluation of Japanese ODA Loan Project
"Tamil Nadu Investment Promotion Program"

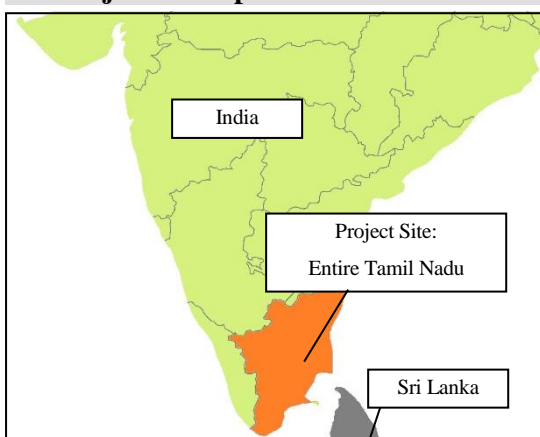
External Evaluator: Shuji Shimizu, Alfapremia Co., Ltd.

0. Summary

The objective of this program is to attempt to streamline the investment climate in Tamil Nadu in southern India through encouraging the improvement of the policy and institutional framework to promote the investment as well as the early implementation of projects enhancing the quality of urban infrastructure mainly of roads, electric power, water supply and sewerage and other infrastructure facilities, thereby contributing to improvements to the state's investment environment.

This program complies with the development policies and needs of India and Tamil Nadu as well as with Japan's ODA policy. This program is also suitable in terms of its program planning and approach. Therefore, its relevance is high. Moreover, the target quantitative effects have largely been achieved as a result of this program, and the program appears to be proceeding steadily. Furthermore, in terms of qualitative effects, economic development in Tamil Nadu as well as contribution to continued investor involvement by the small infrastructure projects facilitated as part of this program have been observed. Therefore, the effectiveness and impacts are high. Nevertheless, continued monitoring of future applications on the Single Window Web Portal is necessary since this ex-post evaluation was conducted right after its launch. Regarding the sustainability of the initiatives to improve the investment environment, the composition of organization and roles of the related institutions involved in the Tamil Nadu Investment Promotion Program (Phase 2), which is a continuation of this program, is verified. Moreover, from a financial perspective, its sustainability can be deemed to be guaranteed, as sufficient funds have been allocated to the relevant departments by the state government for policy and institutional reform and for infrastructure development.

1. Project Description



Program Location



Athipattu Rail Over Bridge
Built as Small Infrastructure Project

1.1 Background

Since India introduced its full-scale liberalization policy in 1991, its economy has maintained steady growth. India's 11th Five-Year Plan (April 2007 to March 2012) resulted in an annual average economic growth rate of more than 8%, and GDP per capita based on purchasing power parity (PPP) exceeded \$3,600 in 2011. Increased individual consumption is expected to lead to a further increase in domestic demand, which, in turn, strengthens foreign direct investment in India. Tamil Nadu, located in southern India, has good maritime connections with Southeast Asia, has an abundant labor force, and is consistently implementing measures to attract foreign capital, which have contributed to the annual increase in investments from foreign investors including Japanese firms.

Meanwhile, delay in development of investment climate in both physical and institutional infrastructure came to the surface as a hindrance against the tremendous willingness of foreign direct investment. The proposal for promoting investment for the Government of India submitted in February 2012 by the Japan Chamber of Commerce and Industry in India include issues and reform approaches for promoting investments. Similarly, the Japanese Chamber of Commerce & Industry, Chennai submitted proposals for the Government of Tamil Nadu, requesting infrastructure improvements in the form of roads, electric power, water supply and sewerage, and so forth. The World Bank has also pointed out that the infrastructure environment, institutions, and procedures of the investment environment in Chennai, the capital of Tamil Nadu, are insufficient (*Doing Business in India 2009*). Thus, delays in creating a better investment environment have become a serious issue for the promotion of foreign direct investment in Tamil Nadu.

1.2 Project Outline

The objective of this program is to attempt to streamline the investment climate in Tamil Nadu in southern India through encouraging the improvement of the policy and institutional framework to promote the investment as well as the early implementation of projects enhancing the quality of urban infrastructure mainly of roads, electric power, water supply and sewerage and other infrastructure facilities, thereby contributing improvements to the state's investment environment.

Loan Approved Amount/Disbursed Amount	13,000 million yen / 12,987 million yen	
Exchange of Notes Date/Loan Agreement Signing Date	November 2013 / November 2013	
Terms and Conditions	Interest Rate	1.4%
	Repayment Period (Grace period)	30 years (10 years)
	Conditions for Procurement	General untied
Borrower / Executing Agency	The President of India / Finance Department, the Government of Tamil Nadu	
Program Completion	March 2016	
Main Contractor(s) (Over 1 billion yen)	None	
Main Consultant(s) (Over 100 million yen)	None	
Related Studies	Technical Cooperation (Dispatch of Experts) "Technical	

(Feasibility Studies, etc.)	<i>Assistance related to Sector Program Loan for Improving the Investment Environment of Tamil Nadu, India" (2012)</i> <i>Technical Assistance related to Japanese ODA Loan "Tamil Nadu Investment Promotion Program (Program Implementation Promotion)" (2013-2014)</i> <i>Technical Assistance related to Japanese ODA Loan "Tamil Nadu Investment Promotion Program (Program Implementation Promotion)" (2014-2015)</i> <i>Technical Assistance related to Japanese ODA Loan "Tamil Nadu Investment Promotion Program (Assistance for Training Industry Human Resources)" (2015-2016)</i>
Related Projects	<i>Japanese ODA Loan "Tamil Nadu Investment Promotion Program (Phase 2)" (March 2017)</i>

2. Outline of the Evaluation Study

2.1 External Evaluator

Shuji Shimizu, Alfapremia Co., Ltd.¹

2.2 Duration of Evaluation Study

This ex-post evaluation study was conducted with the following schedule.

Duration of the Study: September 2017 to January 2019

Duration of the Field Study: November 26 to December 8, 2017, April 2 to April 6, 2018

2.3 Constraints during the Evaluation Study

2.3.1 Revision of Program Objective

The program objective at the time of appraisal was as follows.

“The objective of this program is to further improve the investment climate through strengthening the policy framework and enhancing the quality of urban infrastructure mainly of roads, electric power, water supply and sewerage and other infrastructure facilities, thereby attempting to increase foreign direct investments in the state.”

At the time of ex-post evaluation, it is difficult to establish a direct causal relationship between this program and increases in foreign direct investment. As such, the Evaluator incorporated a short-term impact (“improving investment environment”) and a medium-term impact (“increasing investor interest”) that precedes the long-term impact (“increasing foreign direct investment”) between the output (“development of the investment environment”) and the impact (“contributing to increases in foreign direct investment”). Moreover, the medium-term and long-term impacts were only analyzed without including them in the decision for this evaluation.

¹ Joined as an external evaluator of Alfapremia Co., Ltd. from Japan International Cooperation System.

Table 1 Revision of Impact

Stage	Impact Contents
Impact 1 (Short Term)	Improving investment environment
Impact 2 (Medium Term)	Increasing investor interest
Impact 3 (Long Term)	Increasing foreign direct investment

Source: Evaluator

2.3.2 Evaluation Scope

This program is a Development Policy Lending. In this type of program, the government of a developing county is encouraged to implement reforms through policy dialogue and is provided with funds once the reforms are accomplished. The funds provided are not earmarked but are included in the general account budget. As a result, it is difficult to quantitatively compare inputs (expenses) and outputs (achievements), which is why efficiency is excluded from the analysis and evaluation. Sustainability is included in the analysis, but it is not subject to evaluation scope, and no sub-rating is conferred. Since no sub-rating is conferred on efficiency and sustainability, an overall rating is not conferred either.

3. Results of the Evaluation

3.1 Relevance (Rating: ③²)

3.1.1 Consistency with the Development Plan of India

At the time of appraisal, the Government of India intended to invest around US\$1 trillion in infrastructure over five years and develop the investment environment as part of the *12th Five-Year Plan (April 2012 to March 2017)*. Moreover, as part of the *Chennai-Bengaluru Industrial Corridor (CBIC)*,³ Tamil Nadu was identified as a vital region for Indian economic growth. Furthermore, *Vision Tamil Nadu 2023*, which was announced in March 2012, aims to increase the state's GDP growth rate and per capita income through 2023 and identified the acceleration of private investments through investment environment development as an important policy.

At the time of ex-post evaluation, the *Three Year Action Agenda 2017-18 to 2019-20*⁴ was announced in place of a five-year plan, in accordance with Modi administration policy.⁵ This action agenda discusses actions for increasing productivity and creating jobs in each industry,⁶ including promoting foreign direct investment in a variety of industries, such as manufacturing, services, transportation, communications, and energy. Moreover, to promote foreign direct investment, regulations also need to be reformed.⁷ At the time of ex-post evaluation, Tamil Nadu was continuously using the policies and contents of *Vision Tamil Nadu 2023* as the basic principles for its policies.

From the above, it can be concluded that this program conformed with the development policies

² ③: High, ②: Fair, ①: Low

³ This plan was agreed upon at the Japan-India Summit in December 2011. The Master Plan was completed in July 2015, prioritizing the formulation of comprehensive regional development for 2014-2033, the identification of key development areas, and individual projects.

⁴ The Indian fiscal year starts in April and ends in March of the following year, so FY2017 corresponds to April 2017 to March 2018, and FY2019 corresponds to April 2019 to March 2020.

⁵ Narendra Modi, 18th Prime Minister of India. In office from May 2015 until the present.

⁶ *Three Year Action Agenda 2017-18 to 2019-20*, p. 33.

⁷ *Three Year Action Agenda 2017-18 to 2019-20*, p. 127.

of the Government of India and the Government of Tamil Nadu at both the time of appraisal and the time of ex-post evaluation.

3.1.2 Consistency with the Development Needs of India

3.1.2.1 Funding Needs

Table 2 shows the state budget balance of the Government of Tamil Nadu.

Table 2 State Budget (million rupees)

Item	FY2012	FY2013	FY2014	FY2015
Revenue	883,828	998,853	1,086,564	1,237,712
Spending	1,056,568	1,164,055	1,292,399	1,509,499
Balance	△172,740	△165,202	△205,835	△271,787

Item	FY2016	FY2017	FY2018	
Revenue	1,296,917	1,491,572	1,646,456	
Spending	1,623,192	1,896,910	2,066,224	
Balance	△326,275	△405,338	△419,768	

Source: Response from the Finance Department

Based on data from India, this program corresponds to 7,700 million rupees. If that amount is compared to the annual budget balances, it is observed that the amount that Tamil Nadu received as an ODA loan is an average of 3% of the budget balances, which is not very substantial at either the time of appraisal or the time of ex-post evaluation. However, each of the 22 small infrastructure projects promoted as part of a policy action of this program is individually important for developing the investment environment, but none of them is large enough to comprise an entire Japanese ODA Loan project. By providing financial assistance, which is highly concessional, in the form of Development Policy Lending, Tamil Nadu could facilitate infrastructure development at its helm in agreement with their funding needs at the time of appraisal.

Moreover, at the time of appraisal, Tamil Nadu needed to promote policies to improve the investment environment and required funds to do so, but Japan was the only donor of financial assistance for the purpose of policy implementation rather than that of individual projects. Furthermore, the interest rate, repayment period, and other conditions proposed by Japan were more favorable than those offered by the domestic market or other donors.

The need to promote policies to improve the investment environment, with a focus on infrastructure development, remains at the time of ex-post evaluation, and the *Tamil Nadu Investment Promotion Program (Phase 2)* (hereinafter referred to as “TNIPP Phase 2”) was commenced in March 2017.

3.1.2.2 Infrastructure Needs

According to the documents provided by JICA, investors asked the Government of Tamil Nadu for the development of infrastructure, such as electric power, roads and logistics, and water supply and sewerage, prior to the start of this program. The electric power provided failed to satisfy investors in terms of both supply and quality, with issues including power flickers, voltage fluctuations, and unstable frequencies. The roads suffered from serious traffic congestion, and improved access from the investors’ production bases (i.e., factories) to the port (i.e., Ennore Port) was needed. It was also suggested that the construction of logistics facilities could be an effective

countermeasure to the serious congestion. Moreover, as the amount of water that could be drawn from underground was limited, investors saw a need to secure a stable water supply in order to maintain factory operations.

At the time of ex-post evaluation, improvements were confirmed to be made with regard to these needs (see the section on Effectiveness for details). Infrastructure development also needs to be sped up for TNIPP Phase 2, so the plan is to further develop electric power, roads, water supply and sewerage, and other forms of infrastructure.

3.1.2.3 Institutional and Procedural Reform Needs

According to the documents provided by JICA, investors had asked the Government of Tamil Nadu for a wide range of improvements, including infrastructure project coordination and prioritization; an improved investment application process; system integration for investors; the promotion of a business environment for micro, small, and medium enterprises (MSMEs); human resource development; a land pooling system⁸ (hereinafter referred to as “LPS”); and Master Plan/Land-use Conversion, prior to the start of this program.

Investors were also worried that the Government of Tamil Nadu would not disclose information about the prioritization of infrastructure projects in Tamil Nadu. Moreover, some aspects of the legal system related to the approval of investments were created in the 1970s and are unsuitable for economic activities today. Some investors also felt that it was difficult to apply for investment approval for reasons such as language barriers, complicated procedures, customs, regulations (architectural criteria or labor regulations), and so forth. In the case of large investments,⁹ the Tamil Nadu Industrial Guidance & Export Promotion Bureau (hereinafter referred to as the “Guidance Bureau”), which operates under the Industries Department, existed as a contact point for investors, but no equivalent contact point existed for micro, small, and medium investments.¹⁰ As a result, micro, small, and medium investors had to submit each application to multiple departments, placing the burden of these complex procedures on the investors. Moreover, the expansion of the manufacturing industry required human resources with knowledge and experience relevant to manufacturing technology, such as knowledge about electricity and machines or basic skills for using tools. As the manufacturing industry also needs vast plots of land for factories and so forth, an LPS and Master Plan were both needed to quickly secure land. At the time of ex-post evaluation, improvements were confirmed to be made to meet all of these needs except for those related to an LPS and Master Plan. However, it is observed that efforts continue to be made to accomplish policy actions related to an LPS and Master Plan (see the section on Effectiveness for details). Furthermore, since the start of TNIPP Phase 2 in March 2017, plans have been made to further promote the training of industry human resources, to further improve the capacity of the Guidance Bureau and

⁸ An LPS is a system of developing infrastructure for acquired land and returning a portion of the land to the owners. The owners' land shrinks in size, but its value increases due to the infrastructure development, which more than makes up for the loss of land. The development authorities also benefit, as they no longer have to prepare a land purchase budget and face fewer budgetary constraints for development.

⁹ Large investments are defined as those of 100 million rupees or more.

¹⁰ Micro investments are defined as those under 2.5 million rupees, small investments are defined as those under 50 million rupees, and medium investments are defined as those under 100 million rupees.

other departments involved in investments, and to create contact points for and further improve information sharing with MSMEs.

3.1.3 Consistency with Japan's ODA Policy

In Japan's *Country Assistance Policy for India (May 2006)*, the Government of Japan explained that it would provide infrastructure assistance to expand foreign investment (physical) and assistance in reforming policies and institutions to improve the outcomes of infrastructure projects (institutional) in India's six metropolitan areas (Delhi, Mumbai, Kolkata, Bengaluru, Hyderabad, and Chennai).

In October 2010, the *Comprehensive Economic Partnership Agreement between Japan and the Republic of India* was concluded. In January 2011, the Japanese Ministry of Economy, Trade and Industry and the Government of Tamil Nadu issued a memorandum on infrastructure development assistance in the state and agreed to collaboratively attract investments from Japanese companies and improve the state's investment environment.

Moreover, *JICA Country Analysis Paper (March 2012)* identified "the development of industrial and urban infrastructure" as a focus area in India and outlined the active use of ODA to improve the infrastructure and investment environment not only for Japanese companies but for regional industry as a whole. As such, this program conforms with the Japan's ODA policy at the time of appraisal.

3.1.4 Appropriateness of the Project Plan and Approach

At the time of appraisal, there was a need to promote infrastructure projects crucial for developing the investment environment, but each individual project was too small for a Japan's ODA Loan. As such, it was appropriate to try to develop the investment environment using Development Policy Lending. Moreover, this program took a suitable approach in that its policy actions and the identification of infrastructure projects to promote took into consideration not only the strategy outlined in *Vision Tamil Nadu 2023* but also the requests of the corporate members of the Japanese Chamber of Commerce & Industry, Chennai.

When it comes to Development Policy Lending, funds are paid in response to the progress of policy actions. As a result, this framework is highly transparent, as the supervision of progress was conducted by both countries who confirmed the progress of the program as appropriate. This approach was suitable. Furthermore, comments from the Government of Tamil Nadu are indicating that the processing ability of the program has increased and that proactive action has become possible in preparation for TNIPP Phase 2. These actions have included discussing and implementing measures as needed after confirming the program's progress with JICA, smoothly conducting meetings based on a deeper understanding of industry needs, and collecting sufficient information in advance with the help of JICA experts.¹¹ Thus, the program took a suitable approach to the supervision of progress.

¹¹ For this program, experts in charge of program implementation promotion were dispatched as Technical Assistance Related to Japanese ODA Loan from 2013-2014 and 2014-2015.

This program has been highly relevant to the country's development plan and development needs, as well as Japan's ODA policy. Its planning and approach are also suitable. Therefore its relevance is high.

3.2 Effectiveness and Impacts¹² (Rating: ③)

3.2.1 Effectiveness

3.2.1.1 Achievement Status of Policy Actions

Under this program, policy dialogue has taken place between the Government of Tamil Nadu and JICA, and a policy matrix was established for this program. The policies (tasks) and objectives included in the policy matrix are as indicated in Table 3.

Table 3 Policy Matrix (Policies [Tasks] and Objectives)

Policies (Tasks)	Objectives
Infrastructure project coordination and prioritization	*The Tamil Nadu Infrastructure Development Board (hereinafter referred to as "TNIDB"), in which the Secretaries of the related regulatory departments participate, will undertake the prioritization of projects and coordination between departments, thus accelerating the projects' implementation. *The Small Infrastructure Project Empowered Committee (hereinafter referred to as "SIPEC") will be established. The SIPEC will allocate budget properly to priority projects selected by the SIPEC. The SIPEC will appropriately monitor and facilitate the priority projects.
Investment application process	*The investment application process, its related regulations, and its operational system will be improved comprehensively according to an overall Business Process Re-engineering (hereinafter referred to as "BPR") study.
System integration for investors	*A tracking system for investors will bring more transparency to the investment application process and will improve investor's satisfaction.
Promotion of business environment for MSMEs	*The function of the Directorate of Industries and Commerce will be enhanced as a single window for MSMEs according to the results of a study related to investment problem of MSMEs. *Preparing a web-based single contact point application system and an Investment Guidebook for MSMEs can streamline investment procedures. *Information dissemination and workshops for attracting foreign MSMEs will be conducted.
Human resource development	*A comprehensive skill development Action Plan will be undertaken, and it will help meet the investors' demand for labor.
LPS	*The Highway and Minor Ports Department will be able to acquire land and compensate land owners through land allocation by utilizing LPS. This scheme will accelerate infrastructure development.
Master Plan / Land-use Conversion	*A new Master plan process will be able to significantly reduce time requirements. By earmarking areas for future industrial development, the time required for Land-use Conversion will be shorter, thus enhancing industrial investment activity.

Source: Based on the documents provided by JICA, but adapted by the Evaluator so that the terms match those found in this report

For each policy (task), actions to be accomplished by the end of FY2012, actions to be accomplished by the end of FY2013 and actions to be accomplished by the end of FY2014 are

¹² Sub-rating for Effectiveness is to be put with consideration of Impacts.

specified. The documents provided by JICA confirm that the actions have largely been accomplished ahead of their respective deadlines. The progress made regarding the small number of partially unaccomplished actions at the time of ex-post evaluation was as follows:

(1) LPS

The policy action related to LPS was partially unaccomplished against the targets. The policy was initially applied in the context of roads and was implemented by an office of the Highways and Minor Ports Department. However, as the Government of Tamil Nadu started thinking about applying this policy to urban development projects as well, the office in charge was changed from the Highways and Minor Ports Department to the Housing and Urban Development Department in October 2013. In July 2016, it was decided that the Land Commission, Revenue Department should make a draft of a Land Pooling Area Development Scheme to ensure that the same LPS policy was implemented across the state, and, in September 2016, the department in charge was changed. At the time of ex-post evaluation, the Revenue Department had summarized the opinions of the relevant departments and made preparations to enact the Land Pooling Area Development Scheme in the form of a government order. As of May 2018, the Legal Department and the Finance Department were verifying the scheme, after which they planned to obtain the approval of the Chief Minister so that a government order could be issued. However, although inquiries were made about the expected timing of the government order, it was unable to obtain a clear answer from the Revenue Department.

Due to the circumstances described above, the formulation of LPS guidelines and the implementation of an LPS pilot project are elements of the policy action that are yet to be accomplished. However, the Housing and Urban Development Department say that they are prepared to respond quickly once the Land Pooling Area Development Scheme is clarified, so it is expected that the unaccomplished actions will be accomplished in the future.

As part of this policy action had yet to be accomplished at the time of ex-post evaluation, the Revenue Department has expressed the need to make adjustments based on the opinions of several involved parties and to respond to comments from the Finance and Legal Departments.

(2) Master Plan/Land-use Conversion

With regard to Master Plan/Land-use Conversion, the operation indicators for Effectiveness have largely been accomplished, as described in section 3.2.1.2 below (i.e., Quantitative Effects (Operation and Effect Indicators), (6) Area Where the Master Plan Is Completed). However, comparing it with the policy action, at the time of ex-post evaluation, the Master Plan objectives remained unaccomplished, and the Master Plans for some of the regions subject to Master Plan Phase I¹³ as well as those for all of the regions subject to Master Plan Phase II were still being formulated. According to the Housing and Urban Development Department, the Master Plan for the Thoothukudi area, which is part of Master Plan Phase I, remained unaccomplished despite having

¹³ Master Plan/Land-use Conversion is divided into Phase I and Phase II in the policy matrix and, together, make up one policy action.

been identified as a model case for the future Master Plan of Tamil Nadu. At the time of ex-post evaluation, consultant selection was still ongoing, and the aim was to complete the plan by 2020. Furthermore, with regard to Master Plan Phase II, the goal was to complete the preparations for formulating the master plans for 17 areas (corresponding to 41% of the target area) by December 2018. The plan was to implement the rest of Phase II in the Coimbatore area, but preparations have only just started, and the formulation schedule remained unclear at the time of ex-post evaluation. As such, it is likely that more time is needed before these objectives can be accomplished, but the efforts to accomplish them are ongoing.

At the time of ex-post evaluation, the Housing and Urban Development Department commented on the fact that this policy action was partially unaccomplished, saying that the size of the areas selected for Master plan exceeded the department's capacity. The Master Plan was initially entrusted to a private consultant, but it was unable to handle the task. Thus, the Master Plan came to be directly managed by employees at the Housing and Urban Development Department, at which point the capacity of the department was exceeded. For future operations, the department is expected to select and commission suitable consultants and fulfill the policy action based on their own experience.

3.2.1.2 Quantitative Effects (Operation and Effect Indicators)

Table 4 Operation indicators

Indicator	Baseline	Target	Actual ^{N1}
	FY2012	FY2014	FY2017
		Completion year	1 Year After Completion ^{N2}
Number of Projects Identified and Prioritized by TNIDB	-	10 projects	Total of 21 projects
Number of Projects Facilitated by SIPEC	-	10 projects	Total of 22 projects
Number of Workshops Conducted for Attracting Foreign MSMEs	-	Twice	Total of 4 times
Number of Trainees under TNSDM ^{N3}	Approx. 50,000 persons	45% increase from 2012	Total of 200,431 persons
Number of Projects Implemented using LPS	-	1 project	0 projects
Area where the Master Plan is completed (km ²)	7,444km ²	8,447km ²	Total of 7,979km ²

Source: The baseline and target values are cited from the documents provided by JICA.

The actual values were created by the Evaluator based on responses from the relevant departments of the Government of Tamil Nadu.

N1: It was requested that the Government of Tamil Nadu should provide annual data for 2014-2017, but the total values at the time of ex-post evaluation were given, with the exception of "Number of trainees under TNSDM." In this table, the total "Number of trainees under TNSDM" for 2014-2016 is listed.

N2: Program completion (final disbursement): March 2016.

N3: TNSDM: Tamil Nadu Skill Development Mission

(1) Number of Projects Identified and Prioritized by TNIDB

The TNIDB is a board chaired by the Chief Minister of Tamil Nadu and composed of the secretaries of the departments in charge of infrastructure regulations. Its role is to prioritize large infrastructure projects based on how they relate to each other. It was expected that establishing this

board would accelerate project implementation, as including all the involved departments in the prioritization process would make it easier for them to coordinate with each other. According to the documents provided by JICA, eight projects were prioritized by TNIDB at the time of program implementation. At the time of ex-post evaluation, the Finance Department reported an additional 13 projects for this indicator, giving a total of 21 prioritized projects.¹⁴

(2) Number of Projects Facilitated by SIPEC

SIPEC is a board chaired by the Principal Secretary of the Finance Department of the Government of Tamil Nadu. It had the role of determining the budgets of infrastructure projects that were chosen for implementation based on investor requests in order of priority and overseeing the projects' progress to help promote their implementation.

At the time of ex-post evaluation, the Finance Department replied that 18 projects had been promoted by SIPEC. However, considering that the method of counting differs from that used in the documents provided by JICA¹⁵, the Evaluator did a recount based on the criteria mentioned in the documents provided by JICA. Moreover, the responses from the Finance Department did not include projects not promoted by SIPEC for various reasons, such as being canceled midway through the project. The role of SIPEC is only to promote project implementation and not to conduct any actual construction work, so it is appropriate to think of project promotion as SIPEC involvement regardless of whether the project in question was completed, canceled, or excluded. Thus, the Evaluator recounted the number of projects, yielding a total of 22 projects.¹⁶

(3) Number of Workshops Conducted for Attracting Foreign MSMEs

According to the Micro, Small, and Medium Enterprises Department, a Global Investors Meet (GIM) was held in Chennai, Tamil Nadu in 2015, during which two workshops were held for the purpose of attracting micro, small, and medium enterprises. Two workshops were also held at the International Engineering Fair in the Czech Republic in October 2017.

At the time of ex-post evaluation, preparations were being made to hold another GIM in Chennai in January 2019.

(4) Number of Trainees under the Tamil Nadu Skill Development Mission

The Tamil Nadu Skill Development Mission (hereinafter referred to as "TNSDM"), which was converted into Tamil Nadu Skill Development Corporation in 2013, is a non-profit organization that was established to formulate a skill development strategy for fostering skilled workers and providing basic skills training to students and unskilled workers in Tamil Nadu. Its role is to train skilled workers.

¹⁴ The 21 projects can be broken down as follows. The eight cases verified in the documents provided by JICA include fishing port development (1), tourism infrastructure development (1), waste management (2), water supply development (1), seafood processing (2), and road development (1). The thirteen cases added at the time of ex-post evaluation include waste management (2), water supply and sewerage development (1), road development (3), electric power development (1), financial service center development (1), human resource training (1), port and harbor development (2), health (1), reservoir development (1), and agriculture (1).

¹⁵ For example, one road development project over four districts was counted as four projects in the Finance Department reply.

¹⁶ The 22 projects can be broken down as follows: electric power development (6), roads (5), logistics (5), and water supply and sewerage (6).

According to a response from the Labor and Employment Department, 373,619 students and unskilled workers (trainees) participated in skills training with TNSDM involvement from FY2012-FY2016. The actual value given for the indicator in Table 4 is 200,431, which is the total for FY2014-FY2016.

(5) Number of Projects Implemented Using LPS

No legislation related to the use of LPS was enacted at the time of ex-post evaluation, and the indicator had not yet been accomplished. For details, see 3.2.1.1 Achievement Status of Policy Action, (1) LPS.

(6) Area Where the Master Plan Is Completed (km²)

The actual completed land area is 7,979 km², and the indicator target value has almost been accomplished (94%). For details, see 3.2.1.1 Achievement Status of Policy Action, (2) Master Plan/Land-use Conversion.

3.2.1.3 Qualitative Effects (Other Effects)

(1) Simplifying Investment Procedures (Situation of SWWP)

Single Window Web Portal (hereinafter referred to as "SWWP")¹⁷ was developed as a tool for gathering all applications and managing investment procedures in a single online window. In November 2017, right before the first field survey for the ex-post evaluation was conducted, the application service for large investments was launched. This service allows 37 applications for permission to be completed online at once, and an online user can check payments of application fees, the submission of related documents, replies to questions, the progress of applications,¹⁸ and which permissions have been granted. Since investors are not required to directly visit each department to submit their applications, the system is expected to make the process more convenient for investors.

The number of large investment applications made via SWWP since November 2017 is given in Table 5.

Table 5 Number of large investment applications using SWWP

Time of application	November 2017	December 2017	January 2018	February 2018
Number of applications	1	2	3	4

Source: Response from the Guidance Bureau

The plan is for SWWP to also be used for micro, small, and medium investments, but, at the time of the second field survey for the ex-post evaluation (April 2018), that service had not yet been launched. This delay is because SWWP needs to be adjusted for micro, small, and medium investment use, as it was designed for large investment use. At the time of the second field survey, it was confirmed that the security inspections for the web applications had been concluded and that the Micro, Small, and Medium Enterprises Department had obtained the approval of the Chief

¹⁷ <http://www.easybusiness.tn.gov.in> (accessed on May 7, 2018)

¹⁸ It was possible to check progress online even before the launch of SWWP, but the information was not necessarily up to-date, as it was entered manually after the Guidance Bureau received it from the relevant department.

Minister, so the services were scheduled to launch in the near future. The Guidance Bureau subsequently replied¹⁹ that service for micro, small, and medium investments began on May 4, 2018.

(2) Simplifying Investment Procedures (Implementing the Action Plan)

As noted above, some of the laws related to investment permissions in Tamil Nadu date back to the 1970s, and some investors felt it was difficult to submit applications due to language barriers, complicated procedures, customs, regulations (architectural criteria or labor regulations), and so forth. As a result, the plan was to conduct a BPR²⁰ survey under this program, but, as the Indian central government had decided to conduct a similar survey, the BPR survey was to be conducted with reference to the central government’s survey. However, the central government survey was delayed, which prompted the Guidance Bureau to create an action plan after reviewing past investment-related surveys. This plan was presented to JICA, the Japan External Trade Organization (JETRO), and the Japanese Chamber of Commerce & Industry, Chennai in February 2015. The progress of the action plan at the time of ex-post evaluation was checked, and the department in charge, the Industries Department of Tamil Nadu, replied that the action plan had been replaced by a plan for the reform areas described in the Business Reforms Action Plan (hereinafter referred to as “BRAP”) of the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry (hereinafter referred to as “DIPP”) of the Indian central government. BRAP is a system for ranking states according to their progress simplifying and rationalizing business-related regulations in accordance with the areas suggested for each state by DIPP. Tamil Nadu ranked 18th with a score of 62.80% in FY2016 and 15th with a score of 95.93% in FY2017.²¹ According to the Industries Department, states are motivated to promote reforms, as they fear their rankings may fall if they have low accomplishment rates. Tamil Nadu’s progress with BRAP can be seen in the below-mentioned Table.

Table 6 Tamil Nadu’s Progress with BRAP²²

Item	FY2015	FY2016	FY2017
Number of Reform Areas	285	340	372
Complete	202	211	353
Incomplete	62	125	16
Exceptions ^{N1}	21	4	3

Source: Response from the Industries Department

N1: Exceptions signify the reform areas that were not thought suitable for Tamil Nadu based on their contents.

¹⁹ The Guidance Bureau was in charge of adjusting SWWP for micro, small, and medium investment use.

²⁰ Such a survey involves a comprehensive review of investment application processes as well as related regulations and their administration.

²¹ <http://www.eodb.dipp.gov.in/index.aspx> (accessed on May 24, 2018)

²² The number of reform areas that were completed according to the Industries Department is based on a self-evaluation. Thus, it does not necessarily match the results announced by DIPP.

(3) Improving the Effectiveness of Administrative Work Related to Investments

The Guidance Bureau indicated that they previously had received many visits from investors wanting to make applications or gather information, and personnel and time had to be devoted to these visits. The Guidance Bureau's staffing level has not changed since the start of SWWP, but they say that visits from investors have become less frequent, and the burden of assisting investors has been reduced.²³

As for the Micro, Small, and Medium Enterprises Department, as discussed above, SWWP was not in use for micro, small, and medium investments at the time of the second field survey for the ex-post evaluation, so any concrete improvements have not been confirmed in effectiveness.

(4) Enhancing the Ability to Coordinate Infrastructure Projects

TNIDB has prioritized 21 projects (total value), whereas the target value for the operation indicator related to the number of prioritized projects is ten. Moreover, TNIDB provides immediate assistance, such as, for example, by guiding the organizations implementing infrastructure projects by applying laws such as the *Tamil Nadu Infrastructure Development Act 2012*, the *TNID Rules 2012*, the *TNID Regulations 2013*, the *Tamil Nadu Transparency in Tenders (PPP Procurement) Rules 2012*, and the *Tender Act 1998*. TNIDB also provides opportunities for solving issues related to the promotion of projects by organizing meetings between the organizations implementing the projects, consultants, and other relevant parties. TNIDB has already identified 217 projects, including the 21 prioritized projects, as candidates for implementation, thus demonstrating the effectiveness of its project coordination ability. These 217 projects have been announced as *Vision Tamil Nadu 2023 PHASE 2, Project Profiles*,²⁴ which shows that they are trying to share information with investors.

3.2.2 Impacts

3.2.2.1 Intended Impacts

(1) Quantitative Effects Related to Improving the Investment Environment (Impact 1 [Short Term])

Table 7 Effect Indicators

Indicator	Baseline	Target	Actual
	FY2012	FY2014	FY2017
		Completion Year	1 Year After Completion
Number of MSMEs applied through a new single window system	-	40	0

NI: Program completion (final disbursement): March 2016.

As described in section 3.2.1.3 Qualitative Effects (Other Effects), (1) Simplifying Investment Procedures (Situation of SWWP), SWWP for micro, small, and medium investments had not yet been launched at the time of the second field survey for the ex-post evaluation (April 2018). As such, the number of micro, small, and medium enterprises that had used the service at the time of ex-post evaluation was zero, and it is not yet confirmed that this program is having an impact in terms of improving the investment environment. However, since the service began in May 2018, it

²³ This conclusion comes from information from the Guidance Bureau's Company Secretary.

²⁴ http://www.investingintamilnadu.com/doc/Tamil_Nadu_VISION_2023_Phase_2.pdf (accessed on January 16, 2018)

has become possible also for investors thinking about making micro, small, or medium investments to submit applications, check statuses, pay fees, check permissions, and so forth in a single online window. Thus, it can be expected that the process will become more convenient not only for micro, small, and medium enterprises but also for any investor thinking about opening a sales base in Tamil Nadu or otherwise expanding there in a form that does not require a large investment.²⁵

(2) Qualitative Effects Related to Improving the Investment Environment (Impact 1 [Short Term])

Investors' Relative Satisfaction with the Functions of the Guidance Bureau

Prior to the start of SWWP in November 2017, a single contact point was provided by the Guidance Bureau, but investors nonetheless made large investment applications by printing the required documents and directly visiting the relevant departments. As a result, investors had to make a certain amount of effort to complete the application procedure. However, among the 16 companies²⁶ that the Evaluator interviewed, none expressed any specific dissatisfaction with the single window system functions, instead responding that there were no particular problems with these functions. The investors who responded to the questionnaire mostly responded that they obtained permission one to two and a half months after applying. Some cases of delays were caused by land issues, permissions related to environmental impact evaluations and anti-pollution measures, and construction permissions, but, even then, the investors responded that they had received the full support of the Guidance Bureau. All in all, it is judged that investors are satisfied with the functions of the Guidance Bureau.

Promoting Economic Development in the Chennai Metropolitan Area

Developments in GDP data for Tamil Nadu and the Chennai metropolitan area can be seen in below-mentioned Table.

Table 8 Developments in GDP Data (million rupees)

Economic Area	FY2007	FY2008	FY2009	FY2010
Tamil Nadu	3,508,190	4,013,360	4,797,330	5,848,960
Chennai Metropolitan area	249,440	283,320	315,980	372,790

Economic Area	FY2011	FY2012	FY2013	FY2014
Tamil Nadu	7,514,850	8,554,800	9,710,890	10,925,630
Chennai Metropolitan Area	415,060	N/A	N/A	N/A

Economic Area	FY2015	FY2016		
Tamil Nadu	12,126,670	13,387,660		
Chennai Metropolitan Area	N/A	N/A		

Source: Response from the Finance Department

Note: The Economic Statistics Department has not published any related data for the Chennai metropolitan area for 2012 onward.

²⁵ An investment is classified as micro, small, medium, or large based on the sum invested and not the size of the investor's company. Refer to footnotes 9 and 10 as well.

²⁶ The Evaluator conducted interviews with investors at seven companies during the first field survey for the ex-post evaluation. Via the Guidance Bureau, questionnaires were sent to 75 companies that had used the single window service in 2011 or later and received responses from nine of them.

It is impossible to judge the extent to which this program has directly contributed to the economic development of Tamil Nadu and the Chennai metropolitan area, but the data show that Tamil Nadu is consistently achieving economic growth. It was unable to obtain data for the Chennai metropolitan area after FY2011, but considering that it makes up 6-7% of Tamil Nadu's GDP, it can be concluded that the metropolitan area has also been experiencing annual growth together with the parameter (Tamil Nadu's GDP) in 2012 and beyond.

Impact on the Departments in Charge of Policy Actions and on Firms Expanding into the Area

As shown in section 3.2.1.3 Qualitative Effects (Other Effects), (3) Improving the Effectiveness of Administrative Work Related to Investments, the Guidance Bureau has experienced a reduced burden in terms of staff allocation and time since the start of SWWP. The Finance Department also says that they have created a framework for examining policy actions across relevant departments and are now able to examine these actions with an awareness of their deadlines. Interviews with other departments did not reveal any particular changes.

With the implementation of small infrastructure projects, some cases have been observed in which investors can maintain stable operations due to the completion of roads to Ennore Port (see box) and in which investors can continue operations due to a stable supply of electric power. It appears that these projects are having a certain impact on investor convenience.

Example of Benefits Created by This Program

A certain Japanese manufacturing firm issued a memorandum together with the Government of Tamil Nadu in 2009 on the decision to construct a factory in the state. The products manufactured by the firm included deadweight cargo, whose smallest transportation unit is 700 tons, so the roads and bridges between the planned factory site and Ennore Port needed to be developed. The Government of Tamil Nadu promised this development in the memorandum but had trouble realizing it due to budgetary restrictions and other issues. When the provision of this program was decided in November 2013, Tamil Nadu decided to include improvements to the roads and bridges leading to Ennore Port in the infrastructure development category in the policy matrix. The construction work was managed by the Tamil Nadu Road Development Corporation Limited (TNRDC), and progress was monitored by the company as well as by JICA experts. In January 2016, the development of the roads and bridges was completed. In March 2016, the firm made the first shipment of its finished products. At the time of ex-post evaluation, the firm had dispatched deadweight cargo a total of five times, demonstrating that this program has benefitted the stable operations of investors.



Cargo in transit (it is standing by the roadside, waiting for completion of preparation work before crossing the railroad) (TNRDC photo)

Improving the Urban Environment by Enhancing the Comfort of Road Transportation and Alleviating Traffic Congestion
Increasing Convenience for Firms Expanding into the Area by Ensuring the Timeliness of Transportation

The roads and bridges (the roads leading to Ennore Port described in the box above) developed as part of small infrastructure projects were widened and made more durable to facilitate the transportation of deadweight cargo. The Evaluator actually drove on the roads and bridges and judged that, at the time of ex-post evaluation, they were sufficiently wide without local bottlenecks, although, in some instances, the trucks carrying ocean containers were lined up along the road awaiting loading or unloading. There were also no particular impediments to driving in cruising lanes. Furthermore, the roads had been maintained in a suitable state. As far as the Evaluator could see, the development of roads to Ennore Port has enhanced road transportation comfort and has made congestion more avoidable through a small amount of planning.

The Impact of Water Supply and Sewerage Development and Electric Power Projects

Initially, six projects related to water supply and sewerage development were among the planned small infrastructure projects promoted by this program, but two were excluded, and the remaining four were still in progress at the time of ex-post evaluation. As such, it was impossible to confirm the program's impact with regard to water supply and sewerage. Even so, although Tamil Nadu suffered from a water shortage at the time of appraisal, water shortage, serious enough to impede factory operations, was not confirmed at the time of ex-post evaluation. Investor responses in the interviews and to the questionnaires suggested that, although investors are not necessarily satisfied with the water supply, they are currently maintaining stable operations by purchasing water from private water companies and having it delivered by tank trucks.

With regard to electric power, six infrastructure projects were initially planned. At the time of ex-post evaluation, five were completed and one was canceled. According to the Finance Department, the power shortage was resolved by adding solar power, wind power, and nuclear power to the conventional thermal power. It has also been reported in newspapers that the "electric power supply is expected to exceed demand in the next four years, removing the need for planned power outages until 2021."²⁷ Investor responses in the interviews and to the questionnaires did not suggest any issues caused by power shortages. As such, it seems that the electric power situation in Tamil Nadu has improved and that this program has had a certain impact.

(3) Increasing Interest among Foreign Investors (Impact 2 [Medium Term])

The Guidance Bureau, which is in charge of large investments, does not have any data on the number of inquiries they receive and such information was not available. The contents of inquiries mainly include questions about applying through the single window service that existed before SWWP, whether investments may receive preferential treatment, handling complaints, applying for preferential treatment, and whether suitable land is available. In place of data on the number of

²⁷ *The International Business Times* on June 9, 2016 and *the Times of India* on June 7, 2016.

inquiries, data on the number of applications using the single window service were provided by the Guidance Bureau.

Table 9 Number of Applications from Foreign Investors Using the Single Window Service

FY	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Number of Applications	17	7	7	9	12	7	6

Source: Response from the Guidance Bureau

The following response were provided by the Micro, Small, and Medium Enterprises Department, which is in charge of micro, small, and medium investments.

Table 10 Number of Inquiries about Micro, Small, and Medium Investments

FY	FY2013	FY2014	FY2015	FY2016	FY2017
Number of Inquiries	12	15	20	17	19

Source: Response from the Micro, Small, and Medium Enterprises Department

Having analyzed the data from the Guidance Bureau and the Micro, Small, and Medium Enterprises Department, a striking increase in interest from foreign investors is not observed, so it appears to be too early to confirm the intended Impact 2 [Medium Term].²⁸

(4) Increasing Foreign Direct Investment (Impact 3 [Long Term])

Table 11 shows annual data for foreign direct investment into all of India and the State of Tamil Nadu before, during, and after the program implementation. These values are influenced by numerous external factors that do not depend on a state's investment environment, such as more investments in India as a whole or in other states. Considering that the impact is a long-term effect, it was difficult at the time of ex-post evaluation to verify the positive or negative changes due to this program with regard to increases in foreign direct investment.²⁹

Table 11 Foreign Direct Investment (million US dollars)

Area	FY2008	FY2009	FY2010	FY2011	FY2012
All of India	27,331	25,834	21,383	35,121	22,424
Tamil Nadu	1,724	774	1,352	1,422	2,807
Proportion	6%	3%	6%	4%	13%

Area	FY2013	FY2014	FY2015	FY2016	FY2017
All of India	24,299	30,931	40,001	43,478	10,408
Tamil Nadu	2,116	3,818	4,528	2,218	996
Proportion	9%	12%	11%	5%	10%

Source: Response from the Finance Department; proportions were calculated and added by the Evaluator

Note: The FY2017 data is for April-June, 2017

3.2.2.2 Other Positive and Negative Impacts

(1) Impact on the Natural Environment

The policy actions of this program are limited to those that do not affect the natural and social

²⁸ As discussed in section 2.3.1 Program Objective, Impact 2 (Medium Term) is not used in this evaluation.

²⁹ As discussed in section 2.3.1 Program Objective, Impact 3 (Long Term) is not used in this evaluation.

environments. Even so, by promoting the policy action related to the policy (task) “Infrastructure Project Coordination and Prioritization,” the Government of Tamil Nadu commenced to conduct small infrastructure projects with its own funds. After interviews with the entities in charge of the projects (e.g., Tamil Nadu Transmission Corporation Limited, Tamil Nadu Road Development Corporation Limited, Chennai Metropolitan Development Authority, Municipal Administration and Water Supply Department, etc.), no particular negative impact on the natural or social environments were observed.

(2) Resettlement and Land Acquisition

During an interview with the Tamil Nadu Road Development Corporation Limited, it has been confirmed that in the case of one road project among the small infrastructure projects (22 in total), 22 households were relocated and 11,770 km² of land were acquired. Compensation was paid out in accordance with the laws of Tamil Nadu,³⁰ and no particular problems appear to have arisen.³¹

With regard to effectiveness, this policy action has largely been accomplished. As a result, among the operation indicators, although the number of projects implemented using LPS has not yet reached the target, the number of projects identified and prioritized by TNIDB, the number of projects facilitated by SIPEC, the number of workshops conducted for attracting foreign MSMEs, and the number of trainees under TNSDM have all exceeded the target values, suggesting that the program is progressing smoothly. Furthermore, the Master Plan has been completed in 94% of the target value, and the numeric target has almost been reached. It was impossible to confirm any other concrete effects for the simplification of investment procedures and the improvement of the effectiveness of administrative work since the SWWP for large investments started as recently as November 2017 and the SWWP for micro, small, and medium investments started in May 2018. However, it was confirmed that investors were not particularly dissatisfied with the single window service that existed prior to SWWP. With the start of SWWP and the reduction in the application burden that comes with the convenience of online services, investors’ satisfaction will be very much expected to increase. As discussed above, a greater ability to coordinate infrastructure projects is confirmed. As such, effectiveness appears high.

In terms of impacts, the target number of micro, small, and medium enterprises using the new single window service has not yet reached, but since SWWP has now been launched at full scale, convenience will be expected to increase for investors of all sizes (micro, small, medium, and large) if the service continues to run well. Moreover, although the extent of this program’s contributions

³⁰ In Tamil Nadu, the *Right to Fair Compensation and Transparency in Land Acquisition Rehabilitation and Resettlement Act* was adopted in 2014, and enforcement regulations for the law came into effect in September 2017. Before this law, compensation was provided according to the *Tamil Nadu Acquisition of Land for Industrial Purposes Act, 1997*, the *Tamil Nadu Highways Act, 2001*, and the *Tamil Nadu Acquisition of Land Harijan Welfare Schemes Act, 1978* (the Harijan are the people perceived as belonging to the lowest social class). Between when the law was adopted in 2014 and when the enforcement regulations came into effect in September 2017, compensation was paid out provisionally using the same sums as before, but departments were instructed to pay out compensation in accordance with the 2014 law starting in November 2017, and it is expected that corrections will be made.

³¹ For one logistics project, residents filed a lawsuit in connection with the land acquisition, in response to which the project was excluded from SIPEC promotion. This instance was reported by the experts of Technical Assistance related to Japanese ODA Loan in 2014.

is unknown, the economic development (GDP base) of Tamil Nadu and the Chennai metropolitan area is also confirmed. Some cases are also confirmed in which the small infrastructure projects facilitated by SIPEC helped investors continue running their businesses. As such, it would seem that the impacts are fair.

This program has largely achieved its objectives. Therefore, the effectiveness and impacts of the program are high.

3.3 Sustainability

3.3.1 Institutional / Organizational Aspect of Operation and Maintenance

The Executing Agency of this program is Finance Department of the Government of Tamil Nadu. The policy actions are pursued by the state government’s departments, and progress is monitored by the Program Monitoring Committee (hereinafter referred to as “PMC”). The committee is composed as show in Table 12.

Table 12 The PMC Composition for This Program

Role	Name
PMC Head	Finance Department Principal Secretary
Members	Industries Department; Information Technology Department; Micro, Small, and Medium Enterprises Department; Labor and Employment Department; Highways and Minor Ports Department; ³² Housing and Urban Development Department

Source: The documents provided by JICA

TNIPP Phase 2, which is a continuation of this program, was set up in March 2017, after which a government order issued in June 2017 confirmed the composition and roles of the PMC. The system was implemented as shown in the below-mentioned Table.

Table 13 The PMC Composition for TNIPP Phase 2

Role	Name
PMC Head	Finance Department Additional Chief Secretary
Members	Industries Department; Highways and Minor Ports Department; Micro, Small, and Medium Enterprises Department; Labor and Employment Department; Municipal Administration and Water Supply Department; Energy Department; Animal Husbandry, Dairying, and Fisheries Department; Planning, Development, and Special Initiatives Department; Information Technology Department; Tourism, Culture, and Religious Endowments Department; School Education Department

Source: Response from the Finance Department

As is the case for this program, JICA participates in the PMC for TNIPP Phase 2 and monitors the program’s progress. The departments of the state government implementing the program all remain as PMC members in charge of policy actions for TNIPP Phase 2 with the exception of the Housing and Urban Development Department. This composition suggests that a continuous

³² This department participated as the department in charge of LPS. This policy was handled by the Housing and Urban Development Department starting in October 2013, but jurisdiction changed to the Land Commission, Revenue Department in September 2016.

framework for improving the investment environment has been created and that a sustained effect of the program can be expected.

3.3.2 Financial Aspect of Operation and Maintenance

The budgetary situation of the Government of Tamil Nadu is as shown in Table 2. Each department covers personnel and office expenses for its administrative activities with the state budget supplied via the Finance Department.³³ The personnel and office expenses for the staff involved in the implementation of policy actions are included in these expenses, and although deficits are common, the departments have sufficient funds to perform day-to-day work, it is highly possible to expect that the policies for promoting investments will continue in TNIPP Phase 2.

Given this background, any particular problems in terms of financial sustainability are not seen.

3.4 Added Value of JICA

JICA dispatched the experts of Technical Assistance related to Japanese ODA Loan for the implementation of this program and sought to promote its implementation to help the Government of Tamil Nadu run the program smoothly. The state government was able to cover information gaps in the practical work with the help of the experts dispatched by JICA and could grasp industry requests as appropriate, which, along with the benefits of the effective discussions of the PMC, explains their positive evaluation of the experts dispatched by JICA. Moreover, the Labor and Employment Department praised the role of the experts of Technical Assistance related to Japanese ODA Loan, who were dispatched primarily to conduct trainings in the areas of welding and machine processing to develop industry human resources. If a skills strengthening program was provided for lecturer-level skilled workers, then the department could expect further human resource development. In this way, JICA provides effective support by combining two support tools, ODA Loan and Technical Assistance related to Japanese ODA Loan, and displays its strengths as the organization comprehensively in charge of implementing the Japan's ODA.

4. Conclusion, Lessons Learned, and Recommendations

4.1 Conclusion

The objective of this program is to attempt to streamline the investment climate in Tamil Nadu in southern India through encouraging the improvement of the policy and institutional framework to promote the investment as well as the early implementation of projects enhancing the quality of urban infrastructure mainly of roads, electric power, water supply and sewerage and other infrastructure facilities, thereby contributing improvements to the state's investment environment.

This program complies with the development policies and needs of India and Tamil Nadu as well as with Japan's ODA policy. This program is also suitable in terms of in terms of its program planning and approach. Therefore, its relevance is high. Moreover, the target quantitative effects

³³ The Finance Department explained that the state budget is prepared by the Finance Department and that funds are allocated to the various departments to cover expenses, so that the state budget shown in Table 2 is that of the Finance Department, representing all the departments.

have largely been achieved as a result of this program, and the program appears to be proceeding steadily. Furthermore, in terms of qualitative effects, economic development in Tamil Nadu as well as contribution to continued investor involvement by the small infrastructure projects facilitated as part of this program have been observed. Therefore, the effectiveness and impacts are high. Nevertheless, continued monitoring of future applications on the Single Window Web Portal is necessary since this ex-post evaluation was conducted right after its launch. Regarding the sustainability of the initiatives to improve the investment environment, the composition of organization and roles of the related institutions involved in the Tamil Nadu Investment Promotion Program (Phase 2), which is a continuation of this program, is verified. Moreover, from a financial perspective, its sustainability can be deemed to be guaranteed, as sufficient funds have been allocated to the relevant departments by the state government for policy and institutional reform and for infrastructure development.

4.2 Recommendations

4.2.1 Recommendations for the Executing Agency

4.2.1.1 Monitoring the Use of SWWP

At the time of the first field survey for the ex-post evaluation in November 2017, the SWWP service for large investments had just been launched. At the time of the second field survey for the ex-post evaluation in April 2018, the SWWP service for micro, small, and medium investments had not yet been launched (it was confirmed that it was launched on May 4, 2018). As such, the performance and effects of the service have not yet been confirmed. From here on, it would be best to jointly monitor the service with Japan by, for example, asking the PMC for TNIPP Phase 2 report on the performance of SWWP.

4.2.1.2 LPS and Master Plan/Land-use Conversion

Some of the policy tasks related to LPS and Master Plan/Land-use Conversion are yet to be accomplished. It is confirmed in the survey that efforts continue to be made to accomplish these tasks, but they are not included in the policy matrix for TNIPP Phase 2. Thus, to continue to monitor the progress of the policy actions related to LPS and Mater plan/Land-use Conversion, it would be best if a target deadline was set and the progress monitored jointly with Japan by, for example, making reports until completion when the PMC for TNIPP Phase 2 convenes.

4.2.2 Recommendations to JICA

None.

4.3 Lessons Learned

Dialogue with the Private Sector

When implementing this program, JICA based its approach on the results of the ex-post

evaluation of the *Development Policy Assistance Program (II) (III)* in the Philippines,³⁴ which was a similar project, by dispatching experts in 2012, consulting with the Japan Chamber of Commerce & Industry, Chennai and firms expanding in the area, revealing policies and infrastructure projects for promoting foreign direct investment in Tamil Nadu, and compiling a basic scheme for promoting investment in Tamil Nadu. As a result, JICA could reliably reflect the requests of the private sector in the program.

In this way, improvements to the investment environment facilitate profits for investors, which increases the attractiveness of the area of investment (in this case, Tamil Nadu), attracts even more investment, and leads to profits for the area of investment. As such, when it comes to Development Policy Lending for improving the investment environment, it is best to convey and share information with the private sector in the planning stage, exchange opinions with the private sector, and reflect investor requests in the policy matrix before the program is implemented.

Bilateral Policy Dialogue Based on JICA Independent Financing

This program is not co-financed, and it does not share a policy matrix with international organizations or other donors, but it was conducted following a bilateral policy dialogue between JICA and the Government of Tamil Nadu, and JICA provided independent financing once the policy matrix was formulated. The Government of Tamil Nadu expressed that the bilateral policy dialogue on the basis of JICA independent financing allowed them to frankly discuss what was and was not possible to formulate a realistic policy matrix and to make sure that the policy matrix sufficiently reflected the issues of Tamil Nadu. In this way, they evaluated the framework of bilateral policy dialogue based on JICA independent financing highly. Furthermore, the policy matrix also reflects the needs and wishes of firms expanding into the area, including Japanese, so it is a framework that benefits Japan as well. It includes a certain number of conditions, such as frank discussions between the policy dialogue parties and that the parties remain realistic without excessive expectations or unreasonable requests, but a bilateral policy dialogue based on JICA independent financing is an effective framework that is supposed to assist Japanese firms in expanding abroad using ODA.

³⁴ FY2011 ex-post evaluation.