

India

FY2021 Ex-Post Evaluation Report of
Japanese ODA Loan “Gujarat Investment Promotion Program”

External Evaluator: Keishi Miyazaki, OPMAC Corporation

0. Summary

This project aimed to encourage policy and institutional improvement in Gujarat State in West Central India through financial support with regard to private investment including foreign direct investment, industrial advancement and skill development, as well as to improve the investment climate for the development of infrastructure in the state, including roads, electric power, and water, thereby contributing to increased private investment such as foreign direct investment (FDI). The project was consistent with the development plan and development needs at the appraisal and the ex-post evaluation. The project plan and approach were appropriate. The project also included collaboration with donors such as the World Bank and the German Agency for International Cooperation (GIZ¹). Therefore, its relevance and coherence are high.

Five of the eight operation and effect indicators were generally achieved, and all planned policy actions had been accomplished by project completion, with those achievements maintained at the time of the ex-post evaluation. The project seems to have made a certain contribution to improving the state government’s capacity to implement infrastructure projects and increasing FDI in Gujarat. The project may have also contributed to enhancing the satisfaction of foreign companies doing business in the state, including Japanese companies, by improving the investment environment. No negative impact of the project on the natural environment was observed. Although there was some land acquisition for small-scale infrastructure projects, this was implemented in compliance with Indian domestic laws and the regulations by the Gujarat government. Project implementation has mostly achieved the expected outcomes, and the effectiveness and impacts of the project are high. No issues were observed in the policy/system or institutional/organizational aspects of operation and maintenance, and risks have been well mitigated.

¹ Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

1. Project Description



Project Location (Source: Evaluator)



Small infrastructure project implemented as a part of Gujarat Investment Promotion Program (Internal roads in the Bhagapur Industrial Estate) (Source: Evaluator)

1.1 Background

The state of Gujarat in West Central India is situated at a key junction between India and the Middle East, and has played a leading role in India's economic development. In FY2015 it was responsible for 19% of India's export value and 41% of its total maritime cargo. Gujarat is the one of the target states of the *Delhi-Mumbai Industrial Corridor (DMIC) Initiative*, a regional development project agreed to by the governments of Japan and India in 2006, as Japanese companies, mainly in the automotive industry, had established operations in the state. In 2016, Gujarat ranked third among India's 36 states and territories under the direct control of the central government in the Ease of Doing Business Report 2016, conducted by the World Bank and the Ministry of Commerce and Industry, indicating that the state was becoming a superior business environment compared to other states. However, foreign companies operating in Gujarat expressed a strong desire that the state's investment environment be improved, with particular concerns about the poor quality of education related to industrial skill development, lack of infrastructure, and delays in processing applications for various investment procedures.

1.2 Project Outline

The objective of this project is to encourage policy and institutional improvement in Gujarat State in West Central India through financial support with regard to private investment promotion including FDI, industrial advancement and skill development, as well as to improve the investment climate for the development of infrastructure in the state, including roads, electric power, and water, thereby contributing to increased private investment such as FDI in the state.

Loan Approved Amount/ Disbursed Amount	16,825 million yen / 16,808 million yen
Exchange of Notes Date/ Loan Agreement Signing Date	September 2017 / September 2017
Terms and Conditions	Interest Rate 0.6 % Repayment Period 15 years (Grace Period 5 years) Conditions for Procurement General untied
Borrower / Executing Agency	The President of India / Finance Department, Government of Gujarat State
Project Completion	February 2020
Target Area	Entire Gujarat State
Main Contractor(s) (Over 1 billion yen)	N.A.
Main Consultant(s) (Over 100 million yen)	N.A.
Related Studies (Feasibility Studies, etc.)	N.A.
Related Projects	[Technical Cooperation] Support for Project Implementation on Gujarat Investment Promotion Program

2. Outline of the Evaluation Study

2.1 External Evaluator

Keishi Miyazaki, OPMAC Corporation

2.2 Duration of Evaluation Study

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

Duration of the Study: October 2021 – January 2023

Duration of the Field Study: March 20 – April 7, 2022

2.3 Constraints during the Evaluation Study

As this project was a Program Loans project (Development Policy Loan), and a quantitative comparison of inputs and outputs is difficult, so efficiency has not been evaluated. In terms of

sustainability, since it is difficult to identify the technical and financial aspects of operation and maintenance, the analysis will be limited to the policy/system, institutional/organizational aspects, and preventive measures against risks related to operation and maintenance. For the above reasons, sub-rating will be given for relevance/consistency and effectiveness/impacts, but no overall ratings will be determined.

3. Results of the Evaluation (Overall Rating: N.A.²)

3.1 Relevance/Coherence (Rating: ③³)

3.1.1. Relevance (Rating: ③)

3.1.1.1 Consistency with the Development Plan of India

At the time of the appraisal, Prime Minister Modi of India announced *the Make in India Policy* (formulated in September 2014), which aimed to create 100 million jobs through manufacturing development, and *the Skill India Policy* (formulated in July 2015), which aimed to provide job training and improve employment rates. The policies were stimulating to further economic growth and job creation by promoting investment by domestic and foreign private companies. To realize these policies, the Ministry of Commerce and Industry made revisions to the 98-point Business Reform Action Plan established in December 2014 and, in October 2015, recommended a 340-point Business Reform Action Plan to local governments in each state and territory directly under the government. As a result of these efforts, India improved from 142nd out of 189 countries in 2015 to 130th in 2016 in the World Bank Ease of Doing Business rank. However, India's complex investment approval procedures, tax systems, and weak industrial infrastructure have been obstacles to business expansion.

In Gujarat's state development plan, *Blue Print for Infrastructure in Gujarat (BIG 2020)* (formulated in August 2009), the state set the goal of tripling real state GDP from 2.10 trillion rupees to 6.46 trillion rupees and quadrupling state's per capita income (based on purchasing power parity per capita) from US\$3,019 to US\$12,615 by 2020, with the plan to invest a total of 119.2 billion rupees (from 2008 to 2020) in urban development. As a result of this initiative, in 2016, the state was positioned third among 36 states and direct government territories in the Ease of Doing Business Report, indicating that it was becoming an ideal business environment compared to other states.

At the time of the ex-post evaluation, *the Make in India Policy* and *Skill India Policy* remained effective, and the improvement of economic growth and job creation through the promotion of investment by domestic and foreign private companies is a high priority. The Ministry of Commerce and Industry provides information to foreign companies to promote investment, and the Ministry of Skill Development and Entrepreneurship offers various

² A: Highly satisfactory, B: Satisfactory, C: Partially satisfactory, D: Unsatisfactory.

³ ④: Very High, ③: High, ②: Moderately Low, ①: Low

vocational training schemes. Gujarat has formulated *the Sustainable Vision 2030 for Gujarat (Vision 2030)*, which follows the state development plan *BIG 2020*. With the promotion of private investment and the improvement of the investment climate as priority areas, *Vision 2030* aims to (i) identify targets that should be focused on or utilized to gain global competitiveness, (ii) develop an appropriate framework and action plan for implementation, (iii) make Gujarat among the 2 best states in India to achieve the Sustainable Development Goals in key socio-economic indicators and indices by 2022, and (iv) make Gujarat a leading state in key socio-economic indicators, rural and urban life satisfaction indices as well as the most livable state in the country by 2030, and in this context, the promotion of private investment and the improvement of the investment environment are positioned as priority areas. Gujarat has also announced in its *Gujarat Industrial Policy 2020* (formulated in August 2020) that it will invest 400 billion rupees over the next five years to encourage further investment in the state and make it a global business hub for sustainable manufacturing and service industries.

3.1.1.2 Consistency with the Development Needs of India

The state of Gujarat, West Central India, is situated at a key junction between India and the Middle East, and has played a leading role in India's economic development. In FY2015 it was responsible for 19% of India's export value and 41% of its total maritime cargo. Gujarat was the target state of *the Delhi-Mumbai Industrial Corridor (DMIC) Initiative*, a regional development project agreed to by the governments of Japan and India in 2006, and was considered key in the industrial development in India. Gujarat was being considered for funding by the Japanese government for priority infrastructure projects that contribute to the development of the investment environment in this industrial corridor. In addition, as of February 2016, 63 Japanese manufacturing companies were operating in the state. However, foreign companies operating in the state continued to strongly request that the state's investment environment be improved. In particular, the low quality of education related to industrial human resource development, the lack of mid to long-term infrastructure, and delays in processing applications for various investment procedures were major issues.

At the time of the ex-post evaluation, Gujarat had designated the Mandal Industrial Estate⁴, an industrial park exclusively for Japanese companies, and the area where major Japanese automobile companies and automobile-related industries were concentrated, as the Mandal Becharaji Special Investment Region (MBSIR) (102 square kilometers in area). Development of the industrial park and the surrounding infrastructure for this new industrial hub in the suburbs of Ahmedabad is underway. Gujarat provides stable services in terms of infrastructure,

⁴ Mandal Industrial Estate is an industrial park where the Ministry of Economy, Trade and Industry (METI), Japan and the Japan External Trade Organization (JETRO) are working together with the Gujarat state government to attract companies.

such as electricity and water supply. Meanwhile, to promote investment by foreign companies, there is still a strong need for infrastructure development including improved roads and transportation networks, such as improved connectivity to industrial parks, special economic zones, airports, and ports. In addition, the state has analyzed the gap between the contents of the training provided by the state's Industrial Training Institutes (ITIs) and the skills and human resource needs of industry, and making efforts on reforming these ITIs in order to develop human resources that meet the needs of industry. For example, the Gujarat government established the Kaushalya Skills University in October 2021 to provide young people with skills education and entrepreneurship training. However, securing quality human resources remains a major challenge for foreign companies, so the development of industrial human resources that meet the needs of the industry continues to be a requirement.

3.1.1.3 Appropriateness of the Project Plan and Approach

This project was a Program Loans project (Development Policy Loan), a scheme in which the executing agency and related organizations were to implement policy actions for each policy and field based on a policy matrix agreed upon by both the Japanese and Indian sides (a table summarizing policy items to be improved, targets to be achieved for each item, and policy actions to be achieved each fiscal year). In this scheme, the achievement of the goals of each policy item and the project's objectives were promoted through periodic monitoring and evaluation of results by the executing agency and related organizations. The Finance Department of Gujarat State was the executing agency for this project, but other related agencies such as the Industrial Extension Bureau (iNDEXTb), the Labor and Employment Department, the Industries and Mines Department, the Gujarat Infrastructure Development Board (GIDB), and the Gujarat Industrial Development Corporation (GIDC) were also in charge of implementing each policy action.

In the project formulation, JICA developed a policy matrix based on the issues and requirements for investment and business development in Gujarat, which had been identified by the Japan External Trade Organization (JETRO) New Delhi Office⁵, Japanese companies operating in Gujarat, and local Japanese associations. JICA also drafted, revised, and finalized the policy matrix while holding discussions and dialogues with the executing agencies and related organizations of Gujarat to identify policy items and areas needing improvement, and to set policy actions and operation and effect indicators. In this way, the policy matrix was developed based on the requests and issues raised by JETRO, which supports the promotion of investment by Japanese companies in India, and local Japanese companies, and through a process of consultation and consensus building with the Gujarat state government, contributing

⁵ The JETRO Ahmedabad office opened in 2018. In 2017, when the formation of this project took place, the JETRO New Delhi office was in charge of supporting Japanese companies in Gujarat.

to increase the beneficial effect on Japanese companies.

JICA's approach in the process of developing the above policy matrix was recognized to be consultative and inclusive by the executing agencies and related organizations, and the iNDEXTb evaluation was that it took the perspectives of all stakeholders into account. According to iNDEXTb, as Gujarat is an industrial state, addressing issues faced by investors should be a high priority for the state government. So they recognized that the policy matrix was instrumental in improving and streamlining the systems and processes necessary to identify investor needs, to facilitate investor acceptance, and to support investors throughout their lifecycles.

3.1.2 Coherence (Rating: ③)

3.1.2.1 Consistency with Japan's ODA Policy

At the time of appraisal, *Japan's Country Assistance Policy for India* (March 2016) stipulated that Japan would provide assistance to eliminate obstacles to investment and growth. This project was positioned as a cooperation program, "Regional Corridor Development Approach," in the priority area of "Strengthening Connectivity." Furthermore, it was noted in "Other consideration" in the policy that the project would promote a novel "programmatic approach to mutually agree on the policy matrix through close and continuous policy dialogue, monitoring and review," with support based on the progress made.

JICA Country Analysis Paper on India (March 2012) listed "Development of Industrial and Urban Infrastructure" as one priority area. The key issues identified in the report were (i) infrastructure development (roads, railroads, electricity, water, etc.) based on the needs of Japanese companies operating in India, supporting not only Japanese companies but also regional industries as a whole, particularly *the Delhi-Mumbai Industrial Corridor (DMIC) Initiative* and *the Chennai-Bengaluru Industrial Corridor Initiative*, and (ii) institutional improvements to contribute to an improved investment environment.

3.1.2.2 Internal Coherence

At the time of the appraisal, the Tamil Nadu Investment Promotion Program (Phase 2) (2017-2019), similar in scheme and project content to this project, was scheduled to be implemented at the same time as this project. It was assumed that JICA would conduct monitoring in cooperation with the Tamil Nadu Promotion Program (Phase 2) and policy dialogues with the governments of the target states, but the cooperation between the two projects did not happen.

3.1.2.3 External Coherence

(1) World Bank

In relation to policy item “7 Strengthening of Gujarat Skill Development Mission & Skill Gap Study,” the SANKALP (Skills Acquisition and Knowledge Awareness for Livelihood Promotion)⁶ scheme (2018-2023), a short-term skills training program implemented by the Ministry of Skills Development and Entrepreneurship with financial support from the World Bank, was launched. Policy actions such as the organisation of district skills committees and skills gap analysis were implemented with the use of SANKALP.

(2) German Agency for International Cooperation (GIZ)

Regarding the policy action under the policy item “1. Enabling GIDC’s capacity to develop world-class industrial estates,” the Industrial Development Corporation prepared *the Strategic Plan for the Recycling and Reducing of Existing Water* in cooperation with GIZ. In addition, it was planned by the Labor and Employment Department that policy action under the policy item “6. Apex Training Institute and Training of Trainers (ToT) for Skill Development,” would be implemented with the cooperation and support of GIZ. Although the plan was delayed due to COVID-19, a technical cooperation project agreement with GIZ was signed in February 2022, after project completion. In the future, with the support of this technical cooperation project, the Labor and Employment Department will establish a state apex training institute, develop a new vocational education training program, conduct the training of training instructors of state vocational training institutions, and improve training facilities.

(3) JETRO

Project formulation was conducted in collaboration and cooperation with JETRO’s local offices, the Ministry of Economy, Trade, and Industry (METI), and local Japanese companies. JETRO also participated in the Program Monitoring Committee (PMC) meetings, held quarterly in principle, to grasp the progress of each policy action and share information with local Japanese companies. In addition, during the Gujarat state government’s consideration of small-scale infrastructure projects, JETRO, in cooperation with JICA, took advantage of various opportunities for dialogue, including the PMC, to encourage the state government to include road development around industrial parks, which local Japanese companies often request. As a result, infrastructure development, including road construction around the industrial parks where local Japanese companies were located,

⁶ SANKALP targets three areas for support: (1) institutional/organizational enhancement at the central, state, and district government levels; (2) quality assurance of skills development programs; and (3) inclusion in skills development programs of people who are inhibited from equal participation in society.

were promoted, which resulted in benefiting the local Japanese companies. These collaborations with JETRO were anticipated at the time of the appraisal and were implemented as expected.

The consistency with the development plan and development needs was recognized at the time of the appraisal and at the ex-post evaluation. The project was also consistent with Japan's development cooperation policy at the time of the appraisal. JICA's approach to preparing the policy matrix was consultative and comprehensive for the both Government of Gujarat and the Japanese side, and the project planning and approach provided suggestions for other similar projects. Meanwhile, the Tamil Nadu Investment Promotion Program (Phase 2), which had been assumed to be a similar project, was not linked to the project, and no internal consistency was found. For policy actions related to industrial human resource development, however, external consistency was found, as the project was linked to the SANKALP scheme supported by the World Bank, supported by GIZ's technical cooperation project, and linked to JETRO in project formation and implementation monitoring.

Therefore, its relevance and coherence are high.

3.2 Effectiveness and Impacts⁷ (Rating: ③)

3.2.1 Effectiveness

3.2.1.1 Quantitative Effects (Operation and Effect Indicators)

The operation and effect indicators of the project are shown in Table 1.

Table 1 Operation and Effect Indicators

Operation and Effect Indicators	Baseline value	Target value	Actual value		
	2015	2019	2019	2020	2021
		At Project completion	At Project completion	1 year after project completion	2 years after project completion
1) Application process on a single window portal within the target period (% per year)	N.A.	85% of total applications are processed.	93.65	95.07	88.87
2) Numbers of dispatch of information to investors by iNDEXTb such as proposals for new projects, project briefs etc.	N.A.	30	21	56	21
3) Numbers of support for the grounding of industrial projects by iNDEXTb (cumulative total)	0	2	51	92	79
4) Numbers of PPP project monitoring matrixes developed (cumulative total)	0	5	5		
5) Numbers of trainees who participated in the training program for instructors and students by Apex Training Institute (cumulative total)	0 (Apex Institute was not established)	Trainer: 200 Student: 500	Trainer: 160 Student: 0	Trainer: 0 Student: 0	Trainer: 0 Student: 0

⁷ When providing the sub-rating, Effectiveness and Impacts are to be considered together.

Operation and Effect Indicators	Baseline value	Target value	Actual value		
	2015	2019	2019	2020	2021
		At Project completion	At Project completion	1 year after project completion	2 years after project completion
6) Growth rate of the number of applicants to the skills development program provided by Gujarat state government (%)	N.A.	10% (2017-2018)	N.A.	N.A.	N.A.
7) Employment rate of graduates of state training institutes (% per year)	N.A.	Employee: 50% Self-employee: 20%	N.A.	N.A.	N.A.
8) Number of priority small-scale infrastructure projects such as roads, electricity, water, etc. (cumulative total)	0	5	6		

Source: Documents provided by JICA, and Questionnaire responses from Gujarat executing agencies and related organizations.

1) Regarding application process on a single window portal within the target period, at the time of project completion (2019), the actual processing rate was 93.6% per year, compared to the target of “85% of all applications processed per year”. Two years after completion (2021), the actual value was 88.87% per year, almost achieving the target.

2) Regarding numbers of dispatch of information to investors by iNDEXTb such as proposals for new projects, project briefs etc., it was 21 compared to the target of 30 at the time of project completion (2019). One year after completion (2020), the actual number was 56, achieving the target in that year. However, with many applications which remained pending due to COVID-19, the actual value after two years of completion (2021) decreased to 21.

3) Regarding numbers of support for the grounding of industrial projects by iNDEXTb, the actual number of cases at the time of project completion (2019) was 51, well above the target of 2. The actual number one year after completion (2020) increased to 92. The actual number of projects two years after completion (2021) decreased slightly to 79 due to COVID-19, but remained high. The reasons for this high level of achievement as well as the rationale for setting the target value and its relevance were asked to iNDEXTb, however, but a clear answer could not be obtained.

4) Regarding numbers of PPP project monitoring matrixes developed, the target of 5 projects at the time of project completion (2019) was achieved, with five actual projects at the time of project completion (2019). A PPP project monitoring matrix was created for five PPP projects: (i) dams, (ii) roads and bridges, (iii) ports, (iv) roll-on/roll-off ferries, and (v) floating, storage, and regasification equipment. The preparation of the PPP project monitoring matrixes was supported by the Support for Project Implementation on the Gujarat Investment Promotion Program.

5) As for numbers of trainees who participated in the training program for instructors and

students by Apex Training Institute, the actual numbers of instructors and students at the time of project completion (2019) were 160 and 0 respectively against the target of 200 instructors and 500 students at project completion (2019). Therefore, the target was not achieved. This project established the state’s Apex Training Institute by reforming the existing Industrial Training Institutes (ITIs), created training programs for instructors based on the new standards, which were launched in November 2019 for the instructors of ITIs. However, this training program had been suspended up to the ex-post evaluation due to COVID-19.

It was difficult to confirm the level of achievement with regard to 6) growth rate of the number of applicants to the skills development program provided by Gujarat state government and 7) employment rate of graduates of state training institutes, because the Ministry of Labor and Employment does not measure data related to the above indicators. In Gujarat, training activities provided by state vocational training institutions have been suspended since 2020 due to COVID-19.

8) Number of priority small-scale infrastructure projects such as roads, electricity, water, etc., the target was achieved, with an actual number of 6 projects compared to the target of 6 at the time of project completion (2019). Since project completion, 6 small-scale infrastructure projects which were adopted have been under implementation.

3.2.1.2 Qualitative Effects (Other Effects)

1) Achievement of Policy Actions

The policy matrix of the project included eight policy items with corresponding achievement targets and policy actions, which were regularly monitored by the PMC and evaluated for achievement. The project period was 28 months, from September 2017 (signing of the loan agreement) to December 2019 (the time of the final joint evaluation). The level of achievement of each policy item at the time of project completion and its continuation at the time of the ex-post evaluation are described below.

“Policy Item 1. Enabling GIDC’s capacity to develop world-class industrial estates” was handled by GIDC, and the related policy actions had been accomplished at the time of project completion and the achievements were continuing at the time of the ex-post evaluation.

Policy Item	Achievement Target	Policy Action	Status of Policy Action (Summary)
1. Enabling GIDC’s capacity to develop world class industrial estates	<ul style="list-style-type: none"> Acquire the capacity to develop industrial parks that meet the needs of global companies Focus on sustainability and greening of industrial park development 	[FY2017-18] <ul style="list-style-type: none"> Formulate a five-year business plan for GIDC Establishment of Task Force Establishment of a GIDC representative office in the industrial estate 	[At the Mid-Term Evaluation (2018)] <ul style="list-style-type: none"> A project plan was developed, including the development of 22 new industrial parks. In November 2018, a set of regulations (circular) was posted, defining the Task Force’s activities, members, etc. A representative (regional manager) for Sanand Industrial Estate and Mandal

Policy Item	Achievement Target	Policy Action	Status of Policy Action (Summary)
	<ul style="list-style-type: none"> Improve the business environment through infrastructure improvements Promptly respond to the needs of companies in the industrial park 	[FY2018-19] <ul style="list-style-type: none"> Promote sustainable industrial park measures to reduce water use, and power intensity in Industrial estates. 	Industrial Estate was appointed. [At the Final Evaluation (December 2019)] <ul style="list-style-type: none"> In collaboration with GIDC and GIZ's, a "Strategic Plan for the Recycling and Reduction of Existing Water" was prepared between 2018 and 2019. Based on the above plan, a desalination plant in Dahej Industrial Park and a shared wastewater treatment plant in Saykha Industrial Park were developed. [At the Ex-Post Evaluation] <ul style="list-style-type: none"> The desalination plant (capacity: 40 million liters per day) at Dahej Industrial Park was completed in June 2021. The wastewater treatment plant (capacity: 100 million liters per day) at Saykha Industrial Park is scheduled for completion in April 2022.

Source: Documents provided by JICA, and Questionnaire responses from Gujarat executing agencies and related organizations.

"Policy Item 2. Single window system for GIDC industrial estates" was handled by GIDC. The related policy actions had been accomplished at the time of project completion and the achievements were continuing at the time of the ex-post evaluation.

Policy Item	Achievement Target	Policy Action	Status of Policy Action (Summary)
2. Single window system for GIDC industrial estates	<ul style="list-style-type: none"> Full online approval process for new investments, operations, and expansions within the jurisdiction of GIDC 	[FY2017-18] <ul style="list-style-type: none"> Integrate application submission and payment functions into the online system Online transfer of procedural documents between departments [FY2018-19] <ul style="list-style-type: none"> Adopt an online process for the disposal of files and other correspondence. 	[At the Mid-Term Evaluation (2018)] <ul style="list-style-type: none"> Three levels of approval reports were submitted by GIDC: new approval, business plan approval, and change approval. An online payment portal for land-related fees and utility payments was developed. [At the Final Evaluation (December 2019)] <ul style="list-style-type: none"> Online investment screening within the jurisdiction of GIDC was made possible. Several processes including time extensions for unused assets/facilities and document management systems were tested. [At the Ex-Post Evaluation] <ul style="list-style-type: none"> Applications subject to online procedures by GIDC are operating, including the extended time limit application.

Source: Documents provided by JICA, and Questionnaire responses from Gujarat executing agencies and related organizations.

"Policy Item 3. Capacity building of the PPP cell" was handled by the GIDB, and the related policy actions had been accomplished at the time of project completion and were continuing at the time of the ex-post evaluation. Due to the retirement of the person in charge of the implementation of this project at GIDB, it was not possible to confirm whether the PPP project

progress monitoring chart prepared for the project was still being used at the time of the ex-post evaluation.

Policy Items	Achievement Target	Policy Action	Status of Policy Action (Summary)
3. Capacity building of the PPP cell	<ul style="list-style-type: none"> Promote private sector participation in infrastructure projects in the state by strengthening the capacity to implement PPP projects. 	<p>[FY2017-18]</p> <ul style="list-style-type: none"> Appointment of dedicated PPP team members from five key departments Organize two training sessions for nominated individuals to develop skills for understanding and implementing PPP projects <p>[FY2018-19]</p> <ul style="list-style-type: none"> Organize two training sessions for nominated individuals to develop skills for understanding and implementing PPP projects Develop a project monitoring matrix for the monitoring of five selected projects Monitoring the five selected projects in accordance with the project monitoring matrix 	<p>[At the Mid-Term Evaluation (2018)]</p> <ul style="list-style-type: none"> Five PPP expert team members were appointed to cover the areas of ports, roads, water supply, urban development, and energy. <p>[At the Final Evaluation (December 2019)]</p> <ul style="list-style-type: none"> The training and capacity building trainers (consultants) for the PPP were hired and four training sessions for the staff of GIDB were conducted from May 2018 to March 2019. Training summary reports and attendance sheets were submitted for three of the training sessions. With the assistance of JICA experts from the Support for Project Implementation of the Gujarat Investment Promotion Program, a project monitoring matrix for five PPP projects was prepared. <p>[At the Ex-Post Evaluation]</p> <ul style="list-style-type: none"> Four capacity building training sessions were conducted from March 2019 to March 2022. Of these, the March 2022 session was in collaboration with the World Bank. It was unclear whether the PPP project monitoring matrix prepared under the project was still being utilized.

Source: Documents provided by JICA, and Questionnaire responses from Gujarat executing agencies and related organizations.

“Policy Item 4. Strengthening the Single Window for new investments in Gujarat (excluding industrial estates under the jurisdiction of the GIDC)” was handled by iNDEXTb. The related policy actions had been accomplished at the time of project completion, and the system is being expanded since completion by adding the applications of the Roads and Buildings Department, the Information and Broadcasting Department, the Tourism Corporation of Gujarat, and the Housing Department to the single window portal.

Policy Items	Achievement Target	Policy Action	Status of Policy Action (Summary)
4. Strengthening the Single Window for new investments in Gujarat (excluding industrial estates under the jurisdiction of the GIDC)	<ul style="list-style-type: none"> Establishment and operation of a centralized online investment window Establish a framework for monitoring the progress of investment procedures Become the number one investment promotion agency in 	<p>[FY2017-18]</p> <ul style="list-style-type: none"> Consolidation of 51 application procedures in a newly developed single window portal Enhancement of the single window portal application system by creating a common application form Build security and online payment capabilities 	<p>[At the Mid-Term Evaluation (2018)]</p> <ul style="list-style-type: none"> A single window portal was developed, integrating 90 applications related to 16 departments. A common application form was developed for use via the single window portal, covering the information necessary to establish a company. A security system (digital locker system) and an online payment system have been established to support the online submission of required documents.

Policy Items	Achievement Target	Policy Action	Status of Policy Action (Summary)
	India	<ul style="list-style-type: none"> Drafting and finalizing a single window portal investment procedure law <p>[FY2018-19]</p> <ul style="list-style-type: none"> Develop an online investor support/grievance redressal system. Conduct investor surveys and prepare reports on action plans to address investor concerns. Integrate at least two additional departments as part of the single window portal Establish a framework for monitoring the time required from application to approval 	<ul style="list-style-type: none"> In August 2017, the Gujarat Single Window Clearance Act was passed by the Gujarat government. Under this act, three committees - the District Level Facilitation Committee, the State Level Facilitation Committee, and the Single Window Investment Facilitation Committee - and an Investor Facilitation Agency (IFA) were established. <p>[At the Final Evaluation (December 2019)]</p> <ul style="list-style-type: none"> A grievance redressal system was developed by the Investor Facilitation Agency (IFA) in April 2018. An investor survey was conducted to provide supporting data for the Ease of Doing Business rankings. An application for Food and Civil Supplies and Panchayats from the Rural Housing and Rural Development Department was added to the single window portal. A timeline (filing history) of 90 applications related to 16 departments was displayed in the single window portal, allowing all users to view the processing status of their applications through the system. All applications are appraised within 90 days, and if they exceed this time frame, penalties are imposed on the responsible department, but as of 2019, no cases have exceeded the above timeline. <p>[At the Ex-Post Evaluation]</p> <ul style="list-style-type: none"> Since 2019, applications from the Roads and Buildings Department, the Information and Broadcasting Department, the Tourism Corporation of Gujarat, and the Housing Department have been added to the single window portal. The single window portal was fully functional at the time of ex-post evaluation.

Source: Documents provided by JICA, and Questionnaire responses from Gujarat executing agencies and related organizations.

“Policy Item 5. Strengthening of Industrial Extension Bureau (iNDEXTb)” was handled by iNDEXTb, and the related policy actions had been accomplished at the time of project completion. The iNDEXTb has proactively provided information to investors after the project completion, including updated sector profiles for ten priority sectors and 13 new project profiles.

Policy Items	Achievement Target	Policy Action	Status of Policy Action (Summary)
5. Strengthening of Industrial Extension Bureau (iNDEXTb)	<ul style="list-style-type: none"> Establishment of a comprehensive database with business overviews, industry information, country reports, etc. Assist investors after 	<p>[FY2017-18]</p> <ul style="list-style-type: none"> Establish a Policy Research Cell Provide policy/incentives inputs and conduct impact analysis on the policies of the 3 sectors 	<p>[At the Mid-Term Evaluation (2018)]</p> <ul style="list-style-type: none"> A Business Research Cell (BRC) was established in iNDEXTb. 23 business reports were prepared and made publicly available. A dedicated team for investment monitoring was established and an investment

Policy Items	Achievement Target	Policy Action	Status of Policy Action (Summary)
	completion of new investment applications (e.g., obtaining approvals to start construction)	<ul style="list-style-type: none"> • Prepare and update technical information, studies/reports, project profiles, project briefs, etc. • Implement an investment monitoring and query management dashboard • Support grounding of one industrial project [FY2018-19] <ul style="list-style-type: none"> • Provide policy/incentive inputs and conduct their impact analysis on policies for 3 sectors • Prepare and update technical information, studies/reports, project profiles, project briefs, etc. • Support grounding of one industrial project • Implement recommendations for Gujarat's industrial strategy 	monitoring and inquiry management screen/system was developed <ul style="list-style-type: none"> • Assistance was provided to Swedish companies in obtaining the necessary approvals and permits to start projects. In addition, necessary assistance was provided to Korean and Indian companies [At the Final Evaluation (December 2019)] <ul style="list-style-type: none"> • Policies/incentives on Textiles Policy, Start-up policy, and Aerospace and Defense Policy were provided by the Policy Research Cell • As part of the investment attraction event "Vibrant Gujarat 2019", reports were prepared for 16 sectors. • Industrial strategies for the Automotive, Sector, the Marine Food Processing Sector, and the Pharmaceutical Sector were prepared and will be posted on iNDEXTb's website. [At the Ex-Post Evaluation] <ul style="list-style-type: none"> • Sector profiles for 10 priority sectors were updated and 13 project profiles were prepared and posted on iNDEXTb's website. • The Textile Policy and Start-up Policy were published.

Source: Documents provided by JICA, and Questionnaire responses from Gujarat executing agencies and related organizations.

“Policy Item 6. Apex Training Institute and Training of Trainers (ToT) for Skill Development” was handled by the Labor and Employment Department, and the related policy actions had been accomplished at the time of project completion and were continuing at the time of the ex-post evaluation. The Apex Training Institute was established by reforming the existing ITIs, training programs for instructors based on the new standards were created and had been launched by the time of the project completion. As a result, four schools were selected from the existing ITIs as the state’s Apex Training Institutions (called Center of Excellences: CoEs), and eight teacher training centers were selected as equivalent institutions⁸. The institutional framework for the new state’s Apex Training Institute has been set up. These 12 schools will sustainably offer advanced technical training courses not only to instructors but also to trainees and industrial personnel. Following this, progress was delayed due in part to COVID-19, however, at the time of the ex-post evaluation, a technical cooperation project contract had been signed between GIZ and the Department of Labor and Employment in February 2022. With the support of GIZ, the development and improvement of training programs for instructors by Apex Training Institution,

⁸ The four schools designated as Centers of Excellence are (1) the Industrial Training Institute Becharaji (automotive technology), (2) the Industrial Training Center Tarsali (electrical and energy management), (3) the Industrial Training Institute Rajkot (advanced manufacturing technology), and (4) the Industrial Training Institute Gandhinagar (women (electronics and ICT).

the implementation of training programs for instructors, the expansion of training facilities, etc. have been undertaken.

Policy Items	Achievement Target	Policy Action	Status of Policy Action (Summary)
6. Apex Training Institute and Training of Trainers (ToT) for Skills Development	<ul style="list-style-type: none"> Improvement of the quality of vocational training education through the establishment of a new state Apex Training Institute 	<p>[FY2017-18]</p> <ul style="list-style-type: none"> Develop a plan to operate the state's Apex Training Institute in a public-private partnership. Obtain accreditation from international organizations for relevant sector-specific courses. Develop benchmarking standards for teachers and students using indicators from external organizations (international organizations). <p>[FY2018-19]</p> <ul style="list-style-type: none"> Ensure that the development of the Apex Training Institute is as per the roadmap finalized. Gujarat Skill Development Mission (GSDM) under the Labor and Employment Department will manage the Apex Training Institute. 	<p>[At the Mid-Term Evaluation (2018)]</p> <ul style="list-style-type: none"> Following the approval by the Small Infrastructure Project Empowered Committee, the plan for the state Apex Training Institute was established. <p>[At the Final Evaluation (December 2019)]</p> <ul style="list-style-type: none"> The list of Industrial Training Institutions as ToT Centers was finalized along with the Draft Training Plans Private partners to run the Management Committees to support the ToT program were identified. The Director General for Employment and Training granted approval for teacher certification and authorized the start of the ToT program. The Industrial Training Institutions became affiliated with the Director General for Employment and Training of the Ministry of Labor and Employment on August 16, 2019, and the first ToT started in November 2019. The Labor and Employment Department, through the Ministry of Skill Development Entrepreneurship, requested technical cooperation from GIZ for the establishment of a State Apex Training institute and is planning to finalize a preparatory cooperation study for the implementation of the project by August 2020. <p>[At the Ex-Post Evaluation]</p> <ul style="list-style-type: none"> A list of 18 ToT centers was approved by the Ministry of Skills Development Entrepreneurship. Former industrial training institutions were reorganized into ToT centers. The above 18 ToT centers were narrowed down to 4 state Apex Training Institutions (called Centers of Excellences (CoEs)) and 8 ToT centers. These 12 schools will sustainably offer advanced technical training courses not only to instructors but also to trainees and industrial personnel. In February 2022, a technical cooperation project agreement was signed with GIZ.

Source: Documents provided by JICA, and Questionnaire responses from Gujarat executing agencies and related organizations.

“Policy Item 7. Strengthening of Gujarat Skills Development Mission & Skills Gap Study” was handled by the Labor and Employment Department, and the related policy actions had been accomplished at the time of project completion and were ongoing at the time of the ex-post evaluation. At the time of the ex-post evaluation, skill gap surveys were underway in the

remaining 22 districts.

Policy Items	Achievement Target	Policy Action	Status of Policy Action (Summary)
7. Strengthening of Gujarat Skills Development Mission & Skill Gap Study	<ul style="list-style-type: none"> Conduct a two-tiered state and district skill gap study Visualization of skills not traditionally recognized as skills through the implementation of skills certification programs Implementation of the National Skills Qualification Framework (NSQF) and Common Technical Codes through consultation and integration with various technical sectors Collaboration with industry (private sector) in the area of vocational training 	<p>[FY2017-18]</p> <ul style="list-style-type: none"> Conduct a two-tiered state and district skill gap study Introduce new job training programs Modification of existing training courses and curricula and elimination of outdated vocational training Reorganize training and employment-related services according to the preferences and needs of young people <p>[FY2018-19]</p> <ul style="list-style-type: none"> Conduct periodical surveys for potential new avenues in skills development on an ongoing basis Forecast skills required by industry type through skills gap analysis 	<p>[At the Mid-Term Evaluation (2018)]</p> <ul style="list-style-type: none"> Skills gap survey for 11 out of 33 districts completed. Based on the skills gap study and through discussions with various stakeholders, a list of new training courses and an action plan including the rationale for their introduction were reviewed Ongoing monitoring of the occupancy and popularity of various vocational training courses is underway A translated version of Gujarati technical books was published in December 2017 <p>[At the Final Evaluation (December 2019)]</p> <ul style="list-style-type: none"> Based on the recommendations from the skills gap study, a short course was initiated under the National Skill Qualification Framework as part of the scheme of the National Industrial Human Resource Development Program (PMKVY). District Skills Committee was organized under the SANKALP scheme Gujarat State Skills Development Plan and 12 District Skills Development Plans were formulated. <p>[At the Ex-Post Evaluation]</p> <ul style="list-style-type: none"> Skills gap study is ongoing for the remaining 22 districts. District Skills Development Plans for all 33 districts were submitted to the Ministry of Skills Development and Entrepreneurship. A new model/scheme has been developed to increase industry participation in vocational training. 2,100 young trainees are being allocated to each industry partner.

Source: Documents provided by JICA, and Questionnaire responses from Gujarat executing agencies and related organizations.

“Policy Item 8. Acceleration of infrastructure development” involves several agencies, including the Industries and Mines Department, GIDC, and GIDB. The related policy actions had been accomplished at the time of project completion, and three small-scale infrastructure projects (infrastructure development in the Mandal Becharaji Special Investment Region) were still under implementation at the time of the ex-post evaluation (Table 2).

Policy Items	Achievement Target	Policy Action	Status of Policy Action (Summary)
8. Acceleration of infrastructure development	<ul style="list-style-type: none"> Prioritization and budget allocation for small infrastructure projects by the Small Infrastructure Project Empowered 	<p>[FY2017-18]</p> <ul style="list-style-type: none"> Pool funds for the implementation of priority small infrastructure projects based on the budget 	<p>[At the Mid-Term Evaluation (2018)]</p> <ul style="list-style-type: none"> Six priority small infrastructure projects were selected by the Small Infrastructure Project Empowered Committee. A project progress monitoring matrix for small infrastructure projects was

Policy Items	Achievement Target	Policy Action	Status of Policy Action (Summary)
	Committee • Facilitate appropriate monitoring and implementation by agencies	• Selection of priority small infrastructure projects by the Small Infrastructure Project Empowered Committee • Development of the Project Progress Monitoring Matrix • Promotion of the implementation of priority small infrastructure projects in accordance with the Project Progress Monitoring Matrix [FY2018-19] • Facilitate implementation of the priority small infrastructure projects in accordance with the established Project Monitoring Matrix	developed. [At the Final Evaluation (December 2019)] • The implementation of six sub-projects was promoted using the Project Progress Monitoring Matrix. [At the Ex-Post Evaluation] • As for the six small infrastructure projects selected, three projects under the jurisdiction of GIDC have been completed, and three projects under the jurisdiction of the Mandal Becharaj Special Investment Region Development Authority (MBSIRDA) are under implementation.

Source: Documents provided by JICA, and Questionnaire responses from Gujarat executing agencies and related organizations.

Table 2 Small Infrastructure Projects

No.	Small Infrastructure Project	Executing Agency	Project Period	Status at the time Ex-Post Evaluation
1	Sanand II Connectivity Roads	GIDC	2019-2020	<ul style="list-style-type: none"> Connectivity Road: 17.1 km (2 lanes) Construction of a section (200-400m of the existing village road) has not yet started because the land acquisition procedure with residents along the road has not been completed.
2	Khorai Estate (Sanand III) Internal Road Network	GIDC	2019-2020	<ul style="list-style-type: none"> Internal Road: 36.87 km (2 lane) 1.2 km of road is not completed due to delay in land acquisition.
3	Bhagapur Estate Infrastructure (Excluding power facilities)	GIDC	2018-2020	<ul style="list-style-type: none"> Internal Road: 11.0 km (2 lane) Water supply facilities (water storage facilities, water pipes, etc) Street light poles: 454 units Tree plantation: 6,000 trees
4	Mandal Becharaji Special Investment Region (MBSIR) -External Road Connectivity in Cluster A	Road and Bridge Department / MBSIRDA	2019-2025	<ul style="list-style-type: none"> DP Road: 36.6 7km (4 lane) 600 access road from state highway to hospital building TP Road: 68 km DP Road TP2 & TP3: 35.98 km (4 lane)
5	MBSIR- Physical Infrastructure (Phase 1)	MBSIRDA	2022-2025	<ul style="list-style-type: none"> Water treatment plant, Sewerage treatment plant, Water and sewerage network, Industrial effluent network, etc.
6	MBSIR-Physical Infrastructure (Phase 2)	MBSIRDA	—	<ul style="list-style-type: none"> Improvement of storm water network

Source: GIDC and the Mandal Becharaj Special Investment Region Development Authority (MBSIRDA)

Note: DP (Development Plan), TP (Town Planning)



Connecting Road to Sanand II Industrial Estate



Internal Road of Sanad III Industrial Estate (Khorai Estate)



DP Road in Mandal Becharaji Special Investment Region

Source: Photos taken by evaluator (March 2022).

2) Project Implementation Structure

Each policy action was carried out by the respective related departments and agencies of the state government (the Industries and Mines Department, GIDB, the Labor and Employment Department, iNDEXTb and GIDC). The PMC meeting, chaired by the Principal Secretary in charge of the Industry Department and composed of Secretary-level representatives of related departments and agencies, was held approximately once a quarter (5 meetings in total) to review the progress of policy actions and evaluate the status of achievement. Based on this, the loan was executed three times in March 2018, February 2019, and February 2020. In addition to officials from JICA, JETRO officials also attended the PMC from the Japanese side. Issues raised by the Japanese side were shared with the Finance Department and related agencies, and necessary actions were taken accordingly.

Before the PMC, the Small Infrastructure Project Empowered Committee met to select eligible subprojects and approve funding. During the project period, the Committee met a total of four times. JICA, in cooperation with JETRO, used various opportunities, including PMC meetings, to lobby the state government to include infrastructure development around the industrial parks where Japanese companies were expanding, and for which there is a strong demand, in the state government’s list of priority infrastructure projects, and to steadily implement the projects once they are on the list. As a result, small-scale infrastructure projects reflecting Japanese proposals were implemented.

In addition, to support the Program Implementation Unit (PIU) established in the Finance Department, JICA supported the project implementation of the Gujarat Investment Promotion Program. According to the Finance Department, the support of the JICA experts (consultants) dispatched for the PMC was of great help to the PIU in fulfilling its responsibilities, as it enabled the PIU to smoothly communicate and coordinate with the related departments and agencies and monitor their progress. Additionally, a representative from JICA’s India office attended every PMC to hold policy dialogue with related state government agencies. The timely guidance and advice from JICA helped the executing agencies and related organizations to implement the program more efficiently and move toward the realization of faster results. Thus, the evaluation

of the project was that JICA provided support at various levels when necessary, based on its extensive experience and expertise in project management, including the Support for Project Implementation on the Gujarat Investment Promotion Program, which led to the smooth implementation of the project.

3.2.2 Impacts

3.2.2.1 Intended Impacts

1) Improve Capacity of State Governments to Implement Infrastructure Projects

The Small Infrastructure Project Empowered Committee plays a crucial role in the policy to accelerate infrastructure development. Six small infrastructure projects have been approved and implemented by the Committee to develop infrastructure in and around industrial parks, especially for Japanese companies. The progress of these six small infrastructure projects has been managed using a project management matrix. Therefore, with the approval of small infrastructure projects through the mechanism of the Small Infrastructure Project Empowered Committee as well as progress management using the project management matrix, it is considered that the project has contributed to improving the capacity of the state government to implement state infrastructure projects to a certain extent.

Meanwhile, in this project, (i) the Ministry of Finance put together a budget plan to allocate yen loans to small infrastructure projects on a priority basis and provided budgetary support, and the timely execution⁹ of budgets was made for sub-projects approved by the Small Infrastructure Project Empowered Committee; (ii) the procurement of small infrastructure-related consultants and contractors was carried out in accordance with the procurement procedures established by the Government of Gujarat, rather than JICA procurement guidelines. This is considered to be one of the major factors that enabled the smooth implementation of the infrastructure projects. Six small infrastructure projects were planned and implemented during the project period, exceeding the planned five projects, and three of these had been generally completed at the time of project completion.

2) Increase in FDI in Gujarat¹⁰

Table 3 shows the amount of FDI in Gujarat, which increased continuously from 2017/18 to 2020/21, surging to 16,283 billion rupees in 2020/21, or 278% over the previous year (in rupees). This represented 37% of India's total FDI in 2020/21, attracting the most significant investment

⁹ In the case of Program Loans (Development Policy Loans) such as this project, the loan funds disbursed by JICA to the partner government can be freely used by the partner government for public spending in general once they go into the national treasury, and the institutional rule is that there is no need to tie loan funds to a specific project or use.

¹⁰ Data on the amount of FDI, the number of investments, and the number of applications in Gujarat were not disclosed by the Gujarat government, and it has been difficult to obtain data from the executing agencies and related organizations. Therefore, the analysis was based mainly on publicly available information, such as from India's Ministry of Commerce and Industry.

in the country. About 94% of the investment in the state in 2020/21 was in the computer hardware and software sector, with Gujarat alone accounting for 78% of total domestic investment in this sector. In 2021/22, this figure decreased to 201.7 billion rupees, partly due to COVID-19. Even under these circumstances, the Gujarat state government continued to make efforts, such as signing a memorandum of understanding¹¹ for 20 investment projects worth 241.85 billion rupees in November 2021, before the investment attraction event "Vibrant Gujarat 2022" scheduled to be held in January 2022. The government continues to focus on promoting foreign investment and attracting companies to the region.

Table 3 FDI in Gujarat

Unit	2017/18	2018/19	2019/20	2020/21	2021/2022
Million Rupees	134,560	126,180	429,760	1,628,300	201,690
Million US Dollars	2,091	1,803	6,052	21,890	2,706

Source: Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry.

Note: India's fiscal year is 12 months from April to March

Table 4 shows the number of offices of Japanese companies in Gujarat. The decrease in the number of locations in 2019 compared to 2018 can be attributed to a reduction in directly managed offices (branches, sales offices, sub-branches, etc.) owned by companies that are no longer included in the scope due to the deduction of investment ratio or liquidation, as well as the decline in locations due to the consolidation of Indian offices as a result of mergers and acquisitions. There was no significant change in the number of locations of Japanese companies in the state from 2019 to 2020.

Table 4 Number of Locations of Japanese Companies in Gujarat

	2017	2018	2019	2020
Number of Japanese Companies in Gujarat	321	383	348	345

Source: JETRO

Note: The number of locations of Japanese companies is defined as: (1) representative offices, branch offices, etc. of Japanese companies (companies not incorporated in India), (2) locally incorporated Japanese companies (wholly owned subsidiaries and joint ventures) ((i) headquarters, head office, etc., (ii) production plants, (iii) branches, sales offices, sub-branches, etc.) (only directly managed offices, excluding dealers, sales agents, sales offices, etc. under franchise or license agreements), and (3) locally incorporated companies started by Japanese nationals in India.

According to interviews¹² with the Industries and Mines Department and iNDEXTb conducted by JETRO, the reasons for the increase in FDI in Gujarat were: (i) Gujarat consistently ranks among the top states in India in the Ease for Doing Business Report, with good access to roads and ports and a stable power supply; (ii) Gujarat's GDP accounts for about 8% of India's total GDP, and the state's automotive, heavy industry, chemical and petrochemical, pharmaceutical and medical equipment, and service industries are driving the state's economy

¹¹ JETRO Business Tanshin (Nov. 29, 2021) (<https://www.jetro.go.jp/biznews/2021/11/289091d7199e0f70.html>).

¹² JETRO Business Tanshin (July 06, 2020) (<https://www.jetro.go.jp/biznews/2020/07/b908cf8298ea7218.html>).

and the Indian economy; (iii) the management and operation of major industrial parks under the leadership of GIDC, securing more than 33,000 hectares of project sites in major areas of the state and providing basic infrastructure; (iv) the single window investment portal established by iNDEXTb that enables smooth one-stop approval procedures for all online applications and approvals to attract foreign companies to invest in the country; (v) information dissemination through exchanges of opinions with foreign investment promotion agencies and the holding of “Vibrant Gujarat,” India’s largest event for attracting foreign investment. In addition, Gujarat is the birthplace of Prime Minister Narendra Modi¹³, who has used the annual “Vibrant Gujarat” as an opportunity to make a sales pitch to attract investment and business to the state, which has probably contributed to the increase in FDI in Gujarat.

Strengthening the investment promotion capacity of GIDC and iNDEXTb was one of the important policy items of the project, and in this regard, the project seems to have made a certain contribution to the increase in FDI in Gujarat.

3) Improve Business Satisfaction of Foreign Companies, including Japanese Companies, through an Enhanced Investment Environment

In the State Investment Potential Index¹⁴ published by the National Commission for Applied Economic Research (NCAER) of India, Gujarat is among the top three highest-ranked states, ranking first in 2016, first in 2017, and third in 2018 (rankings after 2019 have not been published). In addition, Gujarat has ranked first in the Ministry of Commerce and Industry’s LEADS¹⁵ index for the past three consecutive years (2019-2021) due to its well-developed road network that facilitates the easy and rapid movement of cargo and passengers. On the other hand, in the Ease of Doing Business Report published by the Ministry of Commerce and Industry, Gujarat dropped from 3rd in 2016 to 5th in 2017 and 10th in 2019 (rankings for 2018 and beyond 2020 have not been published). The reason for this is that other states have also been actively attracting foreign investment and have taken various measures to improve their investment environment. Although Gujarat itself has made steady progress in improving its investment environment, it is considered that the Ease of Doing Business rank for the past three years from 2019 has continued to have dropped in relation to other states.

According to the local Japanese companies interviewed, Gujarat has advantages: in that the industrial estates owned by GIDC have large sites of more than 30 acres; and the state has fewer problems with power and water than other states. The JETRO Ahmedabad office also

¹³ Narendra Modi served as Prime Minister of Gujarat from 2001 to 2014.

¹⁴ The State Investment Potential Index ranks the competitiveness of Indian states in six areas: land, labor, infrastructure, economic environment, political stability and governance, and business perceptions.

¹⁵ The Logistic Ease Across Different States (LEADS) Index, developed by the Ministry of Commerce and Industry in 2018, evaluates regions in terms of planning support to facilitate commodity trade. The criteria are based on eight parameters, including price competition, availability of infrastructure and services (Services, Time, Track and follow, Infrastructure, Property security, Price competition, Operating environment, and Regulatory process).

recognized that since the Modi administration took office, the Gujarat government has been promoting the digitalization of investment activities and the centralization of contact points and that professional responses in attracting investment has progressed. This includes publicity and attraction through the single window investment portal and the establishment of a dedicated contact point for major investing countries, including a dedicated Japanese investment contact point (Japan Desk).

Regarding grievance redressals, iNDEXTb received 2,840 complaints in 2019/20, 2,288 in 2020/21, and 3,321 in 2021/22. These were mainly related to technical issues of the website (operating procedures, delays in presenting statistical data, website design, etc.) and issues related to payment methods (bank transfer methods, etc.). Grievances are sent by iNDEXTb to the relevant departments for individual action; of the 2019/20 cases, 90% of the 2,840 complaints were resolved, while the remaining 10% are pending because no formal documentation was submitted by the company that filed the complaint. In addition, as a result of this project, satellite offices managed by GIDC have been established in Sanand Industrial Estate and Mandal Industrial Estate, and these offices also directly receive requests from companies in the industrial parks and provide the necessary responses.

From the above, it can be assumed that the responses and services provided to foreign companies by GIDC and iNDEXTb have improved to a certain extent. However, the local Japanese companies interviewed had already established business bases in Gujarat, so they said they did not know what changes had taken place in the application and licensing procedures (ease and speed of processes, etc.) for new investment before and after the implementation of this project. As a result, specific answers were not obtainable. In addition, one local Japanese company pointed out that compared to industrial parks managed by private companies, those managed by GIDC often do not always provide sufficient support to companies that have moved in, and that the communication between the representative satellite office and the companies that have moved in needs to be improved. Some companies said¹⁶ that the satellite offices do not have sufficient authority and that, in some cases, essential matters require direct negotiation and discussion between the resident companies and officials of the GIDC.

Regarding industrial human resources, since the establishment of the State Apex Training Institute and the start of activities to improve the quality of vocational training education only fully began in February 2022, the effect of the project on industrial human resources development had not yet been emerged at the time of the ex-post evaluation. The Gujarat government's guidelines on local employment require that at least 85% of employees be from the state. The Japanese-affiliated firms we interviewed have always given priority to securing high-quality local workers, and although they sometimes hire graduates of state vocational

¹⁶ JETRO Ahmedabad Office has signed a Memorandum of Understanding (MOU) with the Gujarat State Government to support smooth communication between local Japanese companies and GIDC.

training institutions as on-site leaders, they have a perception that there is a lack of human resources for executive candidates in the local plants. Several Japanese-affiliated companies have established the Japan-India Institutes for Manufacturing (JIM)¹⁷ and are training cadres in cooperation with Gujarat Institute of Technology. The development of industrial human resources will continue to be a priority issue.

From the above, it can be seen that Gujarat's competitiveness ranks high in India according to various surveys conducted by the Indian government and that the responses and services provided to foreign companies by the GIDC and iNDEXTb have improved to a certain degree. Therefore, it is considered that this project has made some contribution to improving the business satisfaction level of foreign firms, including Japanese firms, by improving the investment environment. On the other hand, the project's impact on the development of industrial human resources was not yet evident at the time of the ex-post evaluation and, therefore, will need to be confirmed from a mid-to-long-term perspective.

3.2.2.2 Other Positive and Negative Impacts

1) Impacts on the Natural Environment

The project is considered to fall under Category C in *the JICA Guidelines for Environmental and Social Considerations* (2010), as it was judged that the undesirable environmental impacts of the project were minimal. The executing agencies of the small infrastructure projects, such as GIDC and the Mandal Bechraj Special Investment Region Development Authority (MBSIRDA), hired environmental consultants to look into the necessary environmental considerations, including environmental monitoring during construction work. No negative impacts on the natural environment associated with the construction of small-scale infrastructure projects have been identified.

2) Resettlement and Land Acquisition

Of the six small infrastructure projects, except for the connecting road to Sanand III (Khoraj) Industrial Estate, no land acquisition or resettlement has occurred, as the works are within industrial estates owned by government agencies such as GIDC and MBSIRDA. The connecting road to Sanand III (Khoraj) Industrial Estate is a widening of an existing road of approximately 17 km in length, and the land was acquired in accordance with Indian domestic laws and Gujarat government regulations. The 200-400m section of the road that crosses the village has not yet been constructed as a one-lane village road, as the land acquisition has not

¹⁷ The Japan-India Institutes for Manufacturing (JIM) is a human resource development institute established by Japanese companies in India, based on the Manufacturing Skill Transfer Promotion Programme agreed upon between the leaders of Japan and India in November 2016, in order to cooperate in human resource development in the Indian manufacturing industry. JIM offers a curriculum for the acquirement of Japanese-style manufacturing concepts and skills. As of April 2022, there were a total of 22 JIMs in India accredited by METI, including two in Gujarat.

yet been completed. At the time of the ex-post evaluation, negotiations between GIDC and residents were underway for land acquisition procedures.

3) Gender Equality

Since the planned vocational training and employment assistance were not fully implemented during the project period, the impact related to gender could not be observed.

In summary, of the eight indicators of quantitative effects, five were achieved or nearly achieved, one was not achieved, and two were of unknown achievement. As for qualitative effects, the policy actions planned in the project's policy matrix had been achieved at project completion, and the achievement status was continuing at the time of the ex-post evaluation. The project seems to have contributed to a certain extent to improving the state government's capacity to implement infrastructure projects and to increase FDI in Gujarat. It may also have made a certain contribution to enhancing the business satisfaction level of foreign companies, including Japanese companies, by improving the investment environment. On the other hand, some issues were identified, such as the need to improve the communication system between GIDC and the industrial park companies and to strengthen the authority and functions of the representative offices (satellite offices). No negative impact on the natural environment was identified as a result of the project, and although some land was acquired for road widening, the project was implemented following Indian domestic laws and Gujarat government regulations.

In light of the above, this project has mostly achieved its objectives. Therefore, the effectiveness and impacts of the project are high.

3.3 Sustainability (Rating: N/A)

3.3.1 Policy and System

As noted in "3.1.1.1 Consistency with Development Plan of India," the Gujarat government's development plan *Sustainable Vision 2030 for Gujarat (Vision 2030)* at the time of the ex-post evaluation identifies the promotion of private investment and improvement of the investment environment as priority areas. *The Gujarat Industrial Policy 2020* (formulated in August 2020) encourages further investment in the state, having announced 400 billion rupees in investments over the next five years to make the state a global business hub for sustainable manufacturing and service industries.

Therefore, no issues have been observed in the policy/system aspect necessary for sustaining the project effects.

3.3.2 Institutional/Organizational Aspect

The following agencies are responsible for the continuation of the results of each policy action

of the project after project completion.

[Gujarat Industrial Development Corporation (GIDC)]

GIDC was established under the Gujarat Industrial Development Act, 1962, with the objective of promoting industrialization in Gujarat. The major functions of GIDC are (i) development of infrastructure such as industrial estates, (ii) land allocation, (iii) development of Special Industrial areas (SIs) and Special Economic Zones (SEZs) across the state, (iv) e-government, and (v) the launch of various schemes for micro and small enterprises. GIDC owns 248 industrial estates on 33,441 hectares of land in Gujarat. GIDC has established a single window investment portal for the approval of new investments, and the operation and expansion of industrial parks owned by GIDC. It will continue to use this online system to simplify and expedite various investment applications and approval procedures, as well as to develop industrial parks and other infrastructure necessary to improve the investment environment.

[Mandal Becharaji Special Investment Region Development Authority (MBSIRDA)]

MBSIRDA is an organization established under the 2009 Gujarat Special Investment Region Act to implement development planning and urban planning schemes for the Mandal Becharaji Special Investment Region and to develop social infrastructure (roads, utilities, connectivity, etc.) in accordance with the investment objectives of the project. MBSIRDA is in charge of infrastructure development in the Mandal Becharaji area, which is one of the small infrastructure project targets of this project, and construction is underway for completion in 2025.

[Industrial Extension Bureau (iNDEXTb)]

iNDEXTb is the investment promotion agency of the State of Gujarat, focusing on investor facilitation, support, and grievance redressal, and serves as an interface and point of contact between investors and the government for the establishment of industrial ventures. The broad scope of work includes (i) organizing national and international exhibitions, campaigns, events and conducting research into potential investors to attract investment; (ii) facilitating strategic partnerships for joint ventures and industrial projects between various companies and the Gujarat state government, and informing investors about the rules and regulations related to industrial investment in the state; (iii) preparing and providing location analysis for investors covering key information such as location, land costs, infrastructure costs, the availability of human resources, distance to cities, etc., identifying potential investment sites and arranging site visits, assisting in the acquirement of land through lease or purchase; (iv) assistance through the establishment of investment contact points (country desks) offices in 29 countries, and (v) the creation and publication of sector profiles for the 14 priority areas, providing information to potential investors on investment, location, availability of raw materials, etc.

iNDEXTb currently has 47 staff members, sufficient to carry out its work. In addition, the regular training of staff is conducted to keep them informed of the latest market trends. iNDEXTb continuously works to improve the investment promotion environment, including strengthening the investment portals.

[Gujarat Infrastructure Development Board (GIDB)]

GIDB was established in 1999 under the Gujarat Infrastructure Development Act (amended in 2006) and functions as an advisory body for PPP projects in the state. GIDB also serves as the coordinating body for the Delhi-Mumbai Industrial Corridor Initiative. Furthermore, GIDB has been designated as the apex body under the Gujarat Special Investment Regions Act (2009) and given the role of regulator for all Special Investment Regions (SIRs) in the state. The scope of work of GIDB includes: (i) overall planning within Gujarat; (ii) coordination among specific sectors; (iii) approval of concession agreements in public-private partnerships; (iv) project preparation by conducting pre-feasibility and feasibility studies; (v) selection of developers through international competitive bidding, etc., (vi) monitoring of project progress; and (vii) capacity building of human resources and organizations in the infrastructure sector to meet international benchmarks.

GIDB continues to work on capacity building on an ongoing basis, including organizing capacity-building seminars for government officials in the area of PPP.

[Gujarat Skill Development Mission (GSDM)]

GSDM was established in February 2009 as an agency under the Labor and Employment Department and serves as the apex body for monitoring, coordinating, and focusing on the skills development and entrepreneurial activities that lead to employment in Gujarat. The aim of GSDM is to provide vocational training and employment services to the state's youth. It has a staff of 35 employees. With the support of GIZ, GSDM is developing and improving vocational training education programs, conducting the training of teachers, and improving training facilities.

No issues have been observed in the institutional/organizational aspect necessary for sustaining the project effects.

3.3.3 Preventative Measures to Risks

From March 2020, activities related to training and other industrial human resource development had to be suspended due to the urban lockdown and activity restrictions imposed in the state of Gujarat during the COVID-19 pandemic. The construction of small infrastructure projects was also suspended for the same reasons. On the other hand, the iNDEXTb continued

its investment promotion activities despite COVID-19, including the annual "Vibrant Gujarat" investment promotion event for foreign investors, which was held online during this period.

4. Conclusion, Lessons Learned and Recommendations

4.1 Conclusion

This project aimed to encourage policy and institutional improvement in Gujarat State in West Central India through financial support with regard to private investment promotion including FDI, industrial advancement and skill development, as well as to improve the investment climate for the development of infrastructure in the state, including roads, electric power, and water, thereby contributing to increased private investment such as FDI in the state. The project was consistent with the development plan and development needs at the times of appraisal and ex-post evaluation. The project plan and approach were appropriate. There was also collaboration with donors such as the World Bank and GIZ. Therefore, the relevance and coherence of the project are high.

Five of the eight operation and effect indicators were generally achieved, and all planned policy actions had been accomplished by project completion with those achievements maintained at the time of the ex-post evaluation. The project seems to have made a certain contribution to improving the state government's capacity to implement infrastructure projects and increase FDI in Gujarat. The project may also have contributed to enhancing the satisfaction of foreign companies doing business in the state, including Japanese companies, by improving the investment environment. No negative impact of the project on the natural environment was observed. Although there was some land acquisition for small-scale infrastructure projects, this was implemented in compliance with Indian domestic laws and the regulations by the Gujarat government. The project has mostly achieved the expected outcomes, and the effectiveness and impacts of the project are high. No issues have been observed in the policy/system and institutional/organizational aspects of operation and maintenance, and risks have been well mitigated.

4.2 Recommendations

4.2.1 Recommendations to the Executing Agency

The Labor and Employment Department delayed concrete progress in strengthening the state's apex training institute due to the COVID-19 pandemic, but in February 2022, a GIZ technical cooperation project was launched, finally creating an environment for sustaining and expanding the outcome of this project, with the development and improvement of vocational training education programs, the provision of training for instructors, and the improvement of training facilities. The Labor and Employment Department is expected to work in close cooperation with GIZ to ensure that the technical cooperation project will continue to produce solid results.

4.2.2 Recommendations to JICA

None

4.3 Lessons Learned

1) The Necessity of Developing and Supporting an Implementation Structure for Smooth Project Execution

Since this project involved several executing agencies and related organizations in Gujarat, a PMC was established, chaired by the Principal Secretary in charge of the Industry Department and composed of Secretary-level representatives of related departments and agencies of the state government, to regularly monitor and evaluate policy actions. In addition, a PIU set up in the Finance Department served as the secretariat to liaise with related agencies. In India, which is generally known for its strong bureaucracy, inter-ministerial coordination is a painstaking task. In this project, JICA experts (consultants) were dispatched to the PIU of the Finance Department for the Support Project Implementation of the Gujarat Investment Promotion Program and provided support for coordination with each executing agency, for project progress management, and so on. In addition, a representative from JICA's India Office also attended each PMC to provide guidance and advice, as well as policy dialogue with related agencies.

In order to achieve smooth progress in projects involving multiple related organizations, such as Program Loans (Development Policy Loans), it is desirable that JICA experts are dispatched to support coordination between the executing agencies and related organizations and to monitor project progress. In addition, staff at the management level of JICA (JICA overseas offices and JICA headquarters) should actively engage in regular dialogues with implementing agencies and related organizations, as well as in project management and progress monitoring.

2) Public-private All-Japan Effort

As a result of the public-private all-Japan effort, from project formulation to implementation monitoring, the project generated project effects and impacts that have benefited Japanese companies in Gujarat. Prior to this project, METI conducted a study on improving the investment environment in Gujarat to help local Japanese companies. Based on the results of this earlier study, JICA managed the project's progress during project formation and implementation in collaboration with the JETRO office and local Japanese companies. For example, based on the development needs of Gujarat and as a priority candidate for a small infrastructure project, Japan proposed to the state government the development of infrastructure around an industrial estate where many Japanese companies were expanding. This was adopted. The JICA India office and the JETRO office also participated in the PMC during project implementation to monitor and confirm the progress of each policy action, and this information was shared with local Japanese

companies. As a result, the project not only improved the investment environment in Gujarat but also benefited local Japanese companies.

As seen above, JICA can formulate and implement projects that benefit not only the target countries but also Japanese companies by exchanging information with other government agencies and private companies, and utilizing the results of the discussions in Program Loans (Development Policy Loans) projects that support the promotion of investment and institutional reforms in specific sectors.

5. Non-Score Criteria

5.1. Performance

5.1.1 Objective Perspective

Since the conclusion of the "Memorandum of Cooperation on Public-Private Cooperative Actions towards Further Development of Gujarat between METI and the State Government of Gujarat" in January 2015, METI has held policy dialogues with the Gujarat government three times and has focused on building relationships with Gujarat as a strategically important state. METI has also conducted a study on improving the investment environment in Gujarat to benefit local Japanese companies and has analyzed issues related to the promotion of investment in the state. In forming the project proposal, based on the results of the METI survey mentioned above, JICA considered the requests of JETRO's local office, Japanese companies and Japanese associations operating in Gujarat and reflected these requests in the policy matrix (these included such requests as for the establishment of a single window portal by GIDC, strengthening of the authority of the local GIDC representative office in Mandal Becharaji area, and strengthening the capacity of the state vocational training school, etc.). Meanwhile, JICA also held discussions and dialogues with executing agencies and related organizations in Gujarat to identify policy items and areas for improvement, set policy actions, and operation and effect indicators, and so on. The policy matrix was developed through consultation and consensus building with the Gujarat state government.

In the selection of small infrastructure projects during project implementation, the Japanese side proposed to the Gujarat government the development of infrastructure centering on the construction of roads, water, sewage, and lighting facilities in and around industrial estates (Mandal, Sanand II, and Sanand III Industrial Estates) where Japanese companies were expected to be operating or moving in, and this proposal was adopted.

In addition, PMCs were held regularly (once a quarter) to monitor the progress of the project, and JICA and JETRO local offices participated from the Japanese side to monitor the progress of policy actions. This information was also shared with local Japanese companies.

Thus, when formulating the policy matrix and considering small infrastructure projects, JICA exchanged opinions with, and ask requests from METI, the JETRO office, and local Japanese

stakeholders (local Japanese companies, Japanese associations, etc.). After this, the policy matrix was created, and small infrastructure projects with a high potential for benefits to Japanese companies were selected. During the implementation of the project, JICA also collaborated with the JETRO office to confirm the progress of the policy actions and disseminated information to the private sector to share the progress of the project and promote collaboration.

(End.)