

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: PIDA2562

<b>Project Name</b>	TECHNOLOGY CENTER SYSTEMS PROJECT (TCSP) (P145502)
<b>Region</b>	SOUTH ASIA
<b>Country</b>	India
<b>Sector(s)</b>	SME Finance (50%), Other industry (50%)
<b>Theme(s)</b>	Micro, Small and Medium Enterprise support (100%)
<b>Lending Instrument</b>	Specific Investment Loan
<b>Project ID</b>	P145502
<b>Borrower(s)</b>	Dept. of Economic Affairs, Ministry of Finance, Government of India
<b>Implementing Agency</b>	MSME Ministry
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/Updated</b>	11-Dec-2013
<b>Date PID Approved/Disclosed</b>	11-Dec-2013
<b>Estimated Date of Appraisal Completion</b>	13-Dec-2013
<b>Estimated Date of Board Approval</b>	24-Apr-2014
<b>Decision</b>	

**I. Project Context**

**Country Context**

1. The proposed Program is about upgrading and expanding the network of Technology Centers which have as their mission to improve the competitiveness of Micro, Small and Medium Enterprises (MSMEs) in key manufacturing industries across India – with a strong emphasis on Low Income States. Technology Centers provide on a fee basis an integrated suite of services to MSMEs: ranging from technical and management advisory to technical training of workers. The Proposed Program will reinforce the technical capability of the Technology Centers as well as their governance by further increasing the participation of the private sector in key decisions at both the National and Local levels.

2. India is one of the world's largest and most dynamic emerging markets with vast economic potential. The objective of the 12th Five-Year Plan (FY2013–17) is to return to GDP growth rates in excess of 8 percent, with a strong emphasis put on the manufacturing sector.

3. While India stands to benefit from an immense demographic dividend, with the largest youth population in the world (around 66 per cent of the total population is under the age of 35), it

has an overall unemployment rate of 4.7% (under usual principal status approach) and an overall labor force participation rate at 50.9%. For the country to gain from this demographic dividend, skilling and up-skilling of its youth is a key priority for the Government of India.

4. The manufacturing sector will have to play an important role in taking the Indian economy to a high growth rate trajectory. Manufacturing has long been recognized as an essential driver of economic development for most countries as it has an important economic and employment multiplier effect. India's manufacturing performance has not been encouraging despite a strong potential. The share of manufacturing in India's GDP has stagnated at around 15 percent compared to more than 30 percent (and growing) in other Asian countries. India's manufacturing also has problems such as low value addition, low productivity and less than desirable up scaling. Interestingly, there also exist world class production units who started small. Recognizing its potential, the Government of India has set the objective of "enhancing the share of manufacturing in GDP from its current level of 15 to 25 percent within a decade and creating 100 million additional jobs" in the recently announced National Manufacturing Policy - 2011.

5. The main constraints to the growth and productivity/competitiveness of India's manufacturing are well known and include: difficulties to access markets (including within India), difficulties to access finance (especially for MSMEs), infrastructure deficiencies, regulatory red tape, disincentives for MSMEs to grow and difficulties for MSMEs to access technology and skills.

6. Against this backdrop, this proposed National Program is aiming to develop the technological and skill base of MSMEs in selected manufacturing industries, via upgraded and expanded specialized Technology Centers (currently called Tool Rooms and Technology Development Centers) through public funding. The Technology Centers will support industry clusters across manufacturing value chains, both upstream (tooling industry) and downstream (key industries exposed to global competitions close to technology frontier, such as automotive and electronics, as well as industries evolving through indigenous innovations, such as Fragrance and Flavor).

### **Sectoral and institutional Context**

7. The MSME Ministry, through the Office of the Development Commissioner, operates eighteen Technology Centers (thereafter referred to as TCs): ten for the tooling industry and eight for the ESDM (electronics system design and manufacturing), glass, footwear as well as the fragrance and flavor industries (the last two being particularly important for Low Income States). Half of these eighteen TCs are in Low Income States or Special Category (Uttar Pradesh, Odisha, Jharkhand, Assam and Uttarakhand).

8. The TCs have been set up from 1967 to 1999 through collaborations with German and Danish government agencies as well as with technical assistance from (in two cases) United Nations Industrial Development Organization (UNIDO). The TC's primary focus is on improving access to advanced technologies and providing technical advisory support for entrepreneurs and workers (by exposing and providing them access to state of the art technology), and offering opportunities for hands-on technical skill development to the youth at varying levels.

The proposed Program will seek to develop synergies (and avoid duplications) with a number of related public/private sector institutions and schemes in three areas:

a. The Program seeks to establish 15 new TCs and upgrade technology capabilities of the existing 18 TCs and develop linkages with Indian and international research institutes, leading manufacturers. The Program will connect leading practices that will contribute to advanced technology, knowledge and innovation that can be transferred to MSMEs served by each TC.

b. Second, and building on the main strength of the current TCs, the Program will complement and reinforce hundreds of public and private providers of vocational training (e.g. the Industrial Training Institutes, the Polytechnics, the Appropriate Technology India and Nettur Technical Training Foundation), helping them to improve their curricula and training their trainers – put more emphasis on learning and problem solving skills, be more practical and adapted to local conditions and needs. To that end the proposed Program will develop linkages between the TCs and the Trainer Institutes being set up by other ministries (e.g. Ministry of Labor) as well as with the Sectoral Skill Councils being established by the National Skill Development Council (NSDC) and the newly created NSDA (National Skill Development Agency). The development of such synergies and linkages will also be supported by existing World Bank programs aimed at improving vocational training in India.

c. Third, the Program will leverage and complement other programs supporting MSMEs and manufacturing clusters being implemented by various organizations in public and private sector.

## 9. Project Description

Component 1 will address the technological and business advisory needs of the TCs and their clients with Technical Assistance (TA) provided by leading global firms. This component will include TA for developing a detailed strategy/roadmap so that the MSMEs in each selected industry can take advantage of such cutting edge/competitive technology inputs. The component will also involve looking into human skill development.

Component 2 will finance the development of 15 new TCs and upgrade the 18 existing TCs under the responsibility of the MSME Ministry. These investments will be informed by the Technology Partners, Cluster Managers as well as by the Implementation Partner who have been competitively hired.

Component 3 will be implemented with the support of a (Manufacturing Technology Consultant) as sub-consultants who have been recruited during program preparation through an international competitive bid.

## II. Proposed Development Objectives

The Program's Development Objective (PDO) is to enhance the productivity of MSMEs by improving their access to technology and business advisory services as well as skilled workers through systems of financially sustainable Technology Centers (TCs).

## III. Project Description

### Component Name

Component 1: Technical assistance to the existing and new Technology Centres (\$34 million).

### Comments (optional)

Tech Partners for each System of TCs specialized \$14 M, Cluster Network Managers \$12 M, IT Platform Service Provider \$8M

**Component Name**

Component 2: Investments to develop new and upgrade existing Technology Centers (201 million)

**Comments (optional)**

Buildings \$70 M

Capital Investment \$131 M

**Component Name**

Component 3: Technical assistance to the MSME Ministry for Program Implementaion and Monitoring and Evaluation (USD 15 million)

**Comments (optional)**

Implementation Support Partner \$8 M

PIU core team \$2 M

Other TA \$5 M

**IV. Financing (in USD Million)**

Total Project Cost:	500.00	Total Bank Financing:	250.00
Financing Gap:	0.00		
<b>For Loans/Credits/Others</b>			<b>Amount</b>
Borrower			250.00
International Bank for Reconstruction and Development			250.00
Total			500.00

**V. Implementation**

10. The National Program will be governed by a Program Steering Committee (PSC) chaired by the Secretary of the MSME Ministry and comprising representatives of the main stakeholders including from: Ministry of Science and Technology, Ministry of Communication and Information Technology, Ministry of Heavy Industry, Ministry of Labor (DGE&T), State Governments through their Principal Secretaries/Secretaries of Industry, the NSDA, Academia and Research Institutes as well as the relevant leading industry associations. This Program Steering Committee is expected to play an important role also during Program preparation.

11. The program implementation responsibility will lie with the Development Commissioner of the MSME Ministry. The Development Commissioner (DC, MSME) will designate a Program Coordinator (PC) assisted by a small dedicated team which will act as the interface between the Development Commissioner (MSME) and the Implementation Partner (IP). The IP was procured competitively through international bidding, and will together with the PC and his core team form the Program Implementation Unit (PIU), will carry out the day-to-day management of the entire program.

13. The IP is expected to rapidly boost the capacity and expertise of the MSME PC and his core team in all key implementation aspects. These will include but not be limited to; World Bank procurement, financial management, environment, social, health and safety safeguards specialists, and deploy other subject expertise as and when needed.

14. A Program Advisory Committee (PAC) will be set up, which will comprise thought leaders from Industry, academia and industry associations to provide strategic inputs on strengthening the

Indian MSME ecosystem through this Program. This Committee will work closely with the National Program Director / Chairman, Implementation Committee through the design and execution phases of the Program and ensure continuity.

15. Industry-specific Joint Working Groups (JWGs) will also be constituted to provide domain expertise and advisory inputs to help ensure that the Program is as relevant and impactful to the specific industry stakeholders as possible. The JWGs will consist of domain specific industry leaders, representatives from the relevant business associations, government institutions and academia.

16. Each TC and its Community of Practice (CoP) will be linked to one or more Cluster Network Managers (CNM) in key industry clusters associated with that TC. The CNM will ensure that each TC is peered with other TCs, and all key actors relevant to the thematic area, nationally and internationally including experts/advisors. CNM ensures that it keeps abreast with the needs of the business and student communities and that it contributes to/benefit from the eco-system.

17. Also, the TC and its CoP will be supported by world renowned, internationally recruited Technology Partners (TPs), who will ensure the TC and its CoP is well informed of the latest technology developments, future trends, specialized equipment which need procuring and common infrastructure required for a given domain, at a given TC.

18. In addition, to ensure that the TC also stimulates real time knowledge sharing, virtual learning and simulation, it needs to become the hub of communication and innovation for its CoP. To this end, an IT service Provider (ITP) will be procured through international bidding who will essentially provide comprehensive fee based web based (portal) IT services supporting TCs and their clients.

## VI. Safeguard Policies (including public consultation)

<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>
Environmental Assessment OP/BP 4.01	<b>x</b>	
Natural Habitats OP/BP 4.04		<b>x</b>
Forests OP/BP 4.36		<b>x</b>
Pest Management OP 4.09		<b>x</b>
Physical Cultural Resources OP/BP 4.11	<b>x</b>	
Indigenous Peoples OP/BP 4.10	<b>x</b>	
Involuntary Resettlement OP/BP 4.12	<b>x</b>	
Safety of Dams OP/BP 4.37		<b>x</b>
Projects on International Waterways OP/BP 7.50		<b>x</b>
Projects in Disputed Areas OP/BP 7.60		<b>x</b>

### **Comments (optional)**

While the project interventions would have an over-all positive impact on economic growth, skill development and job creation, specific interventions envisaged under the project such as creation of 15 new Technology Centers (TCs) and upgrading of building and related infrastructure of the existing 18 Tool Rooms may have some potential adverse impacts on environment in the local context. Even though it is expected that the new buildings/blocks would be located within an existing industrial estate or on available government land elsewhere, planning, construction and

operation of buildings will require appropriate integration of environment, health and safety measures to ensure that adverse environmental impacts are minimized and properly managed. Accordingly, to effectively plan, design and integrate environmental dimensions into the over-all project preparation and implementation, an Environment Management Framework (EMF) has been prepared. The instrument has been designed keeping in mind the varied scope of work, which includes setting-up of new and upgrading of existing TCs and supporting infrastructure for technological and business needs, including exposure to new technologies, providing access to cutting-edge equipment, developing and testing of new products. It provides guidelines for site selection, design, construction and maintenance of TCs in line with relevant legal and regulatory requirements of Govt. of India and the environment safeguard policies of the World Bank. The EMF has been informed by the results of a limited environment assessment exercise that was conducted by the MoMSME and experiences from the Bank funded Vocational Training Improvement Project (VTIP), currently under execution apart from distilling lessons from other projects associated with developing MSMEs in the country/region.

From a social impact perspective, the extension/upgrading of existing TCs will take place within the existing complexes and will not require additional land. The negative social impacts such as land acquisition and associated full or partial displacement, therefore are unlikely, as the Technology Centers will be established on available government land and will not entail any change in land use. However, setting-up/establishment of new TCs would require land. While availability of a site free from encumbrances has been built-in as a criterion in the site selection process by MoMSME, in the unlikely event of such a requirement that may come-up for a specific TC, the required processes and mitigation measures have been built into the Social Management Framework (SMF), including preparation and use of resettlement instruments, as and if required.

## **VII. Contact point**

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