



The World Bank

Boosting logistics efficiency and trade facilitation in West Bengal (P174825)

Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 14-Dec-2022 | Report No: PIDC238563



BASIC INFORMATION

A. Basic Program Data

Country India	Project ID P174825	Parent Project ID (if any)	Program Name Boosting Logistics Efficiency and Trade Facilitation
Region SOUTH ASIA	Estimated Appraisal Date 10-Apr-2023	Estimated Board Date 15-Jun-2023	Does this operation have an IPF component? No
Financing Instrument Program-for-Results Financing	Borrower(s) India	Implementing Agency West Bengal Department of Industries, Commerce and Enterprises	Practice Area (Lead) Macroeconomics, Trade and Investment

Proposed Program Development Objective(s)

to enhance logistics efficiency and trade facilitation.

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	800.00
Total Operation Cost	235.00
Total Program Cost	235.00
Total Financing	150.00
Financing Gap	85.00

FINANCING (USD Millions)

Total World Bank Group Financing	150.00
World Bank Lending	150.00

Concept Review Decision

The review did authorize the preparation to continue



B. Introduction and Context

Country Context

1. **India's economy will slow down, coming off a strong recovery in FY21/22 (April 2021-March 2022).** The spillovers from the Russia-Ukraine war and the global monetary policy tightening cycle are expected to weigh on India's economic outlook: elevated inflation on the back of higher prices of key commodities, heightened global uncertainty, and rising borrowing costs will affect domestic demand while slowing global growth will dampen India's export growth. The Government of India's (GoI) strong capital expenditure program will support investment, while private consumption will be held up by consumer spending of high- and middle-income households. Net exports will continue to drag on growth. The growth in FY22/23 will slow to 6.5 percent from 8.7 percent in FY21/22.
2. **Although India has made remarkable progress in reducing extreme poverty over the past two decades, the COVID-19 pandemic has slowed progress, and poses risks to welfare.** Before the pandemic, the share of the population living below US\$2.15 per person per day (2017 PPP) is estimated to have fallen from 22.5 in 2011 to 10 percent in 2019. This was accompanied by a sharp decline in the incidence of multidimensional poverty, from 27.7 percent in 2005/06 to 16.4 percent in 2019/21. However, the pace of poverty reduction has slowed in recent years, with key welfare indicators being slow to improve. Despite a substantial social protection response from the GoI, the COVID-19 pandemic has likely reversed recent welfare gains, exposed vulnerabilities in the labor market, and posed new risks to welfare.
3. **To strengthen private sector and export-led growth the GoI is focusing on reforms to improve the business environment, trade facilitation¹, incentives for investment, and efficiency in the logistics sector.** Key trade barriers include low export diversification, high tariffs, inadequate logistics and export infrastructure and burdensome transport and trade regulations. India also faces high logistics costs (est. at 13.5 percent of GDP vs. 8 to 10 percent for advanced economies). Recognizing these, the GoI launched the National Logistics Policy (NLP) and connectivity and infrastructure improvement programs, offered Production-Linked Incentives (PLI) for private investments, introduced Goods and Services Tax (GST), proposed to streamline labor laws, and supported export value addition (e.g., food processing).
4. **West Bengal is the sixth largest subnational economy and the ninth largest exporter in India and has the potential to contribute more intensively to India's future growth due to its strategic location and rich human and natural resources.** To realize its economic potential, the Government of West Bengal (GoWB) is targeting export growth with the launch of new initiatives aimed at the diversification of its export basket and increasing value addition for ?. The state is well-positioned to act as a logistics hub and 'gateway to the East'. The state has an expansive riverine system that can be used for the transit of goods and is richly endowed with human and natural resources. West Bengal has a comparative advantage in handicrafts (including leather), agri-products (tea, mango, rice), engineering goods, iron, and steel as well as chemicals. Meanwhile, the state has yet to fully tap economic potential and has been lagging in export, Foreign Direct Investment (FDI), and industrialization, compared to other coastal states. The state is one of the largest exporters in the country and the main destinations for the state's exports are Bangladesh, the United Arab Emirates, Nepal, USA, China, Bhutan, and the European Union (totaling about 59 percent of its total exports). The Government of West Bengal is keen to improve the ease and efficiency of its logistics sector, to allow the state to integrate into textiles, apparel, and leather and chemicals value chains beyond these existing areas.

Sectoral (or multi-sectoral) and Institutional Context of the Program

5. **An insufficiently developed export business ecosystem and low diversification hinder export-oriented growth.** While exports form an integral part of West Bengal's growth model, there are key gaps that require urgent attention to promote exports in the state. The state underperforms in three crucial areas: trade support, transport and export

¹ Trade facilitation is defined as the simplification, modernization, and harmonization of export and import processes



infrastructure. The absence of district export promotion centers, quality and certification issues and information dissemination by the state's coordinating body leads to poor ranking on trade facilitation. Export infrastructure is constrained by the lack of available industrial land, smooth internet facilities, industrial corridors, clusters and parks. In addition, unequal connectivity, congested transport network, due to the low area covered by air cargo and dry ports, and high-power cost weakens the state's business ecosystem and trade competitiveness. The government is keen to address gaps in the existing policy framework (effectiveness of the state's export promotion policy and lack of district action plans) further lower the state's export performance.

6. Boosting exports hinges on the development of the logistics sector, which requires strengthening institutional capacity, improved service delivery and investment in infrastructure. West Bengal has launched a major drive to improve its infrastructure investments to boost the transport and logistics sector. However, only infrastructure creation is not enough. Operational and regulatory gaps, rather than physical assets, are responsible for the relatively poor performance of West Bengal. The main operational and regulatory impediments include weak enabling policies and institutions for logistics and high regulatory burdens. The quality of roads and warehouses and associated infrastructure such as unimodal terminal infrastructure are some identified bottlenecks to efficient logistics. West Bengal faces high freight rates and prices of terminal services, likely caused by unwarranted stoppages by regulatory agencies and roads congestion. Finally, an inadequately skilled workforce is seen as a major obstacle for private sector participation.

7. The GoWB has identified key impediments to export promotion and the development of its logistics sector and has proposed a comprehensive response to address these challenges. Key institutional and structural challenges that hamper export growth and measures to address them include investing in infrastructure, institutional support, policy environment, information dissemination and incentives. This is closely tied to constraints to the development of the logistics sector: (i) the lack of a centralized planning body; (ii) the lack of a coordinated policy focus; (iii) the absence of coordinated land use planning; (iv) the lack of adequately skilled workforce; (v) limited adoption of technological innovation; and (vi) legacy logistics facilities and infrastructure. To address them it has put forward a comprehensive program of reforms and investments which will transform the sector and strengthen the state's development potential.

8. The priorities and planned interventions of the GoWB are aligned with central government flagship programs². To increase logistics efficiency, reduce logistics costs and encourage an environmentally sustainable logistics sector the GoWB has established a cross-sectoral institutional framework for the development of its logistics sector A state-level Logistic Development Policy is under preparation and will be complemented by a state-level master plan that will help identify the most impactful investments to facilitate multimodality and improve the quality of logistics services. Also, to reform the road transport sector, which accounts for most of the goods movement across India, the GoWB has proposed a new Warehousing Policy that will set the roadmap for the development of modern warehouses and the transformation of old ones. In 2022, the GoWB launched a new Agriculture Export Policy to reinvigorate the entire agriculture value chain from export-oriented farm production and processing, to transportation, infrastructure and market access. The government is now working on a new Export Promotion Policy to expand, diversify and strengthen the exports from the state. Finally, the GoWB prioritizes increasing employability and address skills shortages in the sector, particularly for women.

Relationship to SCD/CPF

9. The proposed operation is fully aligned with the India Systematic Country Diagnosis (SCD) and the Country Partnership Framework (CPF) FY18-22. The SCD and CPF endorse enhancing competitiveness and enabling job creation, including through enhanced logistic sector performance as critical. Strengthening public sector institutions is identified as an enabler to achieve CPF objectives. Specifically, objective 2.3 of the CPF is to improve connectivity and logistics. According to the CPF, this will be achieved through support to transport, integrated multi-modal transport, and logistics supply chain infrastructure. The CPF highlights the importance of supporting improvements in institutional frameworks

² These initiatives are aligned with central-level initiatives i.e., the NLP, the GatiShakti National Master Plan (NMP), and trade facilitation



and capabilities to improve logistics performance including enhancing coordination of infrastructure investment, policy reforms and cross-sectoral dialogue as well as improved investment decisions. The proposed operation aims to leverage logistics policies in the state and targeted soft infrastructure to improve competitiveness and boost export. The proposed operation will address barriers for the private sector to engage in logistics and trade, facilitate coordination and access to quality logistics services, and contribute to market-relevant skills development. It will also integrate two cross-cutting priorities of the CPF - climate change and gender outcomes—into logistics-related policy interventions.

Rationale for Bank Engagement and Choice of Financing Instrument

10. **The proposed Program relates directly to the World Bank Group (WBG) strategy for a resilient recovery from COVID-19 and provides critical support to a state facing significant challenges in its logistics sector.** The proposed Program is fully aligned with the World Bank's country partnership framework strategy given its thrust on improved institutions, infrastructure and services for a more efficient and sustainable logistics sector, critical to promote trade and investments, which in turn will promote jobs and growth.

11. **The WBG is a leader in connectivity, logistics performance evaluation, and trade facilitation.** It is well placed to support the GoWB to undertake logistics policy and regulatory reforms due to its global experience and knowledge. The proposed program will build on the experience gathered from the ongoing World Bank Railways logistics project, Inland Waterways Transport projects in India and Bangladesh, and the technical assistance to logistics sector development in Gujarat, Tamil Nadu, Assam and Kerala. The program will also build on the India Trade Facilitation Support Advisory Services and Analytics (ASA) and utilize the findings of non-tariff barriers analytics carried out under the Accelerating Transport and Trade Connectivity ASA in Eastern South Asia. The program will ensure continued learning from best practices and shared expertise.

12. **The Program supports West Bengal, but its benefits will extend beyond the state's borders and even support regional connectivity.** The Kolkata and Haldia ports of West Bengal primarily handle export and import for the state, with 66 percent of total imports and 69 percent of total exports originating in West Bengal (World Bank, 2018) and are playing a crucial role in India's pursuit for increased trade with other Asian countries and European Union markets. The state also serves as the hub for connectivity to the vast hinterland of north India, the Northeast States, and is the main exit/entry port for Nepal and Bangladesh. Efficient logistics planning and movement in West Bengal will facilitate better access to the ports for its hinterland with benefits both in terms of lower transport costs and improved transit times.

C. Program Development Objective(s) (PDO) and PDO Level Results Indicators

Program Development Objective(s)

13. The Program Development Objective (PDO) is to enhance logistics efficiency and trade facilitation in West Bengal.

PDO Level Results Indicators

14. **PDO level results indicators (tentatively) will include the following:**

- Number of days to convert land for logistics infrastructure reduced
- Logistics Council for enhanced coordination created
- Percentage reduction in the waiting time for trucks at international borders
- Enhanced trade facilitation (to be defined)
- Improved outcomes for agriculture trade (to be defined)

D. Program Description

PforR Program Boundary

15. **The GoWB multi-sector program aims to address identified logistics, trade facilitation and export weaknesses by focusing on policy and regulations, institutional capacity, infrastructure availability, service delivery, skills, changing technology, and importantly, evolving private sector needs and preferences.** The West Bengal Logistics Sector



Development Policy and Export Promotion Policy—due to be launched in early-2023—will form basis for the over-all government program. The former focuses on the creation of essential institutions, strengthening existing systems, and piloting innovative solutions to create the appropriate environment for logistics and export development. In addition, the Export Promotion Policy (2022) articulates the GoWB's aim to establish the state as the 'Global Trading Hub of India' by doubling the state's share in India's total annual exports in 2022-32. This will require upgrades in infrastructure through investment in roads, bridges, multimodal logistics parks, support infrastructure through freight villages and first- and last-mile connectivity. In addition, the state's program supports better use of both logistics and export infrastructure, such as warehouses and cold storage. In addition, the Program will bring about key changes in land by reducing time to convert and mutate land use and ownership. This is a critical cross-cutting intervention impacting all public sector departments. GoWB's program will be implemented over a period of nine years (2018-27) with a total estimated government budget of US\$800 million. The geographical coverage of the GoWB program is the State of West Bengal. The program is managed by the Department of Industries, Commerce and Enterprises (IC&E). Financing resources are pooled from Central Government Schemes such as the 2020 PM GatiShakti NMP and state-level schemes.

PforR program

16. **The proposed PforR ('P', the Program) will support a subset of the GoWB's plan to boost its exports and facilitate integration in global value chains (GVCs) through improved ease and efficiency of the logistics sector.** The Program is structured around two pillars: i) Strengthening logistics and export capabilities with focus on institutions, data for decisions-making and skills; and ii) Improving cost efficiency and reliability of logistics and export services. The Program boundaries are:

- **Services:** The Program will cover selected services under the Government program including logistics and export services, improved institutional framework and optimized use of infrastructure.
- **Duration:** The Program will be implemented over a four (4) year period (2022-2027)
- **Financing:** The total Program budget is proposed as US\$235 million, with US\$150 million from the World Bank and US\$85 million as counterpart funding from GoWB
- **Geographical coverage:** The State of West Bengal
- **Implementation responsibility:** The Program will be managed by the West Bengal Department of IC&E. Other departments i.e. Department of Finance, Agri-marketing, Transport, Land and Land Reforms (LLR) will implement it.

17. **Program Result Areas (RA).** The Program will support two RAs that will contribute towards the achievement of the Government program. A total of seven DLIs have been identified covering processes, outputs, and outcomes reflecting different phases of program implementation. The overall scope of the Program and DLIs will be finalized prior to appraisal. A verification protocol will be developed, and verification arrangements agreed with the GoWB. A brief description of Program activities, indicative DLIs, and associated actions from the broader GoWB program are presented in table 1.

Table 1: Program Results Areas

RA1: Strengthened institutions, enhanced infrastructure & improved skills for logistics efficiency & export facilitation	
Indicative DLIs	Associated Government Program
• DLI 1: GoWB established a logistics sector policy framework, adopted green norms and improved skills	Draft Logistics Sector Development Policy (2022)
• DLI 2.1: Modernized, better utilized & energy efficient warehouses	Draft Export Promotion Policy (2022)
• DLI 2.2: Green cold storage management improved	West Bengal Incentive Scheme 2020 for Approved Industrial Park for MSMEs (SAIP Scheme, 2020)
• DLI 3: Export facilitation infrastructure upgraded	Export Promotion Policy of West Bengal (2022)
•	West Bengal Logistics Park Development & Promotion Policy (2018)
	West Bengal Agriculture Export Policy (AEP, 2022), District Export Action Plans (2022)
	West Bengal MSME-Technical Education scheme

RA2: Improved services for logistics to boost exports



Indicative DLIs	Associated Government Program
• DLI 4: GoWB has improved access & reduced transaction cost of land for logistics	Digital Indian Land Records Modernization Program Ease of Doing Business mandate: process simplification
• DLI 5: Time spent on inspection, certification & registration for logistics service providers & agri exporters reduced	West Bengal AEP (2022), District Export Action Plans
• DLI 6: Costs reduced due to adoption of digital solutions for border management	Online truck slot-booking pilot "Suvidha" – Vehicles Facilitation System at Petrapol-Benapol border (2022)

E. Initial Environmental and Social Screening

18. **The World Bank will conduct an Environment and Social Systems Assessment (ESSA) to adhere to the World Bank Policy, Directive, and Guidance for ESSA during project preparation.** The ESSA will be prepared in collaboration with the GoWB to evaluate the Borrower's system to manage E&S risks and their acceptability. The activities that can have significant adverse impacts, or are sensitive, diverse, or unprecedented on the environment or people will be excluded. The ESSA will include a list of the activities. Following stakeholder consultations, the draft ESSA will be disclosed at the appraisal stage. The concept stage assessment suggests that the investments in infrastructure upgrades and improved infrastructure use under the proposed Program relate largely to the upgrading of existing facilities and will not require any land acquisition. The ESSA will further assess the need for any additional land and recommend corresponding measures for managing the Environmental and Social (E&S) risks. However, it is also anticipated that most of the planned infrastructure or facilities in the government's program will be located in otherwise densely populated areas, and therefore impacts on ecological resources such as protected areas would be minimal. The Bank-financed interventions aimed at increased utilization of warehousing capacities, improvement and greening of the cold storages, promotion of green/renewable sources of power, increased use of digital services and platforms to reduce congestion in important trade routes are intended to improve the government's overall Program. The proposed state-wide logistics master plan has the opportunity to mainstream environmentally sustainable best practices in the planning, implementation and operation of the proposed improvements/augmentation of the planned industrial hubs, warehouses, terminals, cold storages, or establishment of the new logistics parks, transportation hub or transport corridors – and eventually lower the environmental risks of the program. During preparation, the exact nature, scope and impacts of the likely social and environmental risks of the program will be assessed in greater detail. Based on the preliminary screening at the concept stage, the overall risk rating for E&S aspects of the Program is assessed to be Substantial, to be further ascertained by the ESSA. The ESSA will assess the implementing agencies' systems, processes and capacities to identify, mitigate and manage the various E&S risks related to the program. It will recommend measures for E&S risk screening to exclude any high or substantial E&S risk activities from the Bank's financing. If and as required, the ESSA will also recommend measures to strengthen the borrower's systems, processes and capacities for mitigation and management of relevant E&S risks of the larger government program to ensure that E&S risks are managed as per the requirements of national laws and international standards.

19. **The potential risks due to hazards resulting from climate change are low for the proposed program.** Any risks will be mitigated by: (a) enhancing the design/specifications for facilities/warehouses, and (b) carrying out periodic audits of facilities maintenance, and facility level DRM readiness. The digitization of procedures will help protect against the loss of data due to climate-induced incidents. Strategies for mitigating impact on the logistics sector due to climate change and streamlining climate change readiness and DRM readiness in design of new infrastructure and for upgrade of existing infrastructure will improve logistics sector resilience. Therefore, the overall climate risk to the expected operation outcomes is 'No/Low'. Many of the warehouses and cold storage facilities are expected to be upgraded to use green power sources.



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