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Report No: PAD4243

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROGRAM APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF

US$500 MILLION

TO

INDIA

FOR A

RAISING AND ACCELERATING MICRO, SMALL AND MEDIUM ENTERPRISE PERFORMANCE PROGRAM-FOR-RESULTS

May 13, 2021

{Finance, Competitiveness And Innovation Global Practice}
{South Asia Region}

CURRENCY EQUIVALENTS

(Exchange Rate Effective January 18, 2021)

Currency Unit =	India Rupee (INR)
INR73.26 =	US$1

FISCAL YEAR
April 1 – March 31

Regional Vice President:	Hartwig Schafer
Regional Director:	Zoubida Kherous Allaoua
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ABBREVIATIONS AND ACRONYMS

ACG	Anti-Corruption Guidelines
BDS	Business Development Services
C&AG	Comptroller and Auditor General of India
CCA	Chief Controller of Accounts
CERSAI	Central Registry of Securitization Asset Reconstruction and Security Interest of India
CG	Central Government
CGA	Controller General of Accounts
CGTMSE	Credit Guarantee Trust for Micro and Small Enterprises
CLCSTUS	Credit Linked Capital Subsidy and Technology Upgradation
CPF	Country Partnership Framework
CPSE	Central Public Sector Enterprises
CSO	Civil Society Organizations
CS	Central Sector Schemes
CSS	Centrally Sponsored Schemes
CVC	Central Vigilance Commission
DBT	Direct Benefit Transfer
DC	Development Commissioner
DDG	Detailed Demand for Grants
DDO	Drawing and Disbursement Officer
DEA	Department of Economic Affairs
DFS	Department of Financial Services
DIC	District Industries Center
DLI	Disbursement Linked Indicator
DLR	Disbursement Linked Results
DPL	Development Policy Loan
DoI	Departments of Industries
DoM	Departments of MSMEs
DPE	Department of Public Enterprises
E&S	Environmental and Social
EAT	Expenditure, Advance, Transfer
EIS	Employee Information System
EoDB	Ease of Doing Business
ESSA	Environmental and Social Systems Assessment
GDP	Gross Domestic Product
GoI	Government of India
GRS	Grievance Redress Service
IA	Implementation Agent
IFSA	Integrated Fiduciary Systems Assessment
IndEA	India Enterprise Architecture
INMDP	Integrated National MSME Digital Portal
IP	Implementing Partner
IPCC	International Panel on Climate Change
IPF	Investment Project Financing
IPR	Intellectual Property Rights for MSME
IVA	Independent Verification Agency
KPI	Key Performance Indicators
Lean	Lean Manufacturing Competitiveness

M&E	Monitoring and Evaluation
MCRRP	MSME competitiveness – A post COVID Resilience and Recovery Programme
MDA	Ministries, Department and Agencies
MEA	Monthly Expenditure Plan
MoF	Ministry of Finance
MoMSME	Ministry of Micro, Small and Medium Enterprise
MoU	Memorandum of Understanding
MSEFC	Micro and Small Enterprises Facilitation Councils
MSME	Micro, Small and Medium Enterprise
NBFC	Non-Bank Financing Companies
NEGD	National e-Governance Division
NMIU	National Monitoring and Implementation Unit
NPIU	National Program Implementation Unit
ODR	Online Dispute Resolution
PDO	Project Development Objectives
PforR	Program for Results
PFMS	Public Financial Management System
PIM	Program Implementation Manual
PrAO	Principal Accounts Office
PSC	Program Steering Committee
QCI	Quality Council of India
QEA	Quarterly Expenditure Allocation
RA	Results Area
RAMP	Raising and Accelerating MSME Performance
RECP	Resource Efficiency and Cleaner Production
RBI	Reserve Bank of India
SO	Sanctions Order
SPIU	State Program Implementation Unit
SCD	Systematic Country Diagnostic
SFB	Small Finance Bank
SID	State Industry Department
SIDBI	Small Industries Development Bank of India
SIP	Strategic Investment Plan
TFP	Total Factor Productivity
ToC	Theory of Change
TReDS	Trade Receivables Discounting System
UC	Utilization Certificates
ZED	Zero Defect Zero Effect

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
India	Raising and Accelerating MSME Performance	
Project ID	Financing Instrument	Does this operation have an IPF component?
P172226	Program-for-Results Financing	No

Financing & Implementation Modalities

[ ] Multiphase Programmatic Approach (MPA)	[ ] Fragile State(s)
[ ] Contingent Emergency Response Component (CERC)	[ ] Fragile within a non-fragile Country
[ ] Small State(s)	[ ] Conflict
[ ] Alternate Procurement Arrangements (APA)	[ ] Responding to Natural or Man-made Disaster
[ ] Hands-on Enhanced Implementation Support (HEIS)	

Expected Project Approval Date	Expected Closing Date
04-Jun-2021	30-Sep-2026
Bank/IFC Collaboration	Joint Level
Yes	Historical Project/Activity implemented in sequence with an IFC activity(Loan/Credit/Guarantee/AAA)

Proposed Program Development Objective(s)

Strengthen MSME performance through sustainable and innovative market-based services at Central level and in selected States.

Organizations

Borrower :	India
Implementing Agency :	Ministry of Micro, Small and Medium Enterprises

Contact:	Bidyut Bihari Swain
Title:	Secretary
Telephone No:	23062107
Email:	secretary-msme@nic.in

COST & FINANCING

SUMMARY

Government program Cost	3,400.00
Total Operation Cost	808.00
Total Program Cost	808.00
Total Financing	808.00
Financing Gap	0.00

Financing (USD Millions)

Counterpart Funding	**308.00**
Borrower/Recipient	308.00
International Bank for Reconstruction and Development (IBRD)	**500.00**

Expected Disbursements (USD Millions)

Fiscal Year	2021	2022	2023	2024	2025	2026	2027
Absolute	0.00	65.00	58.90	95.40	127.50	153.20	0.00
Cumulative	0.00	65.00	123.90	219.30	346.80	500.00	500.00

INSTITUTIONAL DATA

Practice Area (Lead)

Finance, Competitiveness and Innovation

Contributing Practice Areas

Climate Change, Digital Development, Environment, Natural Resources & the Blue Economy, Gender

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Moderate
8. Stakeholders	Moderate
9. Other	
10. Overall	Substantial

COMPLIANCE

Policy

Does the program depart from the CPF in content or in other significant respects?

[ ] Yes [✔] No

Does the program require any waivers of Bank policies?

[ ] Yes [✔] No

Legal Operational Policies

	Triggered
Projects on International Waterways OP/BP 7.50	No
Projects in Disputed Areas OP/BP 7.60	No

Legal Covenants

Sections and Description
Program Steering Committee approval by effectiveness of: (i) the RAMP Program Implementation Manual; (ii) Strategic Investment Plan TORs.

Sections and Description
Establishment of the National and five State-level Program Implementation Units within 3 months of effectiveness.

Sections and Description
Program Steering Committee approval of the RAMP Environmental and Social Safeguards Strategy within 6 months of effectiveness.

Conditions

I. STRATEGIC CONTEXT

A. Country Context

1. **India's Gross Domestic Product (GDP) growth has slowed in the past three years, and the COVID-19 outbreak is expected to have a significant impact.** Growth has moderated from an average of 7.4 percent over FY15/16-FY18/19 to an estimated 4.0 percent in FY19/20. The slowdown was caused by a decline in private consumption growth and shocks to the financial sector. Against this backdrop, the outbreak of COVID-19 has had a significant impact. Growth is estimated to have contracted in FY20/21. On the fiscal side, the general government deficit widened in FY20/21, owing to higher spending and mostly low revenues**.** Going forward, as per the latest projections of the Government of India (GoI), growth is expected to be above 10 percent, which is the mid-point of the World Bank's recent projection range of 7.5 to 12.5 percent. Expected recovery will put India among the world's fastest-growing economies.

2. **Although India has made remarkable progress in reducing absolute poverty in recent years, the COVID-19 outbreak has reversed the course of poverty reduction.** Between 2011-12 and 2017, India's poverty rate is estimated to have declined from 22.5 percent to values ranging from 8.1 to 11.3 percent. However, recent projections of GDP per capita growth, taking into account the impact of the pandemic, suggest that poverty rates in 2020 have likely reverted to estimated levels in 2016[1]. Labor market indicators from high frequency surveys -including from the Centre for Monitoring Indian Economy (CMIE)- suggest that vulnerability has increased, particularly for urban households. Overall, the pandemic and its economic impacts are estimated to have raised urban poverty, creating a set of "new poor" that are relatively more likely to be engaged in the non-farm sector and to have received at least secondary education.

B. Sectoral (or Multi-Sectoral) and Institutional Context

3. **India has made substantial progress in improving overall economic outcomes, but productivity levels are still relatively low.** Labor productivity in India's industry sector is between 41 and 76 percent of the productivity of the BRICs countries – Brazil, Russia, China, and South Africa. The productivity gap is smaller in the services sector. The productivity of the services sector is between 72 and 105 percent of the productivity of the other BRICs economies.[2]

4. **In addition to the systematic challenges to equitable growth, poverty reduction and climate change vulnerabilities, the economic repercussions from COVID-19 are being seen in the industry and services sectors in India.** Given the consequent economic fallout, India will need to intensify efforts to support Micro, Small and Medium Enterprises (MSMEs) to raise productivity levels, generate jobs and accelerate economic transformation. Enhancing MSME productivity is key to job creation and remains an urgent national economic priority for the Government of India (GoI)[3]. These challenges have been exacerbated by the pandemic. An online survey indicated that 35 percent of MSMEs reported that their enterprises were beyond recovery while 32 per cent said recovery would take over six months[4].

5. **Short term measures to provide immediate relief to MSMEs in the pandemic will need to be followed by**

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[1] To address this, the Government of India has deployed significant resources toward social assistance, including towards urban households and and migrants.

[2] Labor productivity is the value added per worker in PPP terms in 2016; Calculations from Huria, Manghnani, Saez and van der Marel 2019. "India Services Competitiveness Performance". World Bank

[3] GoI 2019. "Economic Survey of India"

[4] See "One in three small businesses close to winding up, says survey", Indian Express, June 2020, *https://indianexpress.com/article/business/coronavirus-lockdown-msme-businesses-winding-up-6438024/*. The findings of the survey are echoed in the IFC COVID-19 Business Pulse Survey, May-June 2020

interventions to support recovery and build resilience of the MSME sector. In May 2020, the Government announced the "Atmanirbhar Bharat" economic package of INR 20 trillion to fight the COVID-19 pandemic. Relief measures for MSMEs include Emergency Credit Line Guarantee Scheme (INR 3 trillion; USD 40 billion) where MSMEs can access a credit line of 20 percent of outstanding credit, which will be 100 percent credit guaranteed; provision of subordinate debt to promotors of stressed MSMEs (INR 200 billion; USD 2.7 billion); and a Fund of Funds to provide equity financing for MSMEs with growth potential (corpus of INR 100 billion; USD 1.3 billion). While these measures provide needed liquidity support to MSMEs as an immediate response, the recovery phase will require a focus on returning firms to pre-crisis production/employment levels, as well as lay the foundations for longer-term productivity-driven growth.

6. **The firm landscape in India is dominated by small firms who do not grow with age.** Around 94.6 percent of firms have less than 5 workers.[5] India's stunted firm dynamics is a highlighted in the India Systematic Country Diagnostic (SCD).[6] Global experience suggests that in the absence of distortions, firms grow with age. This happens because less productive firms shrink and exit the market while the surviving firms grow more productive and increase in size over time. However, the average number of employees for a 40-year-old Indian plant is almost the same as for its five-year-old counterpart.[7] These skewed patterns of growth impose huge productivity costs.[8]

7. **The challenges facing MSME policy interventions and initiatives fall broadly into three categories.** These are: (i) addressing market failures that underpin the limited numbers of MSMEs accessing services that support productivity and growth; (ii) achieving the level of outreach and broader impact from programs to support systemic change to MSME sector productivity – including closing gender gaps impacting women-headed businesses and promoting more environmentally sustainable investments; (iii) improving Center and State capacity and coordination arrangements to develop and implement impactful and cost-effective policies and programs.

8. **Firm upgrading requires businesses to develop and adopt new management practices, explore new markets, and innovate new products, processes, and technologies.** A quarter of cross-country and within-country total factor productivity gaps can be accounted for by management practices[9], with the average management scores of Indian firms lagging behind other emerging economies such as Brazil, Argentina, Turkey, and China.[10] Firms often do not implement best practices because of lack of knowledge, and the uncertainty as to the returns from such investments. Well-functioning Business Development Service (BDS) markets can boost the private sector role in service delivery and government support can contribute to this goal by promoting: (i) market-accepted BDS provider certification; and (ii) addressing information failures that hinder uptake of such services. However, related GoI schemes are small in scale, run in isolation and not integrated with state level interventions. Also, the services sector is not under the scope of these schemes despite accounting for 74.4 percent of non-agricultural enterprises in India.[11]

9. **Access to MSME finance is another critical area where information failures provide a case for public intervention.** The credit gap in the MSME sector is estimated to be INR 25.8 trillion.[12] Over 40 percent of MSMEs lack

[5] Furthermore, 99 percent of the firms have less than 10 workers – Calculations from Sixth Economic Census (2012-13)

[6] World Bank. 2018. "India - Systematic Country Diagnostic: Realizing the Promise of Prosperity." Washington, D.C.

[7] In United States firm employment grows eightfold over 40 years. A 35-year-old plant is 9.3 times more productive than a 5-year-old plant but only 1.5 times higher in India. See Hsieh and Klenow. 2014. "The Life-Cycle of Plants in India and Mexico", Quarterly Journal of Economics

[8] In aggregate terms, only 33 percent of the current gap in output per worker between India and the United States is accounted for by the gap in their human and physical capital levels; the rest is due to the difference in their "total factor productivity" (TFP) levels. See C.I. Jones, Chapter 1 - The Facts of Economic Growth, Editor(s): John B. Taylor, Harald Uhlig, Handbook of Macroeconomics, Elsevier, Volume 2, 2016, Pages 3-69

[9] Bloom, Nicholas, Renata Lemos, Raffaella Sadun, Daniela Scur, and John Van Reenen. "The New Empirical Economics of Management." Journal of the European Economic Association 12, no. 4 (August 2014): 835–876

[10] Bloom, Nicholas and Sadun, Raffaella and Van Reenen, John Michael, Management as a Technology? (October 8, 2017). Harvard Business School Strategy Unit WP No. 16-133; Stanford University Graduate School of Business Research Paper No. 16-27. *https://worldmanagementsurvey.org/*

[11] Half of the service enterprises are engaged in trade. Calculations from Sixth Economic Census (2012-13), GoI

[12] IFC 2018, Financing India's MSMEs: Estimation of Debt Requirement of MSMEs in India

access to formal sources of finance.[13] Financial institutions consider lending to MSMEs risky due to the lack of adequate collateral and information asymmetries to assessing credit worthiness. Moreover, traditional credit underwriting by banks is not geared towards reaching the MSME sector. The primary formal lenders to MSMEs are Non-Bank Financing Companies (NBFCs), who are themselves facing severe credit and liquidity shortages. The Government plays a key role in de-risking credit and other financial services for private sector lenders, with the goal of attracting more private sector financing, and decreasing the reliance on subsidized, market-distorting schemes.

10. **Problems of delayed payments are primarily due to MSME lower bargaining power. This adversely affects their working capital requirements, and hence operational efficiency and viability.** Reports suggest between INR 3.3 to 5 trillion of MSME funds are stuck with larger enterprises (both private and public) in the form of receivables.[14] The average debtor days has been over 90 days for the past two decades.[15] The current dispute resolution process through the Micro and Small Enterprises Facilitation Councils (MSEFCs) has limitations that impede effectiveness. Digital financial services, including invoice discounting and factoring, can help close the MSME financing gap and tackle the issue of delayed payments. The Reserve Bank of India (RBI) introduced Trade Receivables Discounting System (TReDS), an online platform for facilitating the financing of trade receivables of MSMEs in 2014. Central Public Sector Enterprises (CPSEs) and corporates with turnover over INR 5 billion are required to onboard on TReDS. However, buyers are reluctant to participate and there are restrictions on which NBFCs are allowed as TReDS factors. Consequently, the TReDS utilization remains low in terms of transactions volumes and the number of buyers, sellers, and financiers on the platform.[16] These design and operational weaknesses limits a larger scale-up of financing volumes to MSMEs through the TREDS platform.

11. **Women-headed MSMEs in India face additional constraints.** Data from the World Bank Enterprise surveys on firms employing at least five workers reveals that only 10.7 percent of the firms in India have female participation in ownership compared to an average of 18.4 percent for all South Asian economies and a global average of 35.8 percent. Only 15.4 percent of proprietary establishments in India are owned by women. These enterprises are smaller in size than the average firm.[17] There are significant gender disparities in access to finance, business networks, skills, and technology. Estimates on lending from public sector banks indicate that of the total credit outstanding to micro and small enterprises, only 5.2 percent was to women-owned enterprises.[18] Women entrepreneurs avoid loan applications due to complicated documentation requirements and are often not aware of targeted initiatives[19] such as lower interest rates, women-staffed bank branches and government schemes[20]. The Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE) offers partial credit guarantee coverage to micro and small enterprises. Women entrepreneurs accounted for only 15 percent of the number and 12 percent of the volume of guarantees approved in 2019-20. Moreover, gender disaggregated data on scheme use and outcomes is not readily available.

12. **Scalability, particularly in the COVID-19 era, is a further frontier for action.** There are over 58 million enterprises in India - mostly MSMEs.[21] Given the magnitude and geographical spread across the country, direct interventions can be prohibitively costly. The Ministry of Micro, Small and Medium Enterprises (MoMSME) has several portals including the Champions Portal, Udyam Registration, Samadhaan Portal (delayed payments resolution), ZED portal etc., in addition to

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[13] https://www.smefinanceforum.org/sites/default/files/Data%20Sites%20downloads/MSME%20Report.pdf

[14] *https://www.livemint.com/companies/news/with-rs5-lakh-crore-in-outstanding-dues-msmes-struggle-to-stay-afloat-11591882374803.html; https://www.brickworkratings.com/Research/BWR_MSME%20note.pdf (*Brickwork Ratings Research Note)

[15] RBI, June 2019, The Report of the 'Expert Committee on Micro, Small and Medium Enterprises'

[16] As of February 2020, 8,211 MSME sellers were registered but only 1,530 buyers were participating on the platforms. As on August 2020, more than 100 CPSEs were not registered on TReDS, and only 32 CPSEs had made at least one transaction on TReDS since 2017. *https://economictimes.indiatimes.com/markets/stocks/news/most-cpses-yet-to-use-treds-to-pay-vendors/articleshow/77479526.cms?from=mdr*

[17] Average employment per establishment of a woman entrepreneur was 1.67 compared to an overall overage of 2.24, Sixth Economic Census, GoI

[18] IFC 2019, Financial Inclusion for Woman-Owned Micro, Small & Medium Enterprises (MSMEs) in India

[19] Efficiency of Bank Loans for Women Entrepreneurs in the MSME sector in India, 2015; GIZ and SIDBI

[20] Indicated by key informant interviews in a study by the ICRW. See ICRW, 2014, Gender Issues in MSME Sector in India

[21] As per the Sixth Economic Census, GoI

portals such as Udyami Mitra Portal (technical service provision for credit access) of Small Industries Development Bank of India (SIDBI). States also have their own portals. The services provided through these portals are disjointed and inconvenient for the end user, resulting in low usage. There is substantial potential to develop these technology-based networks and platforms to scale up delivery of support services to MSMEs in a cost-effective manner.

13. **Climate and disaster shocks can significantly impact MSMEs in both product and factor markets and harm the livelihoods of many who rely on MSMEs for their income.** Low MSME awareness of climate change related risks - including both gradual changes like temperature rises and the more immediate impacts of frequent disasters - put MSMEs at risk of income and asset loss, and they are often not equipped to absorb the economic effects of resultant losses.[22] Direct impacts of climate change affect physical assets while indirect impacts affect business operations through changes in the: (i) regulatory environment and market conditions; (ii) prices and availability of inputs and financing; and (iii) effects on stakeholders. Inefficient use of resources - particularly water and energy - reduces competitiveness and the capacity to adjust to climate-change related pricing shocks of these inputs. The lack of waste management in the sector is another key challenge. Hazardous waste is generally dumped on land or discharged untreated into water bodies. This is a large source of pollution and health hazards and leads to water resource depletion. There is scope to better integrate and scale up resource efficiency and cleaner production (RECP) systems in the MSME sector. The adaptation and mitigation actions are detailed out in Annex 9.

14. **Addressing these challenges is complicated by the sector's institutional and Center-State context.** At the Central Government (CG) level, MSME policies and programs are fragmented across Ministries, Departments and Agencies (MDAs). This includes the MoMSME and the Ministries of: (i) Finance (MoF); (ii) Commerce and Industry; (iii) Food Processing; (iv) Textiles; (v) Chemicals and Fertilizers; (vi) Communication and Information Technology: and (vii) Skill Development and Entrepreneurship, plus key players such as the RBI and the SIDBI. There are also myriad state-level initiatives. Major drivers of MSME competitiveness, growth and sustainability fall under the State and Concurrent list of the Indian Constitution, putting it mainly within the purview of states.

15. **There is a need for "convergence" of policies, programs, and schemes.** There is limited coordination within the MoMSME, across MDAs and with state level partners in the design and implementation of interventions. This poses challenges in moving from what is currently a "schemes-based" approach to a "systems-based" approach to government support to the MSME sector. This would entail a sector strategy that takes public interventions out of their silos and the consequent duplications and diluted impacts this causes, to one that is integrated and leveraged and has impacts that are greater than the sum of its parts. To this end, the MoMSME, as the nodal CG ministry for the sector, needs to be empowered to take on a greater sector leadership role. This will require the MoMSME to be at the helm of strengthened: (i) CG level and CG-State coordination mechanisms; and (ii) capacity to undertake evidence-based policy and program design and implementation, supported by a strong monitoring and evaluation (M&E) architecture.

16. **States vary substantially in the numbers and geographical concentration of MSMEs, their size distribution and industry profile, the business environment and the availability of complementary inputs and infrastructure**. A national MSME support program will need to partner with states to respond to this heterogeneity. However, current Center and State MSME support programs and interventions are not integrated. The major national schemes are implemented as Central Sector Schemes (CS), directly financed and implemented by the GoI. Outreach of the CG schemes focusing on competitiveness is low, with State schemes and portals having a relatively higher outreach. A comprehensive approach to improve MSME sector productivity - which is a medium to long-run challenge - requires a more integrated approach, linking policy, legislative, institutional and program reforms executed at both Center and State levels.

[22] https://www.gpfi.org/sites/gpfi/files/documents/08%20GPFI%20-%20Policy%20Paper%20Climate%20smart%20financing%20for%20rural%20MSMEs_0.pdf

C. Relationship to the CPS/CPF and Rationale for Use of Instrument

17. **The RAMP Program is fully aligned with the World Bank Group's Country Partnership Framework for India (CPF) FY18-22**[23], **which identifies 'Enhancing Competitiveness and Enabling Jobs Creation' as one of the three focus areas**. The CPF highlights the need to "partner with central and state agencies responsible for the development of firm capabilities to improve the institutional setup promoting start-ups, technology, innovation, quality standards, and managerial skills development". Emphasis is also given to setting up good regulatory practices, addressing market barriers to firm development and fostering 'Resource Efficient Growth'. The CPF emphasizes leveraging the private sector, engaging a federal India, and strengthening public sector institutions as three of its four operating modalities. These CPF focus areas are reflected in the design of the RAMP Program, where: (i) activities are supported at the CG and state levels; (ii) institution-strengthening is the key focus; and (ii) leveraging the private sector, addressing gender gaps and promoting "resource efficient growth" are cross cutting themes.

18. **The Program supports the economic recovery efforts from the COVID-19 pandemic.** The World Bank program in India has been adjusted to respond to the pandemic (refer to Annex 1)**.** The three stages of support include - relief, restructuring and resilient recovery across four thematic pillars – (i) saving lives threatened by the virus; (ii) protecting poor and vulnerable people from the impact of the economic and social crisis triggered by the pandemic; (iii) saving livelihoods, preserving jobs, and ensuring more sustainable business growth and job creation and (iv) strengthening policies, institutions and investments for resilient, inclusive and sustainable recovery. The Program - with its institutional development and market reform focus - supports the resilient recovery stage of pillar three and complements the "*Second Accelerating India´s COVID Social Protection Response"*, which provides coordinated and adequate social protection to the poor and vulnerable from the shocks triggered by the COVID-19 pandemic.

19. **The Program is part of a comprehensive set of new interventions to be delivered by the World Bank and the International Finance Corporation (IFC) to support India's MSMEs.** Building on its analytical and advisory engagement, World Bank support encompasses risk mitigation instruments, technical solutions for MSMEs and regulatory reforms. IFC brings a substantial MSME portfolio and a network of over 70 financial institutions and decades of success as a leading MSME financier in India, both in terms of financial mobilization and impact. Under this new phase of WBG engagement, the RAMP is the second of three joint interventions. The WB is delivering US$1.25 billion in lending to support MSMEs - including the recently approved US$750 million "*MSME Emergency Response*" Development Policy Operation (DPO). The IFC and the WB will also support the GoI to develop a robust ecosystem for MSME financing including to potentially invest in a Development Finance Institution to house a Special Purpose Vehicle and become a market catalyst for MSME financing by providing multiple financing instruments (loans, guarantees, etc.) mostly to NBFCs and Small Finance Banks (SFBs). In addition, the IFC will continue to provide direct support to banks, SFBs and NBFCs via loans/equity/risk sharing structures as well as through targeted advisory to drive greater flow of funds to MSMEs with a focus on gender, climate and low-income states. These interventions require policy actions and regulatory reforms, some of which are being supported through the DPO and the RAMP initiative.[24] As a package, these interventions address structural reforms to increase MSME productivity and financing in the economic recovery phase, crowding in private sector financing in the medium term, and tackling long-standing financial sector issues that are holding back the growth of the real sector**.** As the WBG strategy is multi-phased, other financing schemes, as well as important institutional capacity building measures in digital finance, are being explored for the forthcoming phases.

20. **WBG Value Addition:** There is a considerable body of MSME development lessons learned within the World Bank Group which will enable it to support the GoI MSME agenda through a programmatic approach grounded in global best

[23] Report No. 126667-IN, July 25th, 2018 discussed by the Board on September 18th, 2018.

[24] More reforms may be needed, for example in the Insolvency & Bankruptcy Code or to improve the regulatory framework of NBFCs.

practices. This agenda entails a move from a centralized public-sector supply-driven MSME support architecture to a state-led, demand-driven program strengthening markets for provision of MSME support services. The RAMP Program builds on recent WBG advisory and technical inputs, including to: (i) the RBI Expert Committee on MSME-sector reforms (henceforth "Expert Committee"); (ii) the Department of Promotion of Industry and Internal Trade to improve "Doing Business" at central and state levels; and; (iii) the RBI and credit bureaus to enhance credit reporting programs.

21. **The choice of instrument – Program for Results (PforR)- reflects both the country demand for a results-based instrument, as well as the objectives of the intervention.** While Investment Project Financing (IPF) would provide an opportunity to support specific interventions for MSMEs and a DPO would support regulatory and policy reforms, they are not the best options where the goal is to achieve a sustainable, long-term "country systems" institutional change, at both the central and state levels, to deliver on a systemic MSME agenda. The PforR also provides the most suitable instrument to mainstream – again at a systemic level – and leverage existing government financing to support the four focus thematic areas of change: (i) greater inclusiveness of women-headed businesses; (ii) facilitation of "green" investments; (iii) scale up of technology solutions; and (iv) increase in use of private sector service providers.

II. PROGRAM DESCRIPTION

A. Government Program

22. **The GoI program – "*MSME competitiveness – A post COVID Resilience and Recovery Programme*" (MCRRP) - is a five-year USD 3.4 billion nationwide initiative to support an increased MSME sector dynamism and productivity-driven growth path to revitalize a sector heavily impacted by the COVID crisis.** This program is in line with the Expert Committee recommendations, which highlighted the need for enhanced convergence of MSME policies, programs and schemes implemented by the different MDAs across the Center and with the States. The Committee also noted that the MoMSME should be the nodal ministry for the MSME agenda and that various schemes required further development.

23. **The MCRRP targets 2.5 million firms and is designed to address three key challenges:** (i) improve institutional capacity and coordination to foster a more dynamic MSME ecosystem; (ii) address information failures that impede participation of vulnerable groups and the uptake of green practices; (iii) achieve greater scalability and impact. It is grounded in the following strategic, thematic, and operational priorities:

- **The MCRRP strategy is to partner with states in the design and implementation of market-oriented schemes that promote increased sector competitiveness**. It entails institutional, policy and program actions at the following entry points: (i) knowledge dissemination; (ii) access to finance, technology and markets; (iv) creation of common facility infrastructure; (v) policy and governance for facilitation and ease of doing business.
- **The key thematic areas for the MCRRP are fourfold:** (i) close the gender gap that impedes women-headed businesses for accessing financial and non-financial services; (ii) facilitate green investments by MSMEs; (iii) innovate technology solutions to scale up cost-efficient financial and non-financial service delivery; (iv) mobilize private sector providers to expand market-driven, quality service outreach.
- **Operational objectives are to:** (i) elevate the quality of focus scheme interventions; (ii) leverage across schemes; and (iii) deliver interventions at scale.

24. **While the MCRRP is a national initiative, the first five years will entail a focus on "First-Mover" states – Gujarat, Maharashtra, Rajasthan, Punjab and Tamil Nadu - selected according to the following criteria:** (i) track record in improving the "Doing Business" environment; (ii) large number of MSMEs in the state; and (iii) commitment to develop an evidence-based Strategic Investment Plan (SIP). These states have heterogenous contexts and industry sectors (see Table A.3, Annex 4). The MCRRP, via the SIP, takes a flexible "systems-approach" in developing MSME support programs

responsive to the local State context. MCRRP success in piloting this new MSME eco-system approach in the "First Mover" States will generate demonstration effects and foster the transfer of best practices to other states through the overall national program. Additional states may be added to the program based on them meeting RAMP program eligibility criteria and requirements. Outcomes targeted by the MCRRP are summarized in Table 1.

Table 1: MCRRP Targeted Outcome and Measurable Result Indicators

	Outcome	Measurable Result Indicator (after five years)
I	**Strengthening Institutions and Governance at the Center**	
I	Greater Policy level expertise with linkages with MSME eco system	• Establish MSME Council with Ministries/State Governments representation • Strengthen Policy expertise within the Ministry
ii	Improved monitoring and evaluation frameworks for implementation of MoMSME schemes.	• Digital platforms for M&E of Ministry schemes established and operational
II	**Enhance Center- State synergies**	
I	Understand State priorities and gaps in the MSME sector	Preparation of Strategic Investment Plans in at least 5 States.
ii	Improved state participation to manage MSME programs.	5 or more States to participate in the MSME competitiveness programs
III	**Improve Market Access**	
I	Increase in number of Implementation partners Increase in number of MSMEs adopting ZED/Lean/and other competitive programs.	• To add at least 5 more Implementing Partners (IPs) across six CLCS-TU schemes • Five-fold increase in number of MSMEs under CLCS-TUS to cross 2,00,000 • To create 200,000 champion MSMEs
ii	*Of which, accessed by enterprises owned by Scheduled Castes, Scheduled Tribes and women (%)*	At-least one third of these to be enterprises owned by Scheduled Castes, Scheduled Tribes and women
IV	**Addressing issue of delayed payments**	
I	Increase in number of MSMEs on the TReDS platform	At least tenfold increase in the number of lending agencies
ii	Increase in volume of transactions on TReDS	At least three times increase from the current baseline in the volume of transaction on the TReDS platform to reach at least INR 1,000 billion
iii	Greater efficiency in dispute resolution by MSEFCs	MSEFCs to reach 100% disposal of applications from the current 7%.and increase use of online dispute resolution services through the Samadhaan portal
V	**Increase access to finance**	
I	Increase in volume of MSME term loans extended through Financial Institutions (FIs) under the CGTMSE umbrella.	Five-fold increase in volume of MSME term loans extended through Financial Institutions (FIs) under the CGTMSE umbrella to reach at-least INR 375 billion
ii	*Of which, accessed by SC, ST and women*	• At-least one third of this volume, to be accessed by enterprises owned by Scheduled Castes, Scheduled Tribes, and women • Up to 300 Crore (US$41 Mn) on green investments
vI	**Greening of MSMEs**	
I	Number of MSMEs adopting green technologies and using green energy sources	All Champion MSMEs to adopt green technologies.

B. Theory of Change

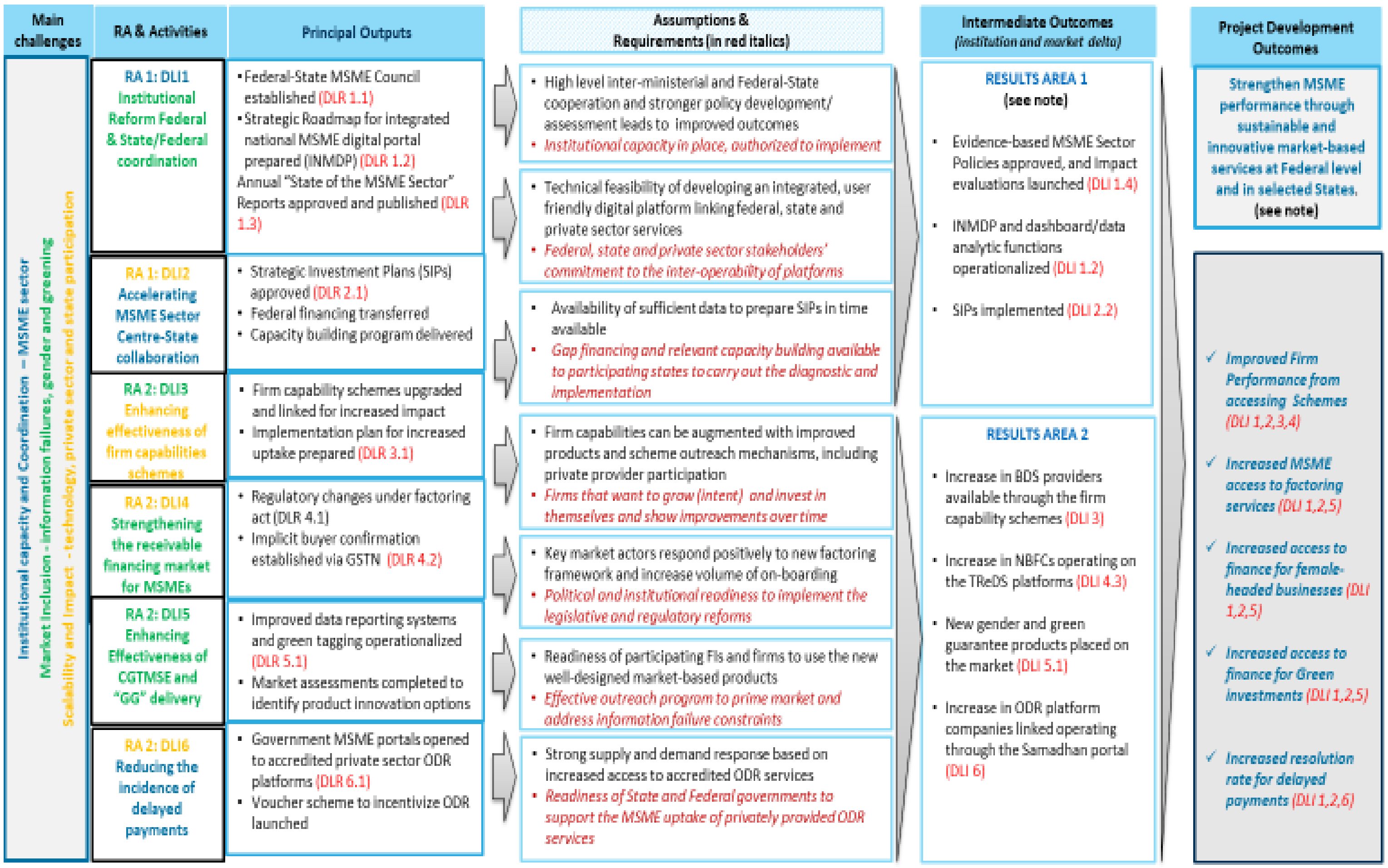
25. **The following Theory of Change (TOC - Figure 1) sets out the causal chain impacting both the institutional and market development "means" (intermediate outcomes) and the MSME sector performance "end" (Program Development outcomes).** It will be essential to effect change at both the institutions and markets and at the MSMEs level, if the productivity improvements that drive long-term competitiveness are to be achieved.

(i) **The intermediate outcomes (institutions and markets) comprise the following**: (i) evidence-based policy-making operationalized; (ii) increased coordination between Center and States to deliver a more integrated set of MSMEs services through the implementation of the timebound, budgeted and financed Strategic Investment Plans (SIPs); (iii) an expansion in the cost-effective availability of sustainable and innovative MSME services – both financial and non-financial – through upgrading of the quality and outreach of an inter-connected set of online service platforms and incentives to crowd in private sector providers; and (iv) refining of key business development and financial service products, together with a more integrated approach to their provision.

(ii) **Final outcomes depend on a market response to the supply-side reforms.** This will require: (i) sustained and coordinated CG and state-led outreach at the intermediary (financial and non-financial service providers) and end-beneficiary (MSMEs - including women owned firms) levels to foster demand; (ii) greater accountability for and disclosure of results to mitigate information failures which are a key reason for low MSME uptake of services.

26. **The TOC is premised on certain key assumptions and requirements.** Of principal significance is that the key market players (MSMEs, financial and non-financial intermediaries) respond positively to the improvements being planned to policies, schemes and implementation arrangements and there is there is government commitment to implement, including the provision of central transfers to support State engagement and ownership.

Figure 1: Theory of Change



Note: Intermediate and PDO outcomes attributable to multiple DLI activities. Principal DLIs relevant to individual outcomes listed in brackets

C. PforR Program Scope

27. **The PforR Program (henceforth "The Program") has been designed to address the three challenges to achieving the results as identified by the MCRRP and support to delivery of higher quality integrated services to 555,000 MSMEs – equivalent to 22% of the MRCCP's national target of 2.5 million MSMEs**. To achieve this, the RAMP program supports fundamental shifts in the overall Government of India MSME support architecture. This includes actions at the Center and State levels to augment institutional and coordination capacity to support the Government not just in the delivery of a more effective and impactful USD 3.4 billion MCRRP program, but also in its longer-term goal of effecting a nationwide shift in the GoI approach to MSME sector development. This includes the integration of currently fragmented interventions with MoMSME and across federal ministries, and decentralizing financing and implementation oversight to states that are better placed to respond to local context and challenges to MSME growth.

28. **Significant funding will support improved technical service provision to MSMEs.** This includes: (i) assessments of competitiveness parameters ; (ii) support to meet target firm performance standards across a range of areas including regulatory compliance, production efficiency, adoption of new technologies, waste reduction and product design improvements; (iii) business plans and commercial loan applications. The links between the TOC, The Program Results Framework and the design of the Disbursement Linked Indicators (DLIs) are reflected in Figure 1 where the six DLI activities and sub-activities - otherwise referred to as Disbursement Linked Results (DLR) - support key stakeholders to implement a results-based and timebound implementation path towards intermediate and final outcomes. The alignment between the MCRRP and the PforR is summarized in Table 2.

Table 2: MCRRP and PforR Scope

	Government program (MCRRP)	Program supported by the PforR	Reasons for non-alignment
Objective	Reinforce the measured taken by the GoI to strengthen resilience of MSMEs in the face of economic impacts of the pandemic and foster recovery in short run while also improving the productivity, competitiveness and growth of the MSME sector in the long run.	Strengthening institutions and markets to enhance MSME performance.	The PforR is fully aligned with the MCRRP objective, but with prioritized focus on facilitating: (i) institution-building; (ii) stronger state-level ownership and management of MSME schemes: and (ii) the four thematic priorities to improve scheme effectiveness.
Duration	2021-2025	2021-2025	The MCRRP is a first mover program with an initial 5-year time horizon.
Geographic coverage	National	National together with a focus on support to Five first-mover states – Gujarat, Maharashtra, Punjab, Rajasthan, Tamil Nadu. Additional states may be added to the program based on eligibility criteria.	The PforR focuses on selected first-mover States who have confirmed readiness to comply with Raising and Accelerating MSME Performance (RAMP) eligibility requirements with a view to expand to additional States, subject to the state interest and eligibility as per program criteria.
Results Areas	See Table 1	MCRRP results areas I-VI	
Entry Points	1) Dissemination of knowledge 2) Access to finance 3) Access to technology 4) Creation of common facility infrastructure 5) Facilitating access to markets 6) Policy and governance for facilitation and ease of doing business	The PforR will, through the two Results Areas, support MCRRP entry points 1-3, 5, 6.	MCRRP entry point 4 is being supported by a USD250m Asian Development Bank program. The PforR will be supporting common infrastructure beneficiaries indirectly through support to the other MCRRP entry points.
Financing	**US$3.4 billion**	**US$808.33million**	**PforR Contribution – US$500 million**

29. **Table 3 summarizes, by expenditure allocation across national and state-levels, the US$808 million Program portion of the 5-year US$3.4 billion MCRRP, supported by the PforR.** This encompasses institution and market development expenditures that, per the TOC, are fundamental intermediate outcomes to improved development outcomes from MSME support schemes. These expenditure categories are mapped to specific MoMSME budget line items (refer to Table A.7 in Annex 4).

Table 3: The Program Expenditure Framework (US$ millions and percent)

Program Expenditure Categories and Center/State Allocations					
Expenditure Categories Summarized from Budget Heads/Objects	**Result Alignment**	**National**	**State**	**Total**	**%**
Institutional Development – policy, planning, implementation, and M&E	Intermediate Outcome	70	50	120	**15%**
Market Development - digital platforms and quality service providers	Intermediate Outcome	100	100	200	**25%**
Support Services to MSMEs (at Center and State)	Development Outcome	388	100	488	**60%**
Total		**558**	**250**	**808**	**100%**

30. **The Program boundary entails interventions in two Results Areas (RAs) and four cross-cutting themes in line with the MCRRP objective of a more robust institutional and market framework to improve MSME competitiveness and productivity.** The RAs are: (i) Strengthening Institutions and the Governance of the MSME program; and (ii) Support for Firm Capabilities and Access to Markets and Finance. The changes being supported under RA#1 represent significant movement from current Center-State policy, program institutional and operational practices. They are foundational changes in public sector approaches to MSME sector development and are necessary but not sufficient to achieve the results targeted. They need to be accompanied also by changes to the design and implementation of schemes. This is the primary focus of RA#2. The four themes are: (a) gender - improving outcomes for women entrepreneurs; (b) greening - supporting MSME adoption of RECP practices; (c) technology - using technology platforms to deliver MSME support services at scale; and (d) private sector – extending its role in delivering MSME services.

31. **The following results will be targeted under the Program:** RA#1: (i) improved MSME scheme delivery through enhanced CG level and CG-state coordination; (ii) enhanced MoMSME capacity to design, implement and assess policies and programs; (iii) improved and inter-operable portals to deliver online cost-effective MSME services at scale[25]; and (iv) a more decentralized, flexible and cohesive state-led MSME program for improved outreach and results on the ground. RA#2: (i) improved quality, impact, and outreach of existing schemes in support of firm capabilities (the umbrella Credit Linked Capital Subsidy and Technology Upgradation Scheme [CLCSTUS]) through further innovations;[26] and strengthening markets for business services; (ii) improved access to finance for women entrepreneurs and greening investments; and (iii) improved access to finance and working capital of MSMEs through (a) well-functioning digital factoring platforms; and (b) strengthened markets for online dispute resolution (ODR) and private sector provision of these services.

[25] MoMSME to become a leader in online public service delivery, and portals to digitally connect MSMEs to private sector business service providers and strengthen the markets for online provision of services.

[26] The umbrella CLCSTUS scheme comprises: (i) Zero Defect Zero Effect certification (ZED) with a focus on MSME production quality through better technology and processes; (ii) Lean Manufacturing Competitiveness (Lean) promoting lean manufacturing processes and action plans; (iii) Design for Manufacturing (Design) supporting design-related improvements and product development; (iv) Digital MSME (Digital) supporting digital upgrading; (v) Entrepreneurial & Managerial Development of MSMEs through Incubators (Incubators) provides support at the proof of concept level; (vi) Building Awareness on Intellectual Property Rights for MSME (IPR) supports awareness and the effective use of intellectual property (patents, trademarks, design marks). In addition, a set of Marketing Development Assistance (MDA) sub-schemes that support access to new markets through scoping visits and participation in trade fairs will be linked to these core schemes. Successful graduation of MSMEs from the schemes captures enhancement of the capabilities of the firms. For example, a silver certification in ZED indicates attainment of minimum quality standards; a gold certification indicates adoption of enhanced energy efficiency management standards and environmental management systems.

The Program consists of the following activities:

32. **RA#1 Strengthening Institutions and the Governance of the MSME program:**

(i) Supporting the establishment of the MSME Council; enhancing the institutional development of the MoMSME as the 'lead agency' for the MSME agenda through (a) enhancing its capacity for developing evidence-based policy and program design including through coordinating sector assessments and development of policy notes on the MSME sector; (b) establishing a "best practices" monitoring and evaluation (M&E) system including through strengthening the data reporting and M&E systems; (c) supporting the integration and scaling-up of online services to be provided to MSMEs including through the setting up the Integrated National MSME Digital Portal.

(ii) Supporting the selected states in developing Strategic Investment Plans (SIPs); and supporting SIP implementation through capacity building of the Selected State-level governments including through (a) enhancing coordination mechanisms between the state departments and identified state-level institutions; (b) strengthening their MIS systems to monitor SIP implementation; (c) building capacity of the state-level MDAs to design and implement awareness programs; (d) capacity building of Departments of Industry (DoIs) and District Industries Centers (DICs) for SIP implementation; (e) supporting public private partnerships for research and development; and (f) fostering participation of private sector financial and non-financial services intermediaries.

33. **RA#2 Support for Firm Capabilities and Access to Markets, and Access to Finance:**

(i) Supporting improvements in targeted MOMSME schemes including through developing an integrated delivery and management information system for CLCTUS schemes; expanding scheme coverage; making improvements in the identified existing schemes such as ZED, LEAN; providing advisory services to improve access to financial services; and integrating firm capabilities with market-access interventions.

(ii) Supporting access to finance for MSMEs targeting women-owned/women-headed MSMEs and for greening investments, including operationalizing the 'green tag' to track greening investments, expanding CGTMSE's product offerings and enabling improvements in data and M&E systems.

(iii) Supporting MSME access to finance through: (a) strengthening the receivables financing market by measures to increase NBFC participation on the TReDS platform and improving its inter-operability with CERSAI; and (b) improvements in the dispute resolution process for delayed payments through incorporation of online dispute resolution (ODR) arrangements, including through integration with the Samadhaan portal, a voucher program to encourage uptake amongst enterprises, and capacity building of ODR service providers.

34. **Gender is an important cross cutting theme of the RAMP Program and is incorporated across components in both RA#1 and RA#2**. Areas of support include: (i) strengthening MoMSME M&E systems and participating states to provide gender disaggregated data and analysis in regular monitoring of their programs, impact assessments and state of sector reports; (ii) strengthening access to firm capabilities schemes through targeting outreach and marketing efforts and expansion of the target market to include service sectors which would enable the interventions to reach a much wider cohort of women-headed firms, enhanced service delivery approaches tailored to women-owned and run MSMEs through supply side capacity building of service providers; (iii) trengthening access to finance for women-headed MSMEs through strengthened guidelines (operational and/ or product related) of Guarantee Products by CGTMSE; (iv) Focus on women-headed MSMEs in state SIPs - including how to increase access to services to women owned MSMEs, outreach partnerships with associations and State Urban and Rural Livelihoods Missions (which work with large pools of women entrepreneurs); and mentorship networks with a specific focus on women entrepreneurs etc.

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

35. **The PDO:** Strengthen MSME performance through sustainable and innovative market-based services at Central level and in selected States.

36. **The following Key Performance Indicators (KPIs),** leveraging across the Results Areas as highlighted in the TOC, measure progress towards this PDO**:**

- **Improved firm performance from utilizing schemes** - measured by CLCS-TU and linked schemes uptake (TReDS, CGTMSE and Samadhaan sourced-ODR).
- **Increased access to finance for female-headed businesses -** measured by the volume of credit guarantees.
- **Increased access to finance for green investments -** measured by the volume of credit guarantees.
- **Increased MSME access to factoring –** measured by the value of invoices discounted on the TReDS platform.
- **Increased resolution rate for delayed payments –** measured by the number of MSMEs able to unblock payments via ODR platforms accessed via the MoMSME Samadhaan portal.

37. **The principal beneficiaries of this Program are**:

- **MSMEs in the target states.** The principal beneficiaries are formal MSMEs (as per the revised MSME definitions[27]) with the intention and potential to grow, invest in themselves and improve productivity**.**
- **The Ministry of MSMEs.** The primary CG agency supported by the Program.
- **The focus State governments.** The specific departments and agencies of the focus state governments who will be the primary beneficiaries of the Program will be identified as part of the State MSME SIPs.

38. **555,000 MSMEs are targeted to achieve measurable improvements in performance.** The breakdown of how this is achieved is summarized in Table 4[28]. The measurement approach is detailed in Annex 4, table A.1.

Table 4: MSMEs Targeted through the RAMP Program

Number of MSMEs		
MSMEs reached in the Five "First-Mover" States		**450,000**
Entry level competitiveness graduation (CLCSTUS Bronze)	225,000	
Registration on TReDS	125,000	
Use of ODR through Samadhaan portal (case initiation through ODR providers)	25,000	
Additional women owned enterprises brought under guarantees (CGTMSE)	70,500	
Enterprises brought under green guarantees (CGTMSE)	4,500	
MSMEs enhancing Capabilities from CLCS-TUS graduation		**105,000**
ZED Silver graduation	60,000	
ZED Gold Graduation / Lean Graduation	25,000	
MSMEs accessing credit	20,000	
Total Number of MSMEs directly benefiting from Program		**555,000**
Volume of MSME Financing (US$ millions; Years 3-5)		
Volume of Invoices Discounted on TReDS		**11,054**
Value of Guarantees under CGTMSE from new/improved products		**4,415**
Value of Guarantees to women owned enterprises	4,375	
Value of Guarantees for greening investments	40	
Total Volume of MSME financing mobilized (US$ Million)		**15,469**

[27] Micro enterprise - <INR 10 mn and turnover<INR 50 mn; Investment < ₹ 100 mn and Turnover <₹ 500 mn; Investment < ₹ 500 mn & Turnover < ₹ 2.5 bn

[28] The results targets in Table 4 and Annex 4 and associated DLIs have been based on underlying assumptions about the functioning of markets. Some of these markets are relatively new and do not have a long track record of past performance. For instance, the TReDS platform began operations as recently as 2017 and only three data points of annual volume of invoices discounted are available. The performance targets for the volume of invoices discounted for years 3-5 (in the DLI and the results framework) are based on assumptions about (i) total volume of invoices discounted in 2020-21 (data is currently available only until December 2020); (ii) future growth of the market over the first two years of the Program (2021-22 and 2022-23); and (iii) the upward inflexion in growth from year 3 onwards, which would come from interventions to strengthen the functioning of the market in the first two years and the growth trends in the previous years. The indicators related to the assumptions will be tracked over the first two years of the Program implementation and the targets will be reviewed and potentially revisited at mid-term based on actual performance on (i) and (ii).

Disbursement Linked Indicators and Verification Protocols

39. **Disbursement will be conditional on achievement of specific results.** The choice of DLIs and DLRs and values allocated to them are based on the following: (i) significance of the activity, output, or outcome in the results chain; (ii) need to introduce a financial incentive to deliver the activity, output, or outcome; (iii) measurability and ease of verification; and (iv) capacity of GoI and States to achieve the DLIs during The Program implementation period. The detailed description/definitions of each DLI and DLR sub are provided in Annex 3. Table 5 summarizes the DLIs, their allocations and the justification for their selection.

Table 5: RAs, DLIs Allocation (US$ million) and DLI Justification

RA	DLI	Allocation	Justification for DLI selection
RA 1: Strengthening Institutions and Governance of the MSME Program	DLI-1: Implementing Central Government MSME Institutional Reform Agenda	95	Supports evidence based MSME programs and policies and a coordinated approach to MSME development
	DLI-2: Accelerating MSME Sector Center-State collaboration	155	Supports the development and implementation of a comprehensive, integrated MSME support architecture across State-Center levels
RA 2: Support to Firm Capabilities and Access to Markets, and Access to Finance	DLI-3: Enhancing the effectiveness of Firm Capabilities Schemes	75	Provision of Services for firm level productivity improvements.
	DLI-4: Strengthening the receivable financing market for MSMEs	65	Improves access to finance, particularly for working capital requirements
	DLI-5: Enhancing effectiveness of CGTMSE and "GG" delivery	55	Addresses gender gaps in access to finance and facilitates greening investments
	DLI-6: Reducing the incidence of delayed payments.	55	Improves the current dispute resolution mechanism through private sector provision of services and through platforms for scale
Total		**500**	

40. **An independent verification agency (IVA), identified by the MoMSME, will be responsible for the annual DLI verification.** The DLIs will be verified via data sources in accordance with an agreed verification protocol (Annex 3).

III. PROGRAM IMPLEMENTATION

A. Institutional and Implementation Arrangements

41. **The RAMP program will be implemented by MoMSME.** Program implementation will require the following:

- **Letter of commitment from all participating states to MoMSME confirming their readiness to participate as per The Program design**. The roles and responsibilities of the different CG and state agencies under The Program will be detailed in the Program Implementation Manual (PIM).
- **Program Steering Committee (PSC)** chaired by the Secretary, MoMSME. Members of the committee will include the Chief Secretaries from the participating states and the MDAs participating in The Program (DFS, RBI, CGTMSE). The PSC will be responsible for providing oversight, strategic guidance, and policy direction for all RAMP Program activities. The Committee will meet quarterly or more frequently as required.
- **National Program Implementation Unit (NPIU) at the MoMSME**. The NPIU will be responsible for Program monitoring and implementation. The unit will: (i) include specialized technical, as well as a M&E, Gender, and Environmental and Social (E&S) specialists; (ii) prepare progress reports based on inputs from component managers (from within the MoMSME, CGTMSE, DFS and RBI), as well as from state PIUs.
- **State PIU (SPIU) in all participating states**. The SPIUs will be responsible for implementation of the SIPs and for providing inputs to the NPIU.

42. **Key reporting requirements will include**: (i) PIM; (ii) Annual Workplans; (iii) Quarterly Progress reporting of input, output, intermediate and outcome level progress and, where needed, proposed remedial actions to address performance slippages. The NPIU will coordinate and lead the preparation of The Program reports and consolidate all State level and MDA partner reporting into a single report.

B. Results Monitoring and Evaluation

43. **The RAMP Program design supports the strengthening of data reporting and M&E systems.** This is done by supporting a "best practices" M&E and impact assessment systems at the MoMSME under RA1.1. Specific DLRs support the strengthening of the M&E systems and the undertaking of three impact assessments. Under RA1.2, dashboards for data reporting and program monitoring are included as specific DLRs. RA1.3 includes support to strengthen MIS systems to monitor the implementation of SIPs. RA2.1 supports the establishment of an integrated management and information system for the CLCSTUS schemes. Support is also provided to the CGTMSE for improved data reporting systems. The NPIU will manage the data dashboard for Program results monitoring.

44. **Impact evaluations will be initiated during the life of The Program.** These evaluations, which can include randomized controlled trial (RCT) methodologies, will focus on the following Program results areas: (i) enhancing Firm Capabilities and Market Access (productivity growth achievements); (ii) enhancing Guarantee Products (Gender and Greening outcomes); and (iii) building and leveraging State capacity. These evaluations are supported by RA 1.1.

C. Disbursement Arrangements

45. **The DLI matrix and the proposed annual financial allocations are presented in Annex 3.** The MoMSME and the states will pre-finance Program expenditures using their own budgetary resources through the identified budget lines of the Expenditure Framework. On verification and certification, the MoMSME will communicate the DLR achievement to the World Bank in the agreed form. Based on the World Bank's approval letter, disbursement requests will be submitted to the World Bank office by the Controller of Aid, Accounts, and Audit, using the World Bank's e-Business platform. Many DLRs are scalable, with funds being disbursed in proportion to results achieved. Where actions are not achieved in any particular year, the allocated amount will be carried over to the subsequent year. If targets are reached before deadlines, disbursement may be made earlier after clearance from the World Bank.

D. Capacity Building

46. **Institutional capacity-building is central to The Program.** This includes: (i) extending the MoMSME policy and research capacity and the development of an implementation plan to strengthen capacity of the policy unit; (ii) strengthening MoMSME M&E systems and capacity building of its M&E team to deliver on a strengthened M&E operational framework; (iii) capacity building for MoMSME officials to ensure in-house capacity for using online portal modules for service delivery and monitoring functions; (d) state-level capacity building interventions based on the SIP; (iv) gender, environment, climate change and social safeguards sensitization; and (e) training and accreditation of Implementing Agents (IA)s, Implementing Partners (IP)s and service providers.

47. **In the case of RA2, capacity building includes**: (i) firm capabilities interventions to build the quality and depth of the advisory market, by training cohorts of advisors (focused on whole-of-MSME performance diagnosis and improvement) and specialist advisors (with deeper knowledge on production, systems, management, marketing, logistics etc.); (ii) interventions on CGTMSE for defining a green tag, data reporting framework to improve CGTMSE data and reporting systems, and outreach to FIs in cooperation with IFC; (iii) an assessment and action plan to improve outcomes for women-owned MSMEs; (iv) a training program on the TReDS to all key market participants; (v) integration of ODR into the Samadhaan portal and training requirements for service providers.

IV. ASSESSMENT SUMMARY

A. Technical (including program economic evaluation)

48. **Strategic Relevance:** While the Government's COVID-19 relief package - Atmanirbhar Bharat Abhiyaan – provided immediate liquidity support for MSME survival, the focus has shifted to the economic recovery stage. The RAMP Program will support the GoI in building the resilience of the MSME sector by laying the foundations for long-term productivity growth. This is essential to improve the competitiveness of MSMEs and enhance the integration of Indian firms into global value chains, which in turn re-enforces productivity gains that leads to the creation of sustainable quality jobs.

49. **Economic Rationale and Analysis:** The MSME sector contributes about 45% to manufacturing output, and over 28% of GDP, and accounts for a large share of employment in India.[29] Around 77 percent of non-farm employment is in firms with less than ten workers.[30] Indian firms are small and do not grow over time. The most common firm size in India is one worker. [31] Around 99 percent of firms in India have less than 10 workers.[32] These skewed patterns of size and growth impose productivity costs[33]. This impacts long-term growth and job creation which is driven by productivity growth that accounts for half of the differences in GDP per capita across countries. Long term increases in earnings can be achieved only by increasing productivity. Moreover, productivity growth is critical to generate good jobs as workers will transition from (subsistence) self-employment in the informal sector to wage-employment in the formal sector only if earnings in the formal sector justify the shift.[34]

50. **The RAMP Program addresses market failures and institutional capacity limitations, which constrain MSME productivity growth.** The Program focuses on making public spending on MSME support more efficient and effective. This will be done by leveraging sustainable and innovative market based MSME financial and non-financial services and providing more impactful and sustained support to those formal firms that reveal a competitive appetite to grow and invest in themselves. A phased approach, such that high-potential enterprises can be targeted over time, has proved to be the most effective approach to foster improved productivity and expansion and create better jobs relative to the outcomes possible from subsistence-oriented enterprises.

51. **MSME performance outcomes, per Table 4, will be measured by the following**: (i) CLCSTUS beneficiary firm progress in completing the different levels of CLCSTUS performance outcomes as measured by DLR 3.2; (ii) SIP outcomes achieved by the "First Mover" states relative to overall MCRRP national outcomes over the same period; (iii) impact evaluations of the CLCSTUS schemes and the SIPs. Also, to note that: (a) while these evaluations will be launched during RAMP implementation, given the lead-time to effectively measure productivity changes (see Annex 4, box A.1), the results of the evaluation may not be available until after project closure; (b) these results capture only beneficiaries over the first five years. The institutional and market changes entailed in The Program will, over a longer-time period and with roll-out of the SIP approach to other States, extend benefits to a far greater number of MSMEs well beyond The Program timeframe.

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[29] RBI, June 2019, The Report of the 'Expert Committee on Micro, Small and Medium Enterprises'
[30] GoI. Sixth Economic Census (2012-13)
[31] By way of a high performing example, the modal firm in the United States has about 45 workers. See Hsieh and Olken 2014. "The Missing 'Missing' Middle". Journal of Economic Perspectives
[32] GoI. Sixth Economic Census (2012-13)
[33] Contrast this with the United States, where firm employment grows eightfold over 40 years, or Mexico, where it doubles. While a 35-year-old plant is 9.3 times more productive than a five-year-old plant in the United States, it is only 1.5 times higher in India. See Hsieh and Klenow. 2014. "The Life-Cycle of Plants in India and Mexico". The Quarterly Journal of Economics
[34] See World Bank Productivity Revisited Flagship (2018)

52. **Monitoring and Evaluation:** The RAMP Program strengthens the M&E framework and capacity building at the Center and State levels through the following improvements to the MoMSME M&E capacity. This includes: (i) enhanced M&E operational framework incorporating "best practices"; (ii) capacity building of the MoMSME M&E team and upgrading MIS systems comprising, inter alia, dashboards for data and program monitoring; (iii) preparation of an Annual State of MSME Sector Report drawing on the enhanced data generated; (iv) three 'rigorous' impact assessments as DLRs, including the assessment of productivity outcomes (from CLCSTUS and SIP) and the gender and greening impacts of CGTMSE guarantee products innovations; (v) capacity building of states and upgrading their MIS systems for M&E of SIPs, and (vi) improved data reporting for CGTMSE.

53. **Technical Soundness:** Recent analysis on productivity and high growth firms and best practice MSME support provides guidance on how to increase the effectiveness of MSME sector support and avoid errors of the past.[35] These errors often served to reinforce misplaced government engagement and/or mis-direct public support in ways that perpetuate subsidy dependence, insufficient selectivity and the flow of resources to firms that either have the wherewithal to self-finance, or that have little likelihood or interest in growth. This work highlights the need to: (i) address information failures and target and sequence support to firms that intend to grow and demonstrate improvement; (ii) support "within firm" productivity improvements and facilitate spillovers between firms; and (iii) extend new market-based financing options that address MSME finance risk constraints. These studies also emphasize the importance of improving the "productivity of the Government" and building institutional capabilities (both within government and within the MSME support ecosystem including via technology solutions), and the need for rigorous policy evaluations. This guidance on how best to support productivity and growth improvements in firms is further complemented by the recommendations of the Expert Committee. These lessons are reflected in the RAMP technical design:

- **Firm Capabilities – correcting for various information failures.** RAMP support will improve the quality, coverage and delivery of the existing Firm Capabilities schemes and strengthen the market for BDS through training and accreditation and the implementation of a transparent system of feedback and information on service providers. This will be complemented with awareness programs to foster demand for these services
- **Trade Receivables Discounting System – an "alternative" collateral solution:** This is an invoice marketplace for discounting and factoring of payables that provides an alternative to traditional collateral requirements that can inhibit MSME access to finance. Fintech platforms such as the TReDS are digitizing the factoring process, reducing costs and improving efficiency, including the collection of repayments from third parties. Invoice financing in its different forms (e.g. traditional or reverse factoring) provides a simple, convenient, and accessible product that can help MSMEs bridge financing gaps. However, structural weaknesses have disincentivized buyers from participating and FIs to scale-up financing volumes on the platform. RAMP support will address these constraints.
- **Credit Guarantee Trust for Micro and Small Enterprises – mitigating market risk**: Within the MSME access to finance ecosystem, the CGTMSE plays a vital role as a credit enabler for underserved MSEs. Its proximity to the financial sector has helped the Trust to adjust credit guarantee features that are responsive to credit constraints detected in the marketplace. There are two glaring gaps in the MSE financing systems – The first is the difficulties faced by women-owned MSEs in accessing credit. The second is the absence of a system of tracking of greening (RECP) investments, and sub-optimal financing for such investments, given the positive externalities generated. RAMP support on CGTMSE will address both these gaps.
- **Online Dispute Resolution – A technology solution for delayed payments**: MSME delayed payments disputes are usually small value transactions of a relatively standard nature, which are generally amenable to ODR. It is particularly

[35] Grover Goswami, Arti; Medvedev, Denis; Olafsen, Ellen. 2019. High-Growth Firms: Facts, Fiction, and Policy Options for Emerging Economies. Washington, DC: World Bank. © World Bank; Cusolito, Ana Paula; Maloney, William F. 2018. Productivity Revisited: Shifting Paradigms in Analysis and Policy. Washington, D.C: World Bank Group. *http://documents.worldbank.org/curated/en/578861548876206044/Productivity-Revisited-Shifting-Paradigms-in-Analysis-and-Policy*; WBG; Strengthening SME-Support Interventions: Operational Guide (forthcoming)

suitable for India and other large countries with a considerable number of MSMEs spread over a large geographical area and where widespread access to the internet is feasible. ODR addresses timing and capacity concerns experienced with MSEFCs by enabling multiple accredited and trained mediators to provide services remotely, even if they are not based in the respective location. It is a time and resource efficient way of dispute resolution that can be applied to delayed payments to MSME suppliers. ODR is generally 90 percent cheaper in comparison to face to face arbitration. Moreover, private service providers ODR pricing appears to be comparable to MSEFC fees.

54. **Expenditure Framework:** The total estimated MCRRP expenditure over the implementation period is US$3.4 billion. As summarized in Table 3 above and fully in Annex 4, Table A.7, The Program is budgeted at US$808.3 million with World Bank support towards this Program amounting to US$500 million (62% of the total).

B. Fiduciary

55. **An Integrated Fiduciary System Assessment (IFSA) of the MoMSME and the five "First Mover" States presently involved in Program implementation was carried out** (see Annex 5). The fiduciary systems provide reasonable assurance that funds will be used for the intended purposes. Adequate fiduciary framework, mitigation measures and Program Action Plan (PAP) have been put in place. Additional States that join the RAMP program shall adopt the agreed fiduciary framework, including additional mitigation measures, as required.

56. **The FM systems at the central level emanate from the Constitution of India and are guided by CG policies and processes**. The budget preparation process is detailed in the Budget Manual. The budget execution, accounting and internal control framework is guided by the CG Account [Receipts and Payments] Rules-1983, Government Accounting Rules [GAR-1990] and General Financial Rules [GFR-2017]. The "First Mover" States have relatively advanced FM systems, largely aligned to the Center level GFR-2017. The funds represented in The Program Expenditure Framework will be budgeted in the existing budget lines based on work plans and activities with PSC approval. A separate budget line has been opened by MoMSME to provide funds for the additional activities to be undertaken under RAMP. At the State level, a separate budget line for RAMP will be opened by State Governments in the 'Demand for Grants' of Department of Industries /MSME and funds will be annually budgeted based on the SIPs approved by PSC. The fund flow and payment for all activities will be managed by MoMSME and IAs using the 'Direct Benefit Transfer' (DBT) and 'Expenditure, Advance, Transfer' (EAT) module of Public Financial Management System (PFMS).The utilization certificates (UC) will be submitted by the IAs through PFMS portal. The PFMS portal is considered adequate to account and report on Program activities. The Internal Audit Wing of the MoMSME will conduct the internal audit as per the Terms of Reference (ToRs) to be agreed with the World Bank during first year of Program implementation. The annual financial statements of The Program will be prepared by MoMSME and audited by the C&AG. The audit report will be submitted by MoMSME to the World Bank within 12 months from the end of each FY. The financial audit of the IAs will be done by the statutory auditors of IAs (as per audit ToRs to be agreed during first year of program implementation) and the MoMSME will provide audit reports to the WB within 12 months from the end of FY.

57. **Procurement arrangements:** In accordance with The Program Expenditure Framework, procurement activities covered under Grant-in-Aid General are to be procured by IAs at the CG and State Government levels. The Grant-In-Aid will be transferred to IAs as per the Sanction Order (SO) which stipulates GFR-2017 as the applicable procurement framework. The Program design provides for flexibility to include Institutions either as IAs or Implementing Partners (IPs) during program implementation at the CG and State level. IPs (public or private sector) will be competitively selected and will be legally a contractor/service provider, while IAs (government or quasi-government/public sector agencies) will be identified on nomination basis. The RAMP program is supporting a shift towards competitively selected IPs. Procurement is guided by the GFRs-2017, the Delegation of Financial Powers and Rules, Government Orders and the broader framework of the Indian Contract Act, the Sale of Goods Act, and the guidelines issued by the Central

Vigilance Commission (CVC). Manual on Policies and Procedures for Goods, Works, and Consultancy contain generic guidelines applicable to Government procurements. Under RAMP, the activities shall not include any major civil work or any high value contracts as applicable for the applicable risk threshold.[36] The focus is on the procurement of technical advisory services, research and studies, conducting workshops for MSMEs, various capacity building activities, preparation of DPRs, incentives, awards, consultancies for strategic advice or studies, development and operationalization of ICT platforms etc., technical assistance for undertaking studies for upgrading/adopting lean manufacturing, zero defect production, bar coding, ISO certification etc. as per various schemes guidelines.

58. **Governance and Accountability systems.** Under the larger governance framework of India, all government departments and agencies are covered under the Right to Information (RTI) Act 2005. The C&AG also carries out compliance and performance audits annually, and audit-related queries are reported to the Legislature and Public Accounts Committee for recommendations and actions. Central /State Vigilance units have jurisdiction and power to undertake an enquiry or cause an enquiry/investigation to be made on any information that a public servant has exercised or refrained from exercising his powers, for improper or corrupt purposes.

59. **Applicability of the World Bank's Anti-Corruption Guidelines to the Program.** The Program will be subject to the World Bank's Governance and Anti-Corruption Guidelines (ACG)[37]. As there is no distinction between World Bank and Government-funded activities within The Program boundary (of US$808 million), these guidelines shall be applied in an unrestricted manner to all activities within The Program boundary. Guideline requirements include, but are not limited to: (a) borrower's obligation to inform the World Bank about all fraud- and corruption-related allegations and investigations; (b) the World Bank's right to conduct administrative enquiries regarding fraud and corruption allegations; and (c) the ineligibility of World Bank debarred firms for contract awards. To operationalize the ACG, MoMSME will undertake the steps as defined in the Annex 5.

60. Where MoMSME or the World Bank determines that fraud and corruption has occurred in connection with The Program, MoMSME will take timely and appropriate action, satisfactory to the World Bank, to remedy the situation and prevent its recurrence. If the World Bank determines to conduct an administrative review into allegations or other indications of fraud and corruption in The Program, MoMSME and all IAs will cooperate fully with representatives of the World Bank. Participating states shall implement its respective activities under The Program in compliance with the Anti-Corruption Guidelines for The Program. A workshop to sensitize states and existing IAs on RAMP anti-corruption guidelines will be organized as part of the project launch. Fiduciary PAP actions are included in Annex 6.

C. Environmental and Social

61. **Overview:** An Environmental and Social Systems Assessment (ESSA) of the RAMP program (see Annex 8) reviewed the capacity of existing national government systems to plan and implement effective measures for E&S impact management of The Program. Also, to determine if any measures would be required to strengthen them. Due to COVID-19 and the on-going travel restrictions, the Bank team undertook a limited ESSA informed by review of existing documents, virtual interviews with Government officials and industry representatives, and online consultations with key stakeholders including CSOs.

62. **Methodology:** The ESSA process adopted a mixed-methodology approach and analyzed: (i) the E&S indirect and cumulative effects of activities associated with The Program; (ii) the borrower's systems for managing identified E&S effects, including a review of practices and the performance track record; (iii) the borrower's systems - laws, regulations, standards, procedures, and implementation performance - against the core principles and key planning elements to

[36] Contracts with estimated values exceeding the monetary amounts, as amended from time to time, that require mandatory review by the Bank's OPRC

[37] Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing' dated February 1, 2012 and revised on July 10,2015

identify any significant differences that could affect Program performance. Based on the analysis, measures were recommended to address capacity and performance on policy issues and specific operational aspects relevant to managing The Program risks. These include staff training, institutional capacity building, and developing and adopting internal operational guidelines. Consultations were undertaken with MoMSME and state nodal agencies to assess the level of environmental regulatory compliance among MSME units and their track record on compliance.

63. **Stakeholder engagement and consultations:** The ESSA was developed in consultation with the MoMSME and the "First Mover" states. The draft ESSA report has been disclosed by MoMSME (on November 24, 2020) as well as the World Bank (on December 2, 2020) for receiving feedback from government officials, industry associations, non-governmental organizations, civil society organizations, MSME associations and other relevant stakeholders. Additionally, virtual consultations with nodal officials and district-level representatives from the "First Mover" states i.e., Maharashtra, Punjab, Tamil Nadu, Rajasthan and Gujarat were organized on December 3rd, 2020. The Ministry also organized virtual/phone-based consultations with NGOs, CSO, think-tanks and business associations. The final ESSA document has been updated to reflect stakeholder comments and final version will be disclosed by the MoMSME and the World Bank once negotiations are completed.

64. **Findings:** The assessment found that:

- **The Program is expected to have environmental benefits due to the interventions to promote RECP and green investments in the MSME sector.** Environmental legislation and institutional structures for environmental and pollution management are in place at the national and state level. Procedures and clearances required for environmental protection are well defined and existing legislation helps mitigate possible adverse impacts on natural habitats, archaeological sites and cultural resources. However, environment-specific capacity building activities are presently insufficient and nodal environmental officers find it challenging to ensure required compliance with such legislation. The existing MoMSME due diligence mechanisms and those of participating state governments will be strengthened by introducing a 'Strategy to Strengthen Environmental and Social Management'.
- **From a social perspective, The Program is likely to have overall positive social impacts in geographies where investments are planned to be made**. The assessment reviewed the social policies and procedures (both at National and State level) and found them to be adequate. The assessment finds an enabling policy and legal framework that will promote: decentralized planning, implementation and monitoring, active participation and safeguarding the interests of vulnerable sections (women, scheduled caste and scheduled tribe communities) be it through targeting or membership in local governance institutions or in community level groups. However, due to vast inter-state variations and the urgent need to strengthen last-mile service delivery, challenges were observed, although impact of the identified social benefits outweighs The Program-related social risks.
- **Grievance Redressal Mechanism relevant to RAMP:** The national-level Champions portal provides a pre-existing institutional architecture for continued engagement with direct project beneficiaries and timely redressal of grievances. However, strengthening the reach of these feedback systems and facilitating two-way information flows/feedback loops across recipient states will require development of a roadmap in agreement with the state IAs. States that join the RAMP Program later will share details of the existing State level GRM with the MoMSME as well as the World Bank. As a PforR, the Program will exclude activities that have large-scale land related impacts.
- **Key risk mitigation measures and inputs to The Program Action Plan for social and environmental aspects include:** a) Labor management and Occupational Health and Safety oversight; b) strengthening/convergence of state-level MIS systems; c) strengthening of feedback/Grievance Redressal Mechanism (GRM) at the state and district-level; d) land management; e) awareness and training programs targeting women entrepreneurs; f) MoMSME to lead the preparation of the "Strategy to Strengthen Environment and Social Management" and coordinate this with the states; and g) MoMSME to strengthen the institutional and technical mechanisms to deliver integrated and connected online services for MSMEs by integrating M&E with E&S due diligence for performance tracking.

65. **Risk Rating:** The Environment and Social Risk Rating of the proposed Program is **Moderate**. It includes technical assistance and technology-enhancing interventions to existing MSMEs. The anticipated negative E&S impacts are relatively small in scale and temporary. Enhanced access to technology-based interventions, trainings and targeted interventions designed for women entrepreneurs is likely to result in positive E&S outcomes as well. Institutional strengthening of MSME agencies and technology upgrades in the participating MSMEs will result in overall human and environmental wellbeing and reduce risks of environmental pollution arising from manufacturing operations.

66. **Recommendation:** The Central and State Governments have well-developed environmental and social legislation. However, the implementation setup to address potential environmental challenges of the RAMP Program needs to be strengthened. To address this, a '*Strategy to Strengthen Environment and Social Management'* document will be prepared by the NPIU with the support and guidance of MoMSME and the State nodal agencies. It will outline the: (i) communication, behavior change and capacity building plan around E&S aspects; (ii) risk screening and management mechanism associated with MCRRP activities: (iii) action-oriented recommendations on occupational health and safety issues (OHS) to be integrated in the SIPs; (iv) activities, tasks, lead roles and responsibilities of the N/SPIUs; (v) strengthened E&S screening and monitoring criteria for MCRRP schemes; (vi) training curriculum required to strengthen capacity of nodal E&S officers to assist industry units to achieve E&S compliance. The proposed communication and capacity building plan will also enable E&S nodal officers to serve as facilitators alongside their compliance enforcement roles. These training and capacity building initiatives will have defined milestones along with the necessary resource allocations. The strategy will also incentivize development of consolidated MIS systems, disaggregated by gender and social groups. Additional states that may be added to the RAMP program going forward will be required to hold state-level consultations with stakeholders, follow the recommendations outlined in the ESSA and adopt the ' Strategy to Strengthen Environment and Social Management' in agreement with the MoMSME.

67. **Communities and individuals who believe that they are adversely affected as a result of a Bank supported Program, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the WB's Grievance Redress Service (GRS)**. The GRS ensures that complaints received are promptly reviewed to address pertinent concerns. Affected communities and individuals may submit complaints to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the GRS, please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank Inspection Panel, please visit http://www.inspectionpanel.org.

68. **Citizen Engagement:** The project seeks to enhance citizen outreach and engagement through: (i) the development and implementation of a decentralized SIP, based on a consultative process with local MSMEs and other key stakeholders; (ii) partnerships with local organizations in states to conduct outreach to enhance awareness of and access to core MSME support services, with a special focus on outreach to women entrepreneurs; and (iii) strengthened citizen feedback mechanisms across MoMSME competitiveness schemes through online portals, including strengthening and introducing clear service standards for the existing GRM.

69. **Climate change co-benefits:** The project will contribute to climate change adaptation co-benefits by supporting MSMEs to improve productive use of resources and reduce GHG emissions. The Adaptation Actions under the RAMP Program are detailed in Annex 9. RA#1 will invest in building capacity of MoMSME and state DOIs to support scaling up of "greening" support initiatives for MSME sectors such as improved energy efficiency, renewable energy and waste management. RA#2 will support technical service provision and assessment and certification efforts to support climate-friendly design related improvements and product development projects in MSMEs, including reducing/ recycling of waste material, reuse of water in the process, switching to recycled materials, eco-friendly packaging material, etc.

V. RISK

70. **The overall risk to development outcome of The Program is "Substantial":** Significant mitigation derives from the commitment, at the highest levels of government, to the MSME sector and to support it to play a leading role in economic recovery. Notwithstanding this, uncertainty regarding the COVID-19 pandemic impact on the recovery process leaves in place considerable residual risk across the following risk categories: (i) macroeconomic risks; (ii) sector strategies and policies; (iii) technical design; (iv) institutional capacity; (v) fiduciary.

71. **The macroeconomic risk is "Substantial"**. Economic growth had slowed in recent years, from 8.3 percent in FY17 to 4.0 percent in FY20. Against this backdrop of pre-existing challenges, the COVID-19 outbreak significantly altered the growth trajectory of the economy. Real GDP is estimated to have contracted by 8.5 percent in FY21. On the fiscal side, the FY21 deficit is expected to have widened significantly, due to weak activity and revenues, and higher spending needs. The GoI will need to exercise greater selectivity going forward when assessing the merits of the public expenditure pipeline. However, the residual fiscal risk for the project is considered manageable both because: (i) the required counterpart funding – US$310 million over five years (or 62 million per year) – is small relative to overall CG expenditures (budgeted to about US$475.5 billion in FY22); and (ii) the proposed operation is designed to support faster economic recovery, and hence to boost revenue growth (such that it will mitigate rather than exacerbate fiscal risk).

72. **Sector risks are rated "Substantial".** The rating of "substantial" is based on the unprecedented scale of change and innovation envisioned by the MoMSME, and the relatively complex nature of the operations involving different MDAs (MoMSME, MoF, CGTMSE, DPE) and five "first-mover" states. The risks are mitigated through design, which includes strong coordination mechanisms via the MSME Council, the PSC, a more integrated Center-State approach to MSME support and more extensive engagement of the private sector stakeholders to ensure market awareness of what the MoMSME is seeking to do and obtain feedback during implementation. The residual risks reside in the potential for the pandemic – at some point - to aggressively disrupt supply chains, for market demand to trough and for Governments and MSMEs alike to be forced to focus more on relief, rather than innovative recovery measures.

73. **Technical risks are rated "Substantial".** This Program will require significant product innovation, technical upgrading of service delivery and the deployment of new evidence-based policy and M&E measures. Absorptive capacity in both government and private sector will be at a premium. While the PAP incorporates a significant set of mitigation measures to address the risks posed by limits to absorptive capacity, residual risks remain. The COVID crisis may force government counterparts and Implementing Agencies to divert focus and resources from the complex innovation and recovery agenda to essential sector and firm survival priorities.

74. **Institutional capacity for implementation and sustainability is assessed to be a "Substantial" risk.** This would be the first PforR financing undertaken with the MoMSME. Moreover, it is for a Program that requires heightened levels of ministerial effectiveness and inter-ministerial and Center-State coordination. These inherent risks are mitigated through project design, as institutional strengthening is a core objective of The Program. Strong N/SPIUs will be established and the necessary coordination and oversight mechanisms will be put in place to support the MoMSME and state level nodal partners to deliver on The Program and implement the PforR instrument. The resources to be transferred to the States will also play a key role in financing essential technical and institutional capacity building activities defined in the PAP. Social distancing and other COVID-related policies will create constraints for which new ways of doing business will need to be developed. This is likely to pose a deleterious short-to-medium term impact on a Program highly dependent on effective cooperation. Additionally, key staff at CG and State levels remain vulnerable to the virus. Changing social business practices and pandemic threats to human welfare leave in place residual risks, the impact of which will depend on the future trajectory and virulence of the pandemic.

75. **Fiduciary Risk Rating is "Substantial".** Given the decentralized nature of The Program, with schemes being

implemented by MoMSME with the support of Central and State level Departments and field level public and private sector agencies, there is an inherent risk associated with variations in fiduciary capacity, compliance to agreed FM and procurement processes as per GFR 2017 and scheme guidelines, timely submission of financial reports and audit reports. The fiduciary risks will be mitigated through development of standard bid documents for consulting services and goods for procurement by IAs, public disclosure of procurement plan and contract awards, robust compliant-redressal mechanism, obtaining timely UCs and financial reports from IAs, strengthening internal and external audit arrangements for IAs and hiring of consultants in NPIU and SPIUs to closely monitor the procurement and FM performance. The actions to mitigate the fiduciary risks have been included in The Program Action Plan (PAP). With implementation of these mitigation measures (details provided in Annex 6), the fiduciary systems of MoMSME and IAs are considered adequate to provide reasonable assurance that The Program funds will be used for the intended purpose.

ANNEX 1. IMPACT OF COVID-19 PANDEMIC AND GOVERNMENT RESPONSE

1. **The COVID-19 pandemic affected economic activity significantly.** In response to the pandemic, the Government of India (GoI) implemented a strict nationwide lockdown between March and May 2020 to prevent the spread of infections. As a result, supply chains and economic activity were disrupted. The lockdown was lifted gradually, from June 2020 onwards. This allowed economic activity to resume from the second quarter (July to September 2020) onwards.

2. **Real GDP growth is estimated to have contracted by 8.5 percent**38 **in FY20/21—**mainly due to restrictions on economic activity and mobility leading to large contractions in private consumption and investment. However, growth is expected to rebound in FY21/22 (within a range of 7.5-12.5 percent). The financing needs of the GoI are expected to rise significantly. The sharp economic slowdown has affected revenues disproportionately with general government revenues declining by over 10 percent in FY21. At the same time, expenditure needs have risen. As a result, the general government deficit is expected to have risen to over 14 percent in FY21 and Public and Publicly Guaranteed debt to have reached 90 percent. The bulk of the required financing is expected to be sourced from domestic markets which have enough liquidity, with minor contribution from international borrowing.

3. **The COVID-19 pandemic has exacerbated the vulnerabilities for traditionally excluded groups, such as youth and women.** The lockdown, in the first quarter of FY21, appears to have had a major impact on household consumption. Mean per capita consumption is estimated to have dropped by 36 percent over April-July 2020 y-o-y. Available household survey data indicate that relative to the "traditional poor" the most affected population were relatively younger, more urban and educated. With the end of the lockdown, however, household consumption seems to have recovered to almost pre-pandemic levels. In addition, interstate migrants are at risk of increased poverty and destitution. Estimates from the Economic Survey highlight that the magnitude of inter-state labor migration in India was close to 9 million annually between 2011 and 2016 and migrant remittances in lower-income states like Bihar accounted for 35.6 percent of gross state domestic product (GSDP) in 2011–12. MSMEs that account for the largest non-farm employment (30 percent) with about 20 percent female participation are considered to have been impacted the most due to lockdown.

4. **Fiscal and monetary policies aimed at managing the impact of the pandemic, together accounted for more than 10 percent of GDP in FY21[39]:**

- **Pradhan Mantri Garib Kalyan Yojana (PMGKY),** to protect the poor and vulnerable impacted by Coronavirus Containment Measures, expected to cost approximately US$23 billion.
- **MSME support includes Emergency Credit Line Guarantee Scheme** for INR. 3 trillion, INR. 200 billion subordinate debt for stressed MSMEs, INR. 100 billion to provide equity funding for MSMEs with growth potential and change in the definition of MSMEs, by increasing investment limits and firm turnover, to help incentivize firms to grow.
- **Agriculture infrastructure fund -** proposed financing facility of INR. 1 trillion (to be funded by NABARD) to promote post-harvest management infrastructure and, Micro-food enterprise - INR. 100 billion for technical upgrade and promotion of clusters of local products.
- **Outlay of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) -** a universal employment guarantee program, is increased by INR. 500 billion.
- **Increased state government borrowing-limit,** from 3 percent to 5 percent of GSDP (additional INR. 4.28 trillion).
- **Long-Term Repo Operations (LTROs) and Special Liquidity window:** To alleviate cash flow pressures, the Reserve

[38] World Bank staff estimates
[39] World Bank staff calculations

Bank of India has conducted LTROs and Targeted LTROs for a total amount of INR. 9.6 trillion (about 4.5 percent of GDP) since February 2020. Moreover, a Special Liquidity Facility for mutual funds of INR. 500 billion was opened on April 27, 2020, to ease liquidity pressures on mutual funds.

WBG support for responding to the crisis

5. **In alignment with its global response, the WBG has been closely supporting GoI's strategy, which consists of three phases.** In the first phase, the GoI tackled the health aspects, and partnered with the Bank for a US$1 billion health project. In the second phase, GoI invested US$23 billion in social protection program to support the poor and vulnerable communities during the lockdown, and the Bank provided financing of US$1.15 billion. In the third phase, GoI focused on economic stabilization and reducing the costs of the lockdown. This includes support to MSMEs and their workers during lockdown by committing about 1.5 percent of GDP to MSME finance. The Bank financing of $750 million is supporting this program to provide liquidity for their balance sheets, to mitigate against potential solvency problems and job losses, and to lay the foundations for a stronger MSME financing ecosystem in the recovery phase.

6. **Additionally, the Bank activated the Contingent Emergency Response Component (CERC) in five projects to support the state governments' COVID-19 relief efforts.** Moreover, many projects made special provisions for COVID-19 Assistance Packages within their project scope. Going forward, the Bank will be supporting the GoI as follows:

- **Saving lives:** Other than the ongoing health programs, the Bank is a potential partner with GoI on its flagship program of Atmanirbhar Swasth Bharat Yojna which aims at strengthening the health sector in the country by strengthening healthcare services, health emergency preparedness and response and strengthen core capacities as per the International Health Regulations. In addition, the Bank is exploring innovative ways of support to the state and central governments through upcoming operations in the education and health sector.
- **Protecting poor and vulnerable people:** The third phase of the Social Protection program is aimed at strengthening the capability of the state and national governments in India to respond to the needs of informal workers through a resilient and coordinated social protection system. Some upcoming projects have specific COVID-19 components supporting this pillar, e.g. Fisheries Sector COVID-19 Response and Recovery, and Resilient Kerala Program for Results.
- **Sustainable growth and job creation:** The Bank is preparing a project on raising and accelerating MSME productivity which will focus on strengthening institutions and markets. Job creation is a special focus under the infrastructure projects as well.
- **Strengthening policies, institutions and investments for rebuilding better: This is an all-encompassing theme under the India CPF and is integrated in most of the projects. The upcoming engagement with the National Disaster Management Agency on Seismic Risk Mitigation Project is one such example.**

7. **The IMF does not have an active lending program in India. However, it undertakes regular macroeconomic supervision and Article IV consultations twice yearly.** The Bank and IMF teams regularly exchange views and information. The partnership with other donors was brought to fruition in both the Social Protection and MSME COVID-19 response DPLs. Within the Social Protection DPL, the Bank has worked in collaboration with the Asian Development Bank (ADB), Agence Française de Développement (AFD), and Kreditanstalt Fuer Wiederaufbau (KfW). The Japanese International Cooperation Agency (JICA), Asian Infrastructure Investment Bank (AIIB), the New Development Bank (NDB) and International Fund for Agriculture (IFAD) are also exploring potential parallel financing in upcoming operations. Discussions are ongoing to expand the World Bank's TA through additional funds from the Bill and Melinda Gates Foundation (BMGF) and the United Kingdom's Foreign, Commonwealth and Development Office (FCDO).

ANNEX 2. RESULTS FRAMEWORK MATRIX

Results Framework
COUNTRY: India
Raising and Accelerating MSME Performance

Program Development Objective(s)

Strengthen MSME performance through sustainable and innovative market-based services at Central level and in selected States.

Program Development Objective Indicators by Objectives/Outcomes

Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
Improved firm performance from utilizing schemes						
Firms benefiting from private sector initiatives (CRI, Number)	DLI 2.3, 3.2	0.00	66,750.00	173,750.00	343,750.00	555,000.00
Increased access to finance for women-headed businesses						
Credit guarantee volume for women-headed businesses (Amount(USD))	DLI 5.2	914,000,000.00	1,148,000,000.00	1,438,000,000.00		1,789,000,000.00
Increased access to finance for green investments						
Credit guarantee volume for greening investments	DLI 5.3	0.00	8,000,000.00	20,000,000.00		40,000,000.00

Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
(Amount(USD))						
Increased MSME access to factoring services						
Factored value (Amount(USD))	DLI 4.4	7,756,400,000.00	10,458,000,000.00	14,143,000,000.00		18,810,000,000.00
Increased resolution rate for delayed payments						
ODR resolved cases via Samadhan portal (Number)	DLI 6.2	0.00	2,000.00	6,000.00	12,000.00	20,000.00

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Intermediate Results Indicator by Results Areas

Indicator Name	DLI	Baseline	Intermediate Targets			End Target
			1	2	3	
Strengthening Institutions and Governance						
Evidence-based MSME "Core Reports" generated and "Impact Evaluations" launched (Number)	DLI 1.4	0.00	1.00	2.00	4.00	6.00
Integrated National MSME Digital Platform (INMDP) and analytical functions operationalized (Text)	DLI 1.2	Portals not operating in integrated manner	Phase 1 completed	Phase 2 and Phase 3 (Data Dashboards) completed		Fully operational
Strategic Investment Plans implemented (Number)	DLI 2.2	0.00	5.00	0.00	0.00	5.00
Support to Firm Capabilities and Access to Finance and Markets						
Number of NBFCs operating as factors on the TReDS platform (Number)	DLI 4.3	3.00	9.00	21.00		33.00
Enhanced gender and new greening guarantee products placed on the market (Number)	DLI 5.1	0.00				2.00
Number of ODR platform companies linked and operating through Samadhaan Portal (Number)	DLI 6	0.00	2.00	3.00	6.00	10.00
Number of accredited BDS providing services through the firm capability schemes (Number)	DLI 3	100.00				1,100.00

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Monitoring & Evaluation Plan: PDO Indicators					
Indicator Name	**Definition/Description**	**Frequency**	**Datasource**	**Methodology for Data Collection**	**Responsibility for Data Collection**
Firms benefiting from private sector initiatives		Annual cu mulative	MoMSME INMDP database and dashboard analytics; State MIS systems; TReDS platform; CGTMSE	The numbers for intermediate targets and end target are cumulative over the lifetime of the Program. Firms to be counted under this PDO objective include two sets: - (A) Those firms in the five "First Mover" states accessing (i) entry-level (Bronze) CLCS-TU services and/or (ii) registering onto the TReDS and/or (iii) initiating a delayed payments case on the Samadhaan platforms and/or (iv) accessing women guarantees from CGTMSE improved products beyond minimum threshold for total of five states as follows - 70,000 in year 3; 80,000 in year 4; 90,000 in year 5 and/or (v) green guarantees	MoMSME/NPIU and State Counterparts/SPIUs.

				from CGTMSE new green products for ODR; - (B) Those firms completing higher-level CLCS-TU services: ZED Silver Gold and above; Lean and/or accessing credit from FIs. Firms can be counted more than once towards the 555,000 based on accessing more than one service and/or moving up the different levels within a service. This would reflect the program objective of greater integration and convergence of services. Note- (A) is applicable in SIP implementation phase (years 2-5) with (iv)-(v) applicable in years 3-5 once enhanced guarantee products are introduced. (B) is applicable in CLCSTUS phase (years 2-5)	
Credit guarantee volume for women-headed businesses	Credit Guarantees issued to women-headed businesses. The amount in the end target as well as	Annual target	CGTMSE guarantee data base	Administrative data taken from CGTMSE data base	CGTMSE

	intermediate target refers to annual target.				
Credit guarantee volume for greening investments	Guarantees issued for green investments. The intermediate and end target refers to cumulative value	Annual. Cumulative targets.	CGTMSE Database	Administrative data from the CGTMSE database	CGTMSE
Factored value	Volume of transactions (total value of invoices) transacted on TReDS. The intermediate and end target refers to a cumulative values	Annual cumulative	TReDS Transaction data base	Data inputted into data base when on-boarding invoicing	TReDS
ODR resolved cases via Samadhan portal	Delayed payment cases resolved via ODR accessed via MoMSME Samadhan portal. Intermediate and End targets refer to cumulative numbers	Annual Cumulative	Samadhan Portal	Information gathered from ODR platform and added to Samadhan portal data base.	Ministry of MSME with participating ODR platform.

Monitoring & Evaluation Plan: Intermediate Results Indicators					
Indicator Name	**Definition/Description**	**Frequency**	**Datasource**	**Methodology for Data Collection**	**Responsibility for Data Collection**
Evidence-based MSME "Core Reports" generated and "Impact Evaluations" launched	(i) MSME Sector "Core Reports" are generated. Core Reports can include Regulatory Impact Assessments, Policy Reviews/Reports on specific topics, Sector Strategic Plans etc., based on priority areas. One of the reports could be on Identification of Actions and implementation plan for Federal-State convergence. (ii) Impact Evaluations launched will cover firm capability schemes (productivity), CGTMSE (gender and greening), SIP outcomes. These intermediate outcomes to be approved by the MSME Council.	Annual cumulative	Minutes of the MSME Council Meeting.	As defined in Concept Notes approved by the MSME Council.	Ministry of MSME.
Integrated National MSME Digital Platform (INMDP) and analytical functions operationalized	Approved INMDP Implementation Plan operationalized: (1) Phase	Three phases to take	Ministry of MSME	Technical reports evidencing operationalization and	Ministry of MSME

	1 - (i) service/ consultant contract(s) completed on integrating MoMSME portals and services; (2) Phase II - integration with Center Government portals outside MoMSME IDP; (3) Phase 3 - Dashboard and data analytics function will comprise performance data: (i) firm level indicators, (ii) program level indicators (iii) MSME ecosystem improvement indicators) for evidence based decision-making and enhanced user experience (iv) rating/feedback system for service providers linked through platforms	place - Ex pected that Phase 1 completed by end of Year 2 and Phas es 2 and 3 (Dashboard s) completed by end of Phase 3. INMDP to be fully operational by end of Year 3.		Ministry notification.	
Strategic Investment Plans implemented	Completion of targeted SIP Implementation Plan actions. Intermediate and end targets refer to total number of actions completed by the five states	Annual cumulative	State Program Implementati on Unit	Annual Progress Reports on SIP Implementation - Eligible activities: (i) implementation of M&E system (*as per national guidelines by MOMSME*); (ii) integration of state portals with unified national online portal – integration needs to include automatic	State Program Implementatio n Unit

				scheme referrals across national and state schemes and data reporting to national platform as per national data protocols and standards; (iii) implementation of RAMP program communication and outreach strategy with focus on the GGTP agenda; (iv) Public-Private Partnerships (PPP) signed supporting: (a) FI-BDS agreements established for enhanced financial services; (b) anchor company supplier development programs signed; (v) capacity building of nodal technical support institutions completed (supplier development programs covering at least 150 MSMEs. Up to 3 supplier development agreements can count as separate actions. Up to 3 FI-BDS partnerships can	

				count as separate actions and 2 Technical Institutions per state	
Number of NBFCs operating as factors on the TReDS platform	Number of NBFCs as Factors discounting invoices on TReDS	Annual Cumulative	TReDS	TreDS transaction database	Ministry of MSME
Enhanced gender and new greening guarantee products placed on the market	New guidelines for (1) women and (2) greening guarantees issued	Annual	CGTMSE guarantee database	Administrative data from the CGTMSE database	CGTMSE
Number of ODR platform companies linked and operating through Samadhaan Portal	Number of ODR platform companies linked and operating through Samadhaan Portal	Annual Cumulative	Samadhaan Portal	Administrative Data from Ministry of MSME	Ministry of MSME
Number of accredited BDS providing services through the firm capability schemes	increase in the number of private sector business development service providers providing online and "in person" services in targeted schemes	Annual cumulative	Ministry of MSME	Adminstrative data from the integrated database	Ministry of MSME

ANNEX 3. DISBURSEMENT LINKED INDICATORS, DISBURSEMENT ARRANGEMENTS AND VERIFICATION PROTOCOLS

Disbursement Linked Indicators Matrix

DLI 1	Implementing Central Government MSME Institutional Reform Agenda			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Output	Yes	Text	95,000,000.00	19.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	No			
Year 1	Yes		15,000,000.00	Yr.1-2-3-4-5
Year 2	Yes		17,500,000.00	as above
Year 3	Yes		22,500,000.00	as above
Year 4	Yes		20,000,000.00	as above
Year 5	Yes		20,000,000.00	as above

DLI 1.1	Institutional changes enacted: (i) MSME Council established and concludes its first semi-annual meeting; (ii) MoMSME approval of development action plan for Dig. Tech., M&E &Policy capacity-building			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Output	No	Yes/No	15,000,000.00	3.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**

Baseline	No		
Year 1	Yes	15,000,000.00	$7.5mX2
Year 2	Yes	0.00	as above
Year 3	Yes	0.00	as above
Year 4	Yes	0.00	as above
Year 5	Yes	0.00	as above

DLI 1.2	Integrated National MSME Digital Portal (INMDP) three-phased implementation completed including operationalization of dashboards and data analytics function			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Intermediate Outcome	No	Yes/No	15,000,000.00	3.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	No			
Year 1	No		0.00	-
Year 2	Yes		5,000,000.00	$5m per INMDP implementation phase
Year 3	Yes		10,000,000.00	as above
Year 4	Yes		0.00	as above
Year 5	Yes		0.00	as above

DLI 1.3	Annual State of the MSME Sector report approved/published by Council and published on-line			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Output	No	Number	20,000,000.00	4.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
Year 1	0.00		0.00	-
Year 2	1.00		5,000,000.00	$5m for each annual publication
Year 3	1.00		5,000,000.00	as above
Year 4	1.00		5,000,000.00	as above
Year 5	1.00		5,000,000.00	as above

DLI 1.4	Evidence-based policy-making operationalized.			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Intermediate Outcome	No	Number	45,000,000.00	9.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
Year 1	0.00		0.00	-
Year 2	1.00		7,500,000.00	$7.5m for each report completed; $7.5m for each IE launched

Year 3	1.00		7,500,000.00	as above
Year 4	2.00		15,000,000.00	as above
Year 5	2.00		15,000,000.00	as above
DLI 2	Accelerating MSME Sector Center-State collaboration			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Output	Yes	Text	155,000,000.00	31.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	No			
Year 1	Yes		30,000,000.00	Yr 1-2-3-4-5
Year 2	Yes		17,187,500.00	as above
Year 3	Yes		26,875,000.00	as above
Year 4	Yes		39,062,500.00	as above
Year 5	Yes		41,875,000.00	as above
DLI 2.1	MSME Strategic Investment Plans (SIP) from participating states with attention to cross-cutting GGTP themes approved			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Output	No	Number	30,000,000.00	6.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			

Year 1	5.00		30,000,000.00	$6mx5
Year 2	5.00		0.00	as above
Year 3	5.00		0.00	as above
Year 4	5.00		0.00	as above
Year 5	5.00		0.00	as above

DLI 2.2	Completion of targeted SIP Implementation Plan actions			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Intermediate Outcome	No	Number	25,000,000.00	5.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
Year 1	0.00		0.00	-
Year 2	5.00		2,187,500.00	$500,000 per action (1)-(1iii); $437,500 per action(iv)-(v); up to $5mn per state over 4 years
Year 3	15.00		6,875,000.00	as above
Year 4	20.00		9,062,500.00	as above
Year 5	15.00		6,875,000.00	as above

DLI 2.3	Increase in MSMEs (i) entry level CLCSTUS completing bronze level ZED; (ii) registered on TReDS; (iii) initiated a case on Samadhaan for ODR; (iv) guarantees for women owned MSEs; (v) green guarantees			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Outcome	Yes	Number	100,000,000.00	20.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
Year 1	0.00		0.00	-
Year 2	56,250.00		12,187,500.00	(i)-(iii)-$200 per MSME; $300 if women owned; (iv) $200 per MSE beyond minimum threshold; (v) $1033.333 per MSE
Year 3	86,000.00		18,866,667.00	as above
Year 4	138,500.00		30,408,333.00	as above
Year 5	169,250.00		38,537,500.00	as above

DLI 3	Enhancing the effectiveness of Firm Capabilities Schemes			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Intermediate Outcome	Yes	Yes/No	75,000,000.00	15.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	No			

Year 1	Yes		5,000,000.00	Yr1,2,3,4,5
Year 2	Yes		7,000,000.00	as above
Year 3	Yes		14,000,000.00	as above
Year 4	Yes		21,000,000.00	as above
Year 5	Yes		28,000,000.00	as above

DLI 3.1	CLCS-TU schemes improvement and scale-up implementation plan approved by the PSC, including establishment of integrated management system			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Output	No	Yes/No	5,000,000.00	1.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	No			
Year 1	Yes		5,000,000.00	$5m
Year 2	Yes		0.00	as above
Year 3	Yes		0.00	as above
Year 4	Yes		0.00	as above
Year 5	Yes		0.00	as above

DLI 3.2	Measurable Improvements in CLCS-TSU performance and results indicators			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Outcome	Yes	Number	70,000,000.00	14.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
Year 1	0.00		0.00	-
Year 2	10,500.00		7,000,000.00	US$500 per silver graduation; US$1000 per gold/Lean graduation; US$750 per MSE accessing credit over 4 years
Year 3	21,000.00		14,000,000.00	as above
Year 4	31,500.00		21,000,000.00	as above
Year 5	42,000.00		28,000,000.00	as above

DLI 4	Strengthening the receivable financing market for MSMEs			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Output	Yes	Text	65,000,000.00	13.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	No			
Year 1	Yes		5,000,000.00	Yr1,2,3,4,5

Year 2	Yes		5,000,000.00	as above
Year 3	Yes		13,000,000.00	as above
Year 4	Yes		19,000,000.00	as above
Year 5	Yes		23,000,000.00	as above

DLI 4.1	Regulation issued to facilitate: (i) NBFCs participation as factors; (ii) TReDS to register transaction with CERSAI; (iii) priority against third parties on a first-to-file basis			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Output	No	Yes/No	5,000,000.00	1.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	No			
Year 1	Yes		5,000,000.00	$5m
Year 2	Yes		0.00	as above
Year 3	Yes		0.00	as above
Year 4	Yes		0.00	as above
Year 5	Yes		0.00	as above

DLI 4.2	Mechanism operationalized to allow buyer submission of invoices to GSTN for input tax credit to be treated as buyer confirmation on TReDS			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Process	No	Yes/No	5,000,000.00	1.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	No			
Year 1	No		0.00	-
Year 2	Yes		5,000,000.00	$5m on operationalization
Year 3	Yes		0.00	as above
Year 4	Yes		0.00	as above
Year 5	Yes		0.00	as above

DLI 4.3	Increase in number of new NBFCs on TReDS			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Intermediate Outcome	Yes	Number	10,000,000.00	2.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
Year 1	0.00		0.00	-
Year 2	0.00		0.00	-

Year 3	6.00		2,000,000.00	$333,333.333 per additional NBFC over 3 years
Year 4	12.00		4,000,000.00	as above
Year 5	12.00		4,000,000.00	as above
DLI 4.4	Increase in the volume of invoices discounted on TReDS			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Outcome	Yes	Amount(USD)	45,000,000.00	9.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	2,131,200,000.00			
Year 1	2,131,200,000.00		0.00	-
Year 2	2,131,200,000.00		0.00	-
Year 3	2,702,260,000.00		11,000,000.00	scalable at $1m for every $245.65 m of additional volume of transactions (invoices discounted on TReDS) over 3 years
Year 4	3,684,900,000.00		15,000,000.00	as above
Year 5	4,667,540,000.00		19,000,000.00	as above

DLI 5	Enhancing Effectiveness of CGTMSE and "GG" delivery			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Output	Yes	Text	55,000,000.00	11.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	No			
Year 1	Yes		5,000,000.00	Yr1,2,3,4,5
Year 2	Yes		10,000,000.00	as above
Year 3	Yes		10,184,000.00	as above
Year 4	Yes		13,004,000.00	as above
Year 5	Yes		16,812,000.00	as above

DLI 5.1	CGTMSE operationalizes GG guarantee innovations by following: (i) defining tag to track greening investments; (ii) issues revised guarantee guidelines for (a) women headed MSEs; (b) green investments			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Intermediate Outcome	No	Number	15,000,000.00	3.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
Year 1	1.00		5,000,000.00	$5m per action over two years 5-10
Year 2	2.00		10,000,000.00	as above

Year 3	2.00		0.00	as above
Year 4	2.00		0.00	as above
Year 5	2.00		0.00	as above
DLI 5.2	Increase in the value of guarantees to women-headed businesses			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Intermediate Outcome	Yes	Amount(USD)	35,000,000.00	7.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	914,000,000.00			
Year 1	914,000,000.00		0.00	-
Year 2	914,000,000.00		0.00	-
Year 3	1,148,000,000.00		9,184,000.00	$800 for every $100,000 up to $35m as of year 3
Year 4	1,438,000,000.00		11,504,000.00	as above
Year 5	1,789,000,000.00		14,312,000.00	as above
DLI 5.3	Increase in the value of guarantees for green investments			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Outcome	Yes	Amount(USD)	5,000,000.00	1.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**

Baseline	0.00		
Year 1	0.00	0.00	-
Year 2	0.00	0.00	-
Year 3	8,000,000.00	1,000,000.00	$12,500 for every $100,000 up to $5m over 3 years
Year 4	12,000,000.00	1,500,000.00	as above
Year 5	20,000,000.00	2,500,000.00	as above

DLI 6	Reducing the incidence of delayed payments			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Intermediate Outcome	Yes	Text	55,000,000.00	11.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	No			
Year 1	Yes		5,000,000.00	Yr1,2,3,4,5
Year 2	Yes		5,000,000.00	as above
Year 3	Yes		10,000,000.00	as above
Year 4	Yes		15,000,000.00	as above
Year 5	Yes		20,000,000.00	as above

DLI 6.1	Samadhaan portal adapted to link ODR private service providers to MSMEs			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Output	No	Yes/No	5,000,000.00	1.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	No			
Year 1	Yes		5,000,000.00	$5m
Year 2	Yes		0.00	as above
Year 3	Yes		0.00	as above
Year 4	Yes		0.00	as above
Year 5	Yes		0.00	as above

DLI 6.2	Increase in cases resolved by ODR filed through the Samadhaan portal			
Type of DLI	**Scalability**	**Unit of Measure**	**Total Allocated Amount (USD)**	**As % of Total Financing Amount**
Outcome	Yes	Number	50,000,000.00	10.00
Period	**Value**		**Allocated Amount (USD)**	**Formula**
Baseline	0.00			
Year 1	0.00		0.00	-
Year 2	2,000.00		5,000,000.00	$2,500 per case resolved over 4 years

Year 3	4,000.00	10,000,000.00	as above
Year 4	6,000.00	15,000,000.00	as above
Year 5	8,000.00	20,000,000.00	as above

Verification Protocol Table: Disbursement Linked Indicators	
DLI 1	Implementing Central Government MSME Institutional Reform Agenda
Description	
Data source/ Agency	
Verification Entity	
Procedure	
DLI 1.1	Institutional changes enacted: (i) MSME Council established and concludes its first semi-annual meeting; (ii) MoMSME approval of development action plan for Dig. Tech., M&E &Policy capacity-building
Description	Establishment of Council and its operational launch; MoMSME strengthens its digital (portal); policy making and M&E capacities
Data source/ Agency	Council Secretariat (MoMSME)
Verification Entity	Public Sector Entity - TBC
Procedure	(i) - (a) Central Government publishes notification of Council mandate, membership, roles and responsibilities and operational procedures; (b) MSME Council prepares minutes of the first semi-annual meeting. States membership at minimum of Secretary level. (ii) Implementation Plan for the strengthening of Digital Technology, Policy and M&E functions notified. The plan will cover Policy, M&E Impact Evaluation and Digital blueprint and strategic roadmap for integrated MSME database and portal, including Dashboard, Data Analytics on performance indicators. The blueprint and strategic roadmap will cover - (1) report on functional requirements and technical solution architecture and strategy for integration of of databases, as per the recommended framework established by the National e-Governance Division (NEGD); (2) Policy and M&E capacity strengthening including (a) processes to be followed for M&E; (b) staffing, qualifications and training; (c) data to be tracked; (d) IT and MIS systems requirements and gaps; (3) Dashboard to incorporate: (a) firm level indicators, (b) program level indicators (c) MSME ecosystem improvement indicators; (d) rating/feedback system for service providers linked through platforms;

	(4) Implementation Plan (IP) (costed, phased, timebound); (5) procurement RfPs for equipment and service contracts prepared and issued.
DLI 1.2	Integrated National MSME Digital Portal (INMDP) three-phased implementation completed including operationalization of dashboards and data analytics function
Description	INMDP Phase I and II implementation and Phase III (dashboards) completed by MoMSME.
Data source/ Agency	MoMSME
Verification Entity	Public Sector Entity - TBC
Procedure	Notification by MoMSME that the INMDP Phases I, II and III are commissioned and operational per the approved INMDP Digital Blueprint and Strategy Roadmap. This will comprise, in accordance with approved INMDP Implementation Plan, the following: (i) Phase 1 - (i) service/ consultant contract(s) completed on integrating MoMSME portals and services; (ii) Phase II - integration with Center Government portals outside MoMSME IDP. (iii) Phase III - Dashboard and data analytics function will comprise performance data: (a) firm level indicators, (b) program level indicators (c) MSME ecosystem improvement indicators) for evidence based decision-making and enhanced user experience (d) rating/feedback system for service providers linked through platforms
DLI 1.3	Annual State of the MSME Sector report approved/published by Council and published on-line
Description	Annual MSME State of Sector Report approved and published by the MSME Council
Data source/ Agency	Council Secretariat/MoMSME
Verification Entity	Public Sector Entity - TBC
Procedure	Annual report approved by Council chair for publication; Report published online on portal/website.

DLI 1.4	Evidence-based policy-making operationalized.
Description	Evidenced-based policymaking operationalized through: (i) three Policy Reports prepared by the MoMSME Policy department approved by the Council, addressing Council-approved priority areas; and (ii) three IE studies launched.
Data source/ Agency	Council Secretariat/MoMSME
Verification Entity	Public Sector Entity, TBC
Procedure	Policy reports as authorized and approved by the MSME Council as indicated in relevant Minutes of Meeting. The Reports, together with an implementation plan, to be determined by the Council - will entail policy reviews/proposals on priority areas, (such as Center-State convergence). Impact Evaluation Concept Notes (evaluation proposals) approved by Council as noted in Meeting Minutes and implementing parties contracted per the guidelines/methodology approved in the Concept Note. These IE will focus on (i) Enhancing Firm Capabilities and Market Access (productivity growth achievements); (ii) Enhancing Guarantee Products (Gender and Greening outcomes); (iii) SIP Outcomes.

DLI 2	Accelerating MSME Sector Center-State collaboration
Description	
Data source/ Agency	
Verification Entity	
Procedure	

DLI 2.1	MSME Strategic Investment Plans (SIP) from participating states with attention to cross-cutting GGTP themes approved
Description	SIP prepared and approved in line with agreed TORs.
Data source/ Agency	MoMSME/NPIU
Verification Entity	Public Sector entity - TBC
Procedure	The SIPs will follow a standardized format approved by the Project Steering Committee and include a 4 year implementation plan, including actions related to institutional capacity building, scaling up MSME graduation rates, establishment of

	platform interoperability enhancing proportion of women entering and graduating support programs, and other state-specific critical actions based on state context and a Results Framework. SIP once completed by the State will be submitted for the approval of the chair of the Project Steering Committee.
DLI 2.2	Completion of targeted SIP Implementation Plan actions
Description	SIP implementation actions as defined in SIP completed
Data source/ Agency	MoMSME/NPIU
Verification Entity	MoMSME/NPIU
Procedure	This includes the following eligible activities: (i) implementation of M&E system; (ii) integration of state portals with unified national online portal – integration needs to include automatic scheme referrals across national and state schemes and data reporting to national platform as per national data protocols and standards; (iii) implementation of RAMP program communication and outreach strategy with focus on the GGTP agenda; (iv) Public-Private Partnerships (PPP) signed supporting: (a) FI-BDS agreements established for enhanced financial services; (b) anchor company supplier development programs signed; (v) capacity building of nodal technical support institutions completed Further criteria for eligibility include, in case of: - (iv) PPP: (a) up to 3 FI-BDS partnerships can count as separate actions supplier development programs covering at least 150 MSMEs; (b) up to 3 supplier development agreements can count as separate actions. Also to note guidelines for FI partnerships and anchor firm agreements to be notified by MoMSME. - (v) Technical support institutions: up to 2 Technical Institutions per state, where nodal institutions include both public and private sector institutions selected for support based on competitively bid market eligibility and performance requirements, as defined in the SIP.
DLI 2.3	Increase in MSMEs (i) entry level CLCSTUS completing bronze level ZED; (ii) registered on TReDS; (iii) initiated a case on Samadhaan for ODR; (iv) guarantees for women owned MSEs; (v) green guarantees
Description	Measures number of MSMEs accessing basic services in competitiveness schemes (CLCSTUS), ODR through Samadhaan portal; registered on TReDS; accessing women guarantees and green guarantees in the five "First Mover" states.
Data source/ Agency	MoMSME/NPIU and SPIU
Verification Entity	Public Sector Entity - TBC

Procedure	As reported through the automated M&E system, the following additional number of MSMEs: (i) accessing entry level services of competitiveness schemes; (ii) registered on TReDS; (iii) initiated a case Samadhaan for Online Dispute Resolution for delayed payments (iv) guarantees to women enterprises over defined threshold (v) guarantees for greening investments. NPIU to verify from the MoMSME M&E systems, Samadhaan portals, TreDS platform and CGTMSE. The minimum threshold for total of five states for the guarantees to women MSEs as follows - 70,000 in year 3; 80,000 in year 4; 90,000 in year 5,
DLI 3	Enhancing the effectiveness of Firm Capabilities Schemes
Description	
Data source/ Agency	
Verification Entity	
Procedure	
DLI 3.1	CLCS-TU schemes improvement and scale-up implementation plan approved by the PSC, including establishment of integrated management system
Description	The plan will cover: (i) increase synergies across CLCS-TU schemes; (ii) increase delivery capacity via private sector providers (national and in priority states); (iii) broaden offerings to selected service sectors; (iv) enhance marketing and branding of schemes; (v) strengthen access to women owned MSMEs; (vi) promote supplier linkage initiatives as part of integrating firm capabilities with market access interventions; (vii) improve implementation and delivery model; and (viii) list specifications for integrated program management system.
Data source/ Agency	MoMSME/NPIU
Verification Entity	Public Sector Entity - TBC
Procedure	The plan will be prepared in line with above description and as detailed in the RAMP Program Implementation Manual and as approved by the Project Steering Committee chair. The integrated management system established by MoMSME notification.

DLI 3.2	Measurable Improvements in CLCS-TSU performance and results indicators
Description	Measurable Improvements in CLCS-TU performance and results indicators in respect of (i) ZED silver graduation; (ii) Lean or ZED gold graduation (iii) MSMEs accessing credit
Data source/ Agency	MoMSME/NPIU CLCS-TU Integrated program management system
Verification Entity	Public Sector Entity - TBC
Procedure	NPIU will report from integrated management system those firms that have: (i) been assessed to have graduated at ZED silver level; (ii) been assessed to have graduated ZED gold level or graduated from the Lean program ;(iii) firms registered with MoMSME which have obtained silver level and, based on subsequent referrals for financing to Financial Institutions, been able to obtain finance.

DLI 4	Strengthening the receivable financing market for MSMEs
Description	
Data source/ Agency	
Verification Entity	
Procedure	

DLI 4.1	Regulation issued to facilitate: (i) NBFCs participation as factors; (ii) TReDS to register transaction with CERSAI; (iii) priority against third parties on a first-to-file basis
Description	Issue of regulations further to passage of factoring act amendment.
Data source/ Agency	RBI and NPIU.
Verification Entity	Public Sector Entity TBC
Procedure	RBI to share copy of regulation passed, addressing the three key features set out in the DLR.

DLI 4.2	Mechanism operationalized to allow buyer submission of invoices to GSTN for input tax credit to be treated as buyer confirmation on TReDS
Description	Inter-operability mechanism in place and operational between GSTN and TReDS
Data source/ Agency	DFS/MOF and NPIU
Verification Entity	Public Sector Entity TBC
Procedure	Copy of notification issued by DFS/DEA that the mechanism is in place and operational. Confirmation from the TReDS platform that inter-operability is operational.
DLI 4.3	Increase in number of new NBFCs on TReDS
Description	Increase in number of NBFC factors operating on TReDS platform and volume of invoices discounted on the platforms
Data source/ Agency	TReDS and NPIU
Verification Entity	Public Sector Entity TBC
Procedure	Data from TReDS confirming the newly participating NBFCs
DLI 4.4	Increase in the volume of invoices discounted on TReDS
Description	Value of invoices discounted on TReDS platforms
Data source/ Agency	MoMSME/DFS and TReDS platform operators
Verification Entity	Public Sector Entity - TBC
Procedure	Annual review of flow data from TReDS.
DLI 5	Enhancing Effectiveness of CGTMSE and “GG” delivery
Description	
Data source/ Agency	

Verification Entity	
Procedure	
DLI 5.1	CGTMSE operationalizes GG guarantee innovations by following: (i) defining tag to track greening investments; (ii) issues revised guarantee guidelines for (a) women headed MSEs; (b) green investments
Description	CGTMSE operationalizes GG guarantees innovations by following actions: (i) defining tag to track greening investments; (ii) issues; revised guidelines guarantees for: (a) women headed MSEs; (b) green investments
Data source/ Agency	CGTMSE and NPIU.
Verification Entity	Public Sector Entity TBC
Procedure	CGTMSE defines the greening tag as approved by its board and operationalizes in its guarantee data base. This is confirmed as completed by CGTMSE notification. Greening to be defined as “resource efficiency and cleaner production (RECP - energy efficiency, renewables, waste and water management)” Guidelines to be issued by CGTMSE be based on assessment of impediments, incorporating product adjustments/ new product offerings/outreach to increase access and uptake of guarantees issued : (i) to women-headed businesses; (ii) for greening investments. Revised guidelines/ new guidelines issued for guarantee products for women headed MSEs and green investments confirmed as completed by CGTMSE notification of guidelines.
DLI 5.2	Increase in the value of guarantees to women-headed businesses
Description	CGTMSE guidelines for new/amended guarantees products for the two targeted groups of women-headed businesses and green investments
Data source/ Agency	CGTMSE and NPIU
Verification Entity	Public Sector Entity TBC
Procedure	Value refer to yearly values and not cumulative values. Guidelines to be issued by CGTMSE be based on assessment of impediments, incorporating product adjustments/ new product offerings/outreach to increase access and uptake of guarantees issued : (i) to women-headed businesses; (ii) for greening investments.

DLI 5.3	Increase in the value of guarantees for green investments
Description	USD volume of guarantees issued by CGTMSE for green investments.
Data source/ Agency	CGTMSE
Verification Entity	Public Sector Entity TBC
Procedure	Annual data sourced from the CGTMSE.

DLI 6	Reducing the incidence of delayed payments
Description	
Data source/ Agency	
Verification Entity	
Procedure	

DLI 6.1	Samadhaan portal adapted to link ODR private service providers to MSMEs
Description	MoMSME Samadhan portal links to ODR platforms to increase access to this service
Data source/ Agency	MoMSME/NPIU
Verification Entity	Public Sector Entity TBC
Procedure	Linkage to Samadhan portal is notified by MoMSME and confirmed through portal data on the ODR transactions that have been routed via the Samadhan portal to the different ODR platforms.

DLI 6.2	Increase in cases resolved by ODR filed through the Samadhaan portal
Description	Firms with delayed payments resolved through access to ODR services accessed via the Samadhan portal.
Data source/ Agency	MoMSME Samadhan portal / NPIU

Verification Entity	Public Sector Entity - TBC
Procedure	Data sourced from Samadhaan portal linkage to ODR platform providers

ANNEX 4. (SUMMARY) TECHNICAL ASSESSMENT

1. **The PDO is *Strengthen MSME performance through sustainable and innovative market-based services at the Central level and in selected States*.** The Program will strengthen: (i) the markets for services for MSMEs to improve performance outcomes; (ii) institutions at both the Federal and state level to improve MSME performance outcomes. Table A.1 presents key results from the DLRs. The design is based on global best practices considering the Indian context. Table A.2 lists studies and global examples that have informed the design of the intervention.

Table A.1: DLRs and Results

DLR	Formula	Results
DLR 2.2: Completion of targeted SIP Implementation Plan actions. (Eligible activities: (i) implementation of M&E system (*as per national guidelines by MOMSME*); (ii) integration of state portals with unified national online portal – integration needs to include automatic scheme referrals across national and state schemes and data reporting to national platform as per national data protocols and standards; (iii) implementation of RAMP program communication and outreach strategy with focus on the GGTP agenda; (iv) Public-Private Partnerships (PPP) signed supporting: (a) FI-BDS agreements established for enhanced financial services; (b) anchor company supplier development programs signed; (v) capacity building of nodal technical support institutions completed (supplier development programs covering at least 150 MSMEs. Up to 3 supplier development agreements can count as separate actions. Up to 3 FI-BDS partnerships can count as separate actions and 2 Technical Institutions per state.[40])	$25m (scalable - $500,000 per action (i-iii) and $437,500 for (iv-v), up to $5m per state over 4 years 2.2-6.9-9.0,6.9)	55 actions in total with 11 actions per state - 3 actions from (i)-(ii) and 8 actions from (iv)-(v)
DLR 2.3: Increase in number of MSMEs: (i) accessing "entry level" services from CLCSTUS (bronze graduation); (ii) registered TREDs platform for bills factoring; (iii) initiated a case for ODR through the *Samadhaan* Portal ODR platform; (iv) accessing women guarantees from CGTMSE improved products; (v) green guarantees from CGTMSE new green products	$100m (scalable - $200 per MSME for (i)-(iii); $300 per women owned MSME for (i)-(iii); $200 per women owned MSE beyond minimum threshold for total of five first-mover states as follows - 70,000 in year 3; 80,000 in year 4; 90,000 in year 5; (iv) $1,033.33 per MSE (v). Note- Applicable in SIP implementation phase (years 2-5) with (iv)-(v) applicable in years 3-5 once enhanced guarantee products are introduced; up to 100 m over 4 years 12.2-18.9-30.4, 38.5)	450,000 MSMEs in total in five first-mover states with: (a) 375,000 under (i)-(iii), of which 62,500 are women owned MSMEs; (b) 70,500 additional under (iv) beyond defined threshold; (c) 4,500 under (v)
DLR 3.2: Measurable Improvements in CLCS-TU performance and results indicators: (i) ZED silver graduation; (ii) Lean or ZED gold graduation; (iii) MSMEs accessing credit	$70m (scalable - $500 per silver graduation; US$1000 per gold/Lean graduation; $750 per MSME accessing credit; at 7-14-21-28 over 4 years)	105,000 MSMEs in total with (a) 60,000 Zed silver; (b) 25,000 ZED gold/ Lean; (c) 20,000 accessing credit
DLR 4.3: Increase in number of new NBFCs on TReDS	$10m (scalable pro-rata at $333,333.333 per NBFC to $10m, 2-4-4 over 3 years)	30 additional NBFCs operating as factors on TReDS
DLR 4.4: Increase in volume of invoices discounted on TReDS	$45m (scalable - $1m for every $245.66 m, 11-15-19 over 3 years)	$11,054 m additional value of invoices financed over 3 years
DLR 5.2: Increase in the value of guarantees to women-headed businesses	$35m (scalable - $800 for every $100,000 of guarantees issued)	$4375 m guarantees to women headed MSEs over 3 years
DLR 5.3: Increase in the value of guarantees for green investments	$5m (scalable - $12,500 for every $100,000 of green guarantees issued, 1-1.5-2.5 over 3 years)	$40m in green guarantees over 3 years
DLR 6.2: Increase in cases resolved by ODR filed through the Samadhaan portal	50m (scalable - $2,500 per case resolved, 5-10-15-20 over 4 years)	20,000 MSMEs resolve delayed payments case through ODR

[40] Also, to note: (i) guidelines for FI partnerships and anchor firm agreements to be notified by MOMSME; (ii) nodal institutions include both public and private sector institutions based on competitively bid market eligibility and performance requirements, as defined in the SIP

Table A.2: Analytical/technical studies and Best practices informing Program Design

RA	DLI	Design Informed by
RA 1: Strengthening Institutions and Governance of the MSME Program	DLI-1: Implementing Central Government MSME institutional reform agenda	Recommendations of RBI constituted Export Committee on MSMEs; World Bank High Growth Firm Flagship (2019); World Bank Productivity Revisited Flagship (2018) India Enterprise Framework Document, GoI; The Whole-of-Government Approach to Public Sector Reform (2007)
	DLI-2: Accelerating MSME sector Center-State collaboration	Recommendations of RBI constituted Expert Committee on MSMEs
RA 2: Support to Firm Capabilities and Access to Markets, and Access to Finance	DLI-3: Enhancing the effectiveness of firm capabilities schemes	World Bank Group Operational Guide on Strengthening SME-Support Interventions (2020); World Bank High Growth Firm Flagship (2019); World Bank Productivity Revisited Flagship (2018).
	DLI-4: Strengthening the receivable financing market for MSMEs	Recommendations of RBI constituted Export Committee on MSMEs; NAFIN as a good practice; United Nations Convention on the Assignment of Receivables (Receivables Convention); UNIDROIT Convention on International Factoring (Ottawa Convention), the UNCITRAL Model Law on Secured Transactions
	DLI-5: Enhancing the effectiveness of CGTMSE and "GG" delivery	World Bank Principles for Public Credit Guarantee Schemes for SMEs; World Bank Group Operational Guide on Strengthening SME-Support Interventions (2020)
	DLI-6: Reducing the incidence of delayed payments.	Regulation (EU) No 524/2013 of the European Parliament and of the Council of 21 May 2013 on online dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC (Regulation on consumer ODR); The PARLe Project in Quebec.

Implementing Central Government MSME institutional reform agenda

2. The Expert Committee highlighted the role of MoMSME as the nodal Ministry to deliver on the MSME agenda. Support at the Federal level will focus on the following:

(a) **MSME Council for enhanced coordination of MSME sector development and the MCRRP agenda:** The MSME agenda is fragmented across MDAs at the Federal level, with the states also playing a key role. This has resulted in a disjointed approach to sector development. The Program will support the formation of the MSME Council to strengthen federal and federal-state level coordination. The Council, chaired by the MoMSME Minister with members from stakeholder MDAs at the federal level, as well as state participation. Bi-annual meetings will be organized and activities will include: (i) policies and strategy formulation for overall MSME sector development; (ii) overseeing the delivery of the MCRRP program; (iii) coordination across MDAs on MSME interventions to avoid duplication and promote synergies; (iv) oversight over the "Annual State of MSME Sector Report" and the M&E outputs related to the various MSME interventions.

(b) **Extending MoMSME policy and research capacity:** The Program will support the MoMSME to increase its leadership on the MSME agenda and strengthen capacity for evidence-based policy and program design. This includes: (i) assess and advise on the need for new Central Government (CG) MSME sector interventions; (ii) provide comments on drafts of new laws/regulations that may potentially impact MSMEs; (iii) coordinate diagnostics/surveys on global competitiveness issues and develop policy notes/produce research relevant to the MSME sector; (iv) collaborate with the Ministry of Statistics and Programme Implementation (MoSPI) and MDAs to generate and share MSME sector data, (vi) facilitate cross-learning of MSME support best practices; and (vii) produce an annual "State of MSME Sector" Report. Specific initiatives to be supported include capacity building and the development of an implementation plan to strengthen the policy unit.

(c) **Strengthening M&E systems:** The current MoMSME M&E systems do not conform to best practices. Each scheme has its own MIS systems which are not connected. A "best practices" M&E system will be supported to track progress of interventions measured against accepted benchmarks and provide feedback into the design and implementation of interventions. This will entail: (i) continuous and systematic data collection on schemes; (ii) tracking of beneficiaries through the life cycle of the intervention; (iii) disaggregated information by geographical location, gender, and marginalized social groups (SC, ST groups); (iv) preparation of efficiency, effectiveness and impact assessment studies (see Box A.1); (v) knowledge sharing within the MOMSME, other Federal ministries, State Governments and stakeholders active in the MSME sector. Specific initiatives will include (i) development of an implementation plan to strengthen the M&E systems of the MoMSME, (ii) capacity building to deliver on a strengthened M&E operational framework and annual evaluation plan, and (iii) upgrading MIS systems to support enhanced M&E operational framework.

(d) **Improving the functionality and enhancing interoperability between portals:** Several MSME services are provided by the CG and State government through portals.[41] The current architecture is inconsistent with global best practices as it results in disjointed efforts, non-availability of centralized data for evidence-based planning and inconvenience to the end users. All systems need to be integrated into horizontal platform and this will be anchored in the recently launched MoMSME "Champions Portal" through root and branch improvements to existing portal functionality and enhancing interoperability between multiple portals. This component will (i) support MoMSME to become a leader in online public service delivery in compliance with the Whole of Governance (WOG) principle[42], and (ii) digitally connect MSMEs to private sector business service providers and strengthen the markets for online provision of services. The Integrated National MSME Digital Portal (INMDP) will be a one stop shop for MSME services in line with Digital India mission and in compliance with the recommended framework established by the National e-Governance Division (NEGD).[43]. An important feature will be the incorporation of a rating system for service providers on the portal. This will address information asymmetries on the quality-of-service provision and help strengthen the demand for business development services by MSMEs.

Box A.1: Measuring Firm Outcomes

There is substantial evidence that interventions to build managerial capabilities and strengthen innovation and adoption of productivity enhancing technologies improves firm productivity outcomes. Bloom et al. 2013 and Bruhn et al. 2013 show that improving managerial capabilities (business skills and practices) increases firm productivity and growth. Iacovone et al. 2019 show the positive impacts of managerial capabilities on firm size. Benavente et al. 2003; Bloom et al. 2013; and Mano et al. 2012 find that access to management consulting also has a positive impact on total factor productivity. Benavente et al. 2007; Crespi et al. 2011; Lopez-Acevedo and Tinajero 2010 show that increased investment in innovation and technological development has a positive impact on firm growth and labor productivity.

However, studies have also shown that while interventions to enhance firm capabilities has a positive impact on firm growth and productivity outcomes, the impact on labor productivity may take a longer time horizon to manifest (See for instance De Negri et al. 2006; Hall et al. 2008). Visible Improvements in measures of firm capabilities are more apparent in the short-term following the intervention.

Keeping this in mind, the RAMP Program will measure improvements/changes in firm capabilities in its results framework and PDO outcome indictors. Measurements of firm performance such as sales and labor productivity will be more systematically analyzed in the Impact Assessment of the Firm Capabilities Intervention as this will have a longer time horizon than a PDO indicator. The impact assessment is a DLRs under DLI 1 supported by RAMP Program to strengthen the M&E capacity of the MoMSME and undertake evidence-based program interventions.

Accelerating MSME sector Center-State collaboration

3. **Choice of States**: The five "First Mover" states for RAMP - Gujarat, Maharashtra, Rajasthan, Punjab and Tamil Nadu - were selected based on a set of criteria relating to demonstrated track record in improving the EoDB environment, large number of MSMEs in the state and state commitment to develop an evidence-based Strategic Investment Plan (SIP), converging financing from multiple sources to implement the SIP. These states have

[41] https://champions.gov.in/Government-India/Ministry-MSME-Portal-handholding/msme-problem-complaint-welcome.htm ; https://samadhaan.msme.gov.in/MyMsme/MSEFC/MSEFC_Welcome.aspx ; https://zed.org.in/ ; https://www.udyamimitra.in/

[42] Whole-of-Government (or "One stop Government"/"Joined up government") denotes public services agencies working across portfolio boundaries to achieve a shared goal and an integrated government response to particular issues (*The Whole-of-Government Approach to Public Sector Reform - Christensen et al 2007).*

[43] Digital India is a flagship program of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy (*https://digitalindia.gov.in/*); IndEA provides a generic framework (based on The Open Group Architecture Framework -TOGAF) comprising of a set of architecture reference models, which can be converted into a Whole-of-Government Architecture for India (*http://egovstandards.gov.in/sites/default/files/IndEA%20Framework%201.0.pdf*).

heterogenous contexts and industry sectors (See Table A.3) and the RAMP program will take a flexible "systems-approach" to assisting states in developing MSME support programs responsive to the local context.

Table A.3: State Profile – First Mover States

State	EoDB Rank (2019)	No. of enterprises with at least one hired worker	Share of enterprises with at least one hired worker (%)	Main Industry Sub-Sectors and Clusters
Gujarat	10	996,670	6.5	Chemicals, ceramics, Pharma, Automobiles.
Maharashtra	19	1,645,333	10.8	Media, Information technology, engineering, construction.
Punjab	20	444,659	2.9	Machine tools, Bicycles, farm implements. Food processing.
Rajasthan	8	807,417	5.3	Automobile components, Food processing, Tourism.
Tamil Nadu	14	1,476,509	9.7	Textiles, Electronics, Information technology.

Source: DPIIT (https://eodb.dipp.gov.in/); Sixth Economic Census, GoI

4. **States are proactively taking measures to enhance the MSME support framework**. However, it is unclear whether these measures address actual barriers to growth being faced by MSMEs. States lack diagnostic capacity to develop sufficiently targeted solutions and are currently not able to identify gaps based on data or to verify information being provided by industry associations. Consequently, the impact of reform and support measures on MSME competitiveness and growth outcomes are unclear. States also run state-level portals for single window clearance and for grievance redressal with a relatively large number of firms accessing services through them. These portals currently do not consolidate or report data into national portals run by the MoMSME.

5. **States have an extensive support architecture for MSME support.** Each state has a nodal Department of Industries (DoI) at the state level with sub-ordinate District Industries Centers at the District level. Stated functions of the DICs include identification of entrepreneurs; aiding with registration and meeting regulatory compliances; assisting firms to access available subsidies and support interventions; facilitating joint marketing efforts; organizing training programs; and linking firms to needed technical support providers. However, DICS currently do not have the capacity – due to both the organizational culture as well as shortage of technical staff – to perform these functions. They largely focus on receiving and processing MSME support scheme applications.

Table A.4: Federal Schemes on Competitiveness – Outreach in States

States	No. of MSMEs registered in ZED	No. of MSMEs got ZED Ratings	No of LEAN Clusters as reported by NPC	No. of LEAN Clusters as reported by QCI	Clusters under MSE-CDP	Toolrooms
Gujarat	1314	73	29	30	5	1
Maharashtra	3163	88	61	45	26	2
Punjab	2529	51	28	6	18	2
Rajasthan	1615	21	8	3	20	
Tamil Nadu	1311	45	13	38	77	1
First-mover states (total)	9932	278	139	122	146	6
% of 5 states Vs Total	42%	55%	58%		38%	33%
Total India	23518	503	239		381	18

Source: mymsme portal; NPC; QCI

6. **National and State MSME support interventions are currently implemented in silos**. They each have their own separate implementation architecture. CG schemes that are a part of the MoMSME Competitiveness program are implemented through the MSME Development Institutes (MDIs) and contracted service providers are directly overseen by the MoMSME. This makes effective coordination and integration with the substantial state support architecture and programs for MSMEs difficult (MSE-CDP is an exception, with a state-level steering committee and co-financing for cluster level investments). Consequently, coverage of CG schemes focusing on competitiveness is low (Table A.4). Current implementation of federal MSME schemes at the state level is also scattered and based on a "first-come, first-serve" basis without enough prior screening and prospective impact.

7. **RAMP will support the development and implementation of SIPs.** The SIPs will be based on an evidence-based diagnostic exercise, including through systematic public-private participatory assessment processes and will include a

four-year implementation plan, together with a results framework and M&E plan. The SIP will: (i) identify barriers to MSME growth and those market segments that have the interest and potential to grow; (ii) include a package of technical support from CG schemes which, in convergence with identified state-level schemes, can support the end-goal of productivity improvements. Specific attention will be paid to identify gender-based barriers to ensure services also reach women entrepreneurs: (iii) include activities to improve MSME resource efficiency; (iv) lay out the MSME investment strategy that integrates national and state-level MSME support programs and financing streams; (v) identify and propose adaptions to complementary State-level schemes to improve performance in line with the SIP results framework; (vi) include capacity building of nodal State level government and other institutions key to SIP implementation.

Enhancing the effectiveness of firm capabilities schemes

8. **The schemes under the Technology Upgradation umbrella (CLCLS-TUS) supported by RAMP include ZED, Lean, Design, Digital, IPR.** The ZED Scheme was designed to enable MSMEs to produce quality products using latest technology tools to improve productivity and upgrade their processes with the least effect on the environment. The scheme aims to develop an ecosystem for zero defect zero effect manufacturing and promote improvements in quality. The objectives of the Lean Manufacturing scheme (delivered to firms in groups of least four) are to enhance the manufacturing competitiveness of MSMEs through the application of various techniques to improve overall competitiveness; inculcate good management systems; and foster a culture of continuous improvement. The Design scheme was developed to bring Indian manufacturing sector and Design expertise/ Design fraternity together on to a common platform and to provide expert advice and cost-effective solutions on real time design problems, resulting in new product development, continuous improvement and value addition for existing products. The IPR scheme aims to enhance the awareness of IPR, to help them develop suitable measures for the protection of ideas, technological innovation and knowledge-driven business strategies, to provide appropriate facilities; and to assist firms in effective utilization of IPR Tools for technology upgradation, business promotion and competitiveness enhancement. The Digital MSME scheme aims to digitally empower MSMEs and motivate them to adopt ICT tools and applications in their production and business processes with a view to improve their domestic and international market competitiveness.

9. **The ZED scheme is envisaged as the "spine" of The Program.** It provides an upfront assessment of firms that is quantifiable (e.g., collecting hard data on performance) which can then be used to assess change and improvement over time (beneficial for monitoring and evaluation). It will provide the firm with an actionable improvement plan whose implementation will be supported by consultants. Companies can be referred to other schemes where relevant, but it is expected that only a subset of firms will be interested and capable of utilizing schemes like Innovation, Design and IPR. This systemic approach enables the provision of support with different levels of sophistication, starting with basic productivity and management improvement, then working with more motivated firms utilizing specialist schemes like Design, IPR and Innovation. This mechanism should also be able to be used to deliver other initiatives, allow much better cross referral and information sharing (between schemes) which benefits potential clients, administrators and States seeking to interact with these schemes.

Table A.5: RAMP support for schemes to enhance Firm Capabilities

Scheme	Scheme elements supported by RAMP	To be further developed under RAMP
ZED	• Online accreditation • Online firm assessment • Face to face firm assessment and action plan • Consultancy support for action plan implementation	• Development of firm assessment tool, and benchmarking tool • Appointment, training, accreditation of consultants • Broaden ZED accreditation parameters to cover service sector • Development of consultant and service quality assessment protocols • Incentives for different levels of ZED certification
LEAN	• Cluster diagnostic report • Tailored implementation support over four stages	• Revisit entry arrangements • Review consultant • Incorporate program information system into RAMP system • Service sector offering

		• Sector specific, value chain specific
DESIGN	• Design awareness raising (workshops, seminars etc.,) • Firm level support (Financial assistance to the MSMEs for engagement of design consultants)	• Program entry process to be incorporated into unified program management system • Consideration of 'green' design projects • State or industry specific design challenges
DIGITAL	• Awareness Programme and Workshop • Digital Literacy and e-Marketing • Training to MSME Officials, MSMEs, Professionals	• Onboarding firms to different digital platforms.
IPR	• IPR studies for selected clusters • Train the trainer programs for IPR Center staff	

10. **A key feature of this approach is a unified program management system used by all the schemes**. This would have a single-entry point for clients, be accessible for implementation partners and consultants, would allow for individual firms to be tracked across schemes and for their performance to also be tracked. This would entail: (a) setting of service and quality standards for the schemes and for delivery partners and consultant, strengthening TA market capacity and financing at the CG level; (b) close engagement with states to ensure cross referral of clients, development of complementary state schemes, active leadership of states in delivery system; (c) existing nodal scheme Implementing Agent (IA) agreements need to be reviewed and revised to ensure consistency in service delivery and quality, referrals, common branding, common M&E approaches, coordination and collaboration between these implementation partners; (d) strengthening marketing and branding, given the low levels of current demand.

11. **Additional measures to enhance demand for Firm Capability interventions and linking them to Access to Finance and Access to Market services include support for:** (a) firms to develop business plan, commercial loan application and handholding support to submit loan application; (b) supplier/vendor development programs with anchor large companies that would draw on existing schemes (ZED, lean, digital) for solutions tailored to those supply chains; (c) market access, including quality and accreditation for target markets and export promotion activities and cross-referrals between the Capabilities schemes and the market access schemes.

12. **Gender:** The schemes will be made conducive to include more women owned MSMEs through the following – (a) The expansion of the target market to include service sectors should enable the interventions to reach a much wider cohort of women owned firms; (b) Enhanced marketing and outreach including through women entrepreneur associations; (c) Enhanced service delivery approaches tailored to women owned and run MSMEs through supply side capacity building (consultants) (d) Firm level assessments will also have a gender component, as it forms part of any human resource management benchmarking

13. **Greening:** This intervention has a focus on RECP practices through the ZED and Lean schemes on assessing and improving resource efficiency. Treating these as business efficiency/productivity issues that impact the bottom-line has often been found to be more effective in prompting action from firms rather than framing them as stand-alone environment issues. In addition, more sophisticated green-related product design and process improvement projects can be supported through the other schemes (Innovation, Design) including through targeted rounds.

14. **COVID:** While the MoMSME does not have the mandate to enforce workplace practices, its schemes will provide guidance and raise awareness on workplace social distancing and practices to protect from COVID infections.

15. **RAMP will support the strengthening the demand and supply side of the market for technical service provision.** This will involve interventions at the national and state level:

A. **National:**

- Support for training and development of accreditation standards for technical service providers (TSPs) across firm capability schemes to build a pool of good quality service providers (ZED/lean/design etc.,).
- Investment in nodal training institutional capacity and benchmarking to international standards.

B. **States:**

- Identification and onboarding of firms through online platform for initial assessments and training, followed by:
- Support for outreach and mobilization campaigns at state level.
- Provision of vouchers to states against number of firms onboarded onto portal, assessed and results of assessments.
- Converging implementation of firm capability schemes in geographical focus areas along with cluster development and other state interventions. CLCSS-TUS, MSE-CDP, CGTMSE, Marketing Assistance, Tool Rooms need to be implemented in a converged manner following a market-based selection process.

Strengthening the Receivable Financing market

16. **TReDS has the potential to provide liquidity to MSMEs and keep supply chains moving, while reducing the burden on the buyers who may be currently unable to meet obligations.** Invoicefinancing, provides a simple, convenient and accessible financing product that can help MSMEs bridge financing gaps created by long payments. Guidelines for setting up and operating the trade receivables system in the country were issued in 2015 by the RBI under Section 10(2) and Section 18 of Payment & Settlement Systems Act, 2007 (Act 51 of 2007).[44] TReDS is an electronic platform where receivables of MSMEs drawn against buyers are financed through multiple financiers at competitive rates. The RBI mandated TReDS platforms are intended as a price discovery mechanism for accepted invoices. RBI issues a license for the payment settlement. Three TReDS exchanges have been registered with RBI so far: (1) M1 exchange, (2) Invoice Mart, and (3) Receivable Exchange of India. Vendors are onboarded by the exchange (TReDS) by way of a standard receivable purchase agreement between the exchange and all counter parties.

17. **The use of digital platforms such as TReDS makes the financing process more transparent, efficient, cost effective and accessible.** The TReDS platforms allow using the payment obligation and credit worthiness of large buyers, making it possible for MSMEs that were unable to obtain access to financing in the past to obtain immediate liquidity for invoices uploaded into the system. FinTechs can validate the issuance of receivables, determining the financing eligibility of invoices, notify the buyer when assignment has taken place, provide payment instructions, monitor payment compliance and transact payments between suppliers, buyers and the factor, as well as leverage efficiency and volume of transactions. TReDS has great potential to help meet the liquidity and financing needs of MSMEs.

18. **Weaknesses in the current design, operational structure, and credit infrastructure, have created disincentives to buyers to participate in the platform and scale-up financing volumes for MSMEs**. Transaction volumes on TReDS have remained low relative to MSME financing needs and government efforts. The GoI has made it mandatory for Central Public Sector Enterprises (CPSEs) and corporates with turnover greater than INR 5 billion to onboard on to TReDS. RBI has allowed banks to include their exposure on TReDS towards meeting Priority Sector Lending (PSL) targets. Recognizing the need for further reforms, the GoI introduced the Factoring Regulation (Amendment) Bill in Parliament on September 14, 2020. The Bill has been referred to the Standing Committee and is currently under review. There are several challenges to increase utilization of TReDS:

a) The existing TReDS platform allows only banks, financial institutions, and NBFC-Factors to register as financiers on the platform. There are few NBFC-Factors (seven as of July 2020) and only three are currently registered on TReDS. This restricts the volume of financing available to MSMEs through discounting of invoices. As on September 2019, there were 9642 NBFCs, many of which focus on MSMEs finance. Allowing all NBFCs to participate in factoring will expand the universe of NBFCs available to finance MSMEs on TReDS.

b) TReDS must provide the legal and economic certainty that the invoices financed by one financial institution have not been previously pledged or discounted by another. This requires that liens, security interest and factoring transactions be registered in the collateral registry (CERSAI), in order to establish a first-in-time legal priority for the first financial institution to register its interest and provide notice to subsequent parties that the assets have been previously

[44] https://rbidocs.rbi.org.in/rdocs/Content/PDFs/TREDSG031214.pdf

encumbered. As per the Factoring Act, financers are required to register the transaction with CERSAI within 30 days. This raises concerns of double discounting given the time lag between the transaction and registration. Operational efficiency could be improved if TReDS consult CERSAI to ensure that uploaded invoices are free of encumbrances prior to discounting in the platform and undertake the registration requirement directly with registry. The TReDS and CERSAI systems are not currently inter-operational. This will require amendments to the Factoring Act, 2011 which currently only allows Factors to register charges with CERSAI.

c) Reverse factoring requires the participation of buyers of TReDS and explicit buyer payment confirmation of invoices, assignment authorization and the willingness to pay the factor on maturity. The reluctance of buyers to be onboarded and participate on TReDS has led to an imbalance between buyers and MSMEs on TReDS. The Expert Committee recommended the opening of a second window of TReDS where the MSME seller can obtain cash-flow lending for its invoices directly. This window abstracts the need for Buyer's 'acceptance of invoice' on the TReDS platform through the concept of 'GST Trusted Invoice' into TReDS. The veracity of the Invoice is ascertained from GST submissions for Input Tax Credit, and payments are enforced through a lien on the Buyer's Bank account, hence this process just needs the MSME Seller and Lenders involved in a transaction.

19. **The RAMP Program will support the GoI in strengthening the regulatory and operational components of TReDS to:** (i) facilitate broader participation by NBFCs as factors on the TReDS platform; (ii) authorize TReDS platforms to facilitate verification of security interests and register transactions with CERSAI on behalf of factors, for receivables financed on TReDS platform; (iii) establish priority against third parties on a first-to-file basis, for receivables financed on TReDS platforms to incentivize the Factor/TReDS to register as quickly as possible, rather than within a proscribed period in the law or regulation. In addition, RAMP will also support the (iv) mechanism for TReDS Window 2, where submission of invoices by buyers to GSTN for input tax credit is used to ascertain invoice veracity and is treated as implicit buyer confirmation on TReDS platforms.

Enhancing effectiveness of CGTMSE and "GG" delivery

20. **CGTMSE plays a vital role as a credit enabler for underserved MSEs.** Over the past five years, the Trust has approved guarantees to the tune of US$18 billion. The Trust has broad reach with 116 Member Lending Institutions (MLIs). This proximity to the financial sector has helped the Trust to adjust credit guarantee features that are responsive to credit constraints detected in the marketplace. However, there is potential to enable expansion of guarantee coverage, particularly in three areas – (i) Increasing Credit Guarantee Coverage for Women-headed/Women-Led MSEs, (ii) Mainstreaming Coverage of Green/Sustainable Finance, (iii) Strengthening data reporting and M&E.

21. **CGTMSE has not built its M&E framework to provide optimal feedback for program efficiency and effectiveness**. Best practice (principle 16 of the *Principles for Public Credit Guarantees),* calls for a systematic and periodic evaluation of the CGS' performance, which should be publicly disclosed. CGS performance involves three key dimensions; (i) outreach, or the capacity of the CGS to meet demand for guarantees; (ii) financial sustainability, or the capacity to contain losses while maintaining an adequate capital base relative to its liabilities on a going concern basis; and (iii) impact or additionality, both financial additionality and economic additionality. CGTSME can better utilize the data is currently gathers to construct, utilize and publish information on its financial and economic additionalities, in line with best practices. The Trust can include helping to ascertain credit risks for supporting GoI goals on sustainable finance and establish a framework for increased private financing of green finance. It would involve identifying and tagging as green-related "Use of Proceeds". In consultation with nodal ministries, the CGTMSE can develop a list of Use of Proceeds financeable and eligible for guarantees on the principles of RECP. Also, CGTMSE may design and modify guarantee products for RECP investments to best capture the significant positive externalities of these investments.

22. **Women-headed MSEs accounted for 15 percent of the total number of guarantees and 12 percent of the total value of guarantees issued by CGTMSE in 2019-20**. The CGTMSE scheme offers a lower guarantee fee for women

headed MSMEs. Annual Credit Guarantee fee for Women for loans between INR 0.5 million to INR 5 million, is 1.35% + risk premium; as against 1.50% + risk premium for others. On average during the FY 2015-2019 period, women constitute only 20% of the total number of guarantees originated and 14% of the value originated (Table A.6). The penetration rates of male headed businesses are 0.6% for FY 2018-19 and 1.0% for FY 2019-20. The penetration rates of female proprietors are 0.1% for FY 2018-19 and 0.3% for FY 2019-20. CGTMSE may improve access to women owned MSEs through a combination of : (i) new women-headed business products; (ii) product enhancements; (iii) expanding collateral free credit products; (iv) extending terms and products introduced as part of the COVID-19 response for women-headed MSMEs; (v) substitute qualification criteria for underserved women entrepreneurs and business owners via non-credit criteria means, e.g., graduation from women's entrepreneur or grants programs; (vi) coordination of CGTMSE and state-outreach and data collection pilots to identify concentration of underserved women-headed MSMEs; and (vii) agreements with new NBFCs, including FinTech NBFCs.

23. **Support under the RAMP Program will include**: (i) defining a green tag for use of proceeds to track greening (RECP) investments, in consultation with nodal agencies[45] and using extant metrics; (ii) market-driven innovations on product offerings to incentivize financing for greening investments; (iii) enhancing CGTMSE delivery to women-headed enterprises through product adjustments and price differentials, adapting qualification criteria for underserved women entrepreneurs, outreach through states and FIs; (iv) strengthening data reporting and M&E systems.

Reducing the incidence of delayed payments

24. **Delays in payments to MSME suppliers for goods and services provided is a key obstacle faced by MSMEs access to finance and working capital**. The Expert Committee found that the average debtor days has been consistently running over 90 days and was approximately 210 days for 2017-18. The RAMP Program will support enhancements in the mechanism for dispute resolution for delayed payments to MSMEs through the strengthening of the Samadhaan Portal and an online dispute resolution (ODR) process for delayed payments.

25. **There are several challenges being faced in the current dispute resolution process of the Facilitation Councils and the Samadhaan Portal**. The Micro, Small and Medium Enterprises Development Act 2006 provides for the establishment of Facilitation Councils in each state to address disputes arising from delayed payments owed to suppliers. Any party to the payment dispute can refer the matter to the concerned Facilitation Council.[46] When conciliation is unsuccessful, the Facilitation Council can take the dispute for commercial arbitration or refer it to any institution or center providing arbitration services.[47] The MoMSME has developed the Samadhaan Portal for the filing, monitoring the resolution and disposal of cases filed with the Facilitation Councils. Challenges with the existing system include: (a) delays in the processes beyond the set 90-day period;[48] (b) limited coverage and access of firms to the process due to exclusion of medium enterprises and lack of awareness of MSEs about the online filing option through Samadhaan Portal;[49] (c) capacity constraints of Facilitation Councils resulting in gaps in award letters and enforcement of the awards.

26. **The MSME delayed payments disputes are very suitable for Online Dispute Resolution (ODR) in India**. Evidence from numerous countries has shown that ODR is effective, particularly in low value, high-volume cases. The small value and standard nature of MSME delayed payments disputes makes these cases making it amenable to ODR. The internet penetration and technology availability in India is an advantage. Also, ODR addresses the timing and capacity concerns

[45] Nodal agencies include the Ministry of Environment and Forests, Bureau of Energy Efficiency, Pollution Control Board etc.,
[46] Conciliators are neutral and impartial facilitators to a dispute. Their primary role is to help the parties reach a mutually agreeable solution. The options posed by a conciliator are non-binding, though any settlement agreement reached by the parties during a conciliation carries the force of a contract.
[47] An arbitrator is an impartial decision-maker who is empowered to make a final, binding award based on evidence and arguments presented by the parties. Arbitrations are often described as privatized litigation and require arbitrators with well-developed legal skills and specialized industry knowledge.
[48] INR 3.3 trillion (as per industry estimates) vs. INR 127 billion (as per Samadhaan Portal on June 17, 2020)
[49] This lack of awareness was noted in the RBI Constituted Expert Committee on MSMEs

by enabling multiple professionals to provide services remotely. There are several players offering ODR services in India, who could be encouraged to participate in an MoMSME ODR process, thereby encouraging innovation and private sector dynamism.[50] Numerous startups and platforms have emerged in this space including the Center for Online Dispute Resolution, CREK ODR, SAMA, Center for Advanced Mediation Practice (CAMP) etc. ODR is of interest to Indian policymakers, and the intervention comes at an opportune time.[51]

27. **The RAMP Program will support the MoMSME** to strengthen the delayed payments dispute resolution process through ODR. The following activities will be supported:

I. Development of an ODR platform by embedding it in the Samadhaan portal and strengthening the Samadhaan filing portal: The RAMP Program will support the MoMSME to:

a) Embed an ODR platform in the Samadhaan portal for a single dispute resolution process. Currently, the filing of a payment dispute can start in the Samadhaan portal, but the resolution procedure progresses "in person", with weak monitoring of the case progress and outcomes. A dashboard should be developed to monitor cases that can assist in developing the ODR platform. The Samadhaan portal will be the gateway to ODR private service providers.

b) Develop detailed design and operating guidelines to private ODR service providers/companies. The guidelines, which will outline the specifications, technology and design requirements, data protection requirements and minimum quality of services to be met by providers, will first be reviewed by an expert committee to ensure technical robustness as well as transparency.

c) Broaden access to both the Samadhaan portal and the ODR platform by medium size enterprises to strengthen overall access to justice for more enterprises. A dissemination plan and explanatory materials on ODR will be developed by MoMSME. The awareness about the benefits of ADR in India is relatively low and parties involved in disputes are unaware of ODR as a mechanism to resolve disputes.

II. Enforceability of conciliation agreements and arbitral awards: The Program will support the MoMSME to:

a) Provide for an automatic conversion of mediation settlement agreements to conciliation consent awards on the ODR platform. Conciliation consent awards have a greater binding force than contractually agreed mediation settlement agreements, which parties frequently ignore. An intervention would be for the ODR platform to require parties' consent to convert the mediation agreement into a conciliation consent award.

b) Provide standardized forms. This would minimize the likelihood of legal anomalies or drafting mistakes, which are often the basis for challenging the award.

c) Disseminate a standardized dispute resolution clause. One of the primary challenges with a new ODR platform will be ensuring take-up and use of the legal channel by the parties in dispute. Encouraging the use of a well-written standardized dispute resolution clause that provides for dispute resolution through the ODR platform in the case of MSME disputes arising from the buyer-supply contract, which will help provide clarity to the parties and ensure use of qualified conciliators or arbitrators.

III. Training and capacity-building of service providers: The RAMP Program will support the MoMSME to:

a) Develop detailed design and operating guidelines to private ODR platforms regarding accreditation of conciliators and arbitrators. This will help ensure standardization and quality control of the individuals hearing the disputes. These guidelines will be reviewed by an expert committee for transparency and technical robustness. Consideration should be given to identifying relevant institutions and empowering them with recognized training accreditation rights and access to funding.

b) The MoMSME should develop and maintain a roster or list of accredited conciliators and arbitrators. The Ministry

[50] The Department of Justice, Government of India has listed several ODR service provides on its website. *https://doj.gov.in/page/online-dispute-resolution-through-mediation-arbitration-conciliation-etc* .

[51] For instance, the Ministry of Corporate Affairs is interested in exploring ODR in the context of insolvency matters and the use of ODR to strengthen capacity of the Indian High Courts is being considered: https://vidhilegalpolicy.in/research/the-future-of-dispute-resolution-in-india/

should also develop its own roster or list of accredited conciliators and arbitrators, who have undertaken suitable training and meet the guideline parameters. In addition, the MoMSME could consider developing its own tailored program or manual on resolving MSME contractual disputes.

c) Review and strengthen the "model" procedural rules that can be disseminated to Facilitation Councils in each State/UT. Revising and developing more effective procedural rules, particularly considering the Samadhaan portal ODR initiative, will help ensure better consistency and more uniformity amongst Facilitation Councils.

<u>The Cross-Cutting Themes of the RAMP Program</u>

28. **The RAMP Program has four cross cutting themes**: (a) improving outcomes for women entrepreneurs through improved access to finance and MSME support programs (gender); (b) supporting the adoption of RECP practices by MSMEs (greening); (c) use of technology platforms to effectively deliver MSME support services at scale (technology); and (d) the key role of the private sector in delivering services to MSMEs (private). Table A.6 summarizes interventions supported by the RAMP Program across these themes.

Table A.6: Interventions under the Four Cross-Cutting Themes

Theme	Interventions supported through RAMP
Gender	• Strengthening M&E systems of MoMSME and participating states to provide gender disaggregated data and analysis in regular monitoring of their programs, impact assessments and state of sector reports. • Strengthening access to interventions on enhancing firm capabilities through targeting outreach and marketing efforts, including through women entrepreneur associations, expansion of the target market to include service sectors which would enable the interventions to reach a much wider cohort of women owned firms, enhanced service delivery approaches tailored to women owned and run MSMEs through supply side capacity building of service providers. • Strengthening access to finance for Women owned MSEs through strengthened guidelines (operational and/ or product related) of Guarantee Products by CGTMSE. • State SIPs to include focus on women owned MSMEs - including how to increase access to services to women owned MSMEs, outreach partnerships with associations and State Urban and Rural Livelihoods Missions (which work with large pools of women entrepreneurs); and mentorship networks with a specific focus on women entrepreneurs etc.
Greening	• Strengthening M&E systems of MoMSME to incorporate greening data and analysis in regular monitoring of their programs, impact assessments and state of sector reports. • Incorporation of RECP practices in ZED; Lean and Design Schemes • Incorporating the Environment checklist for MSME interventions. • Introduction of Green Tagging based on RECP principles and new Guarantee product for Greening investments by CGTMSE • State SIPs to include a focus on adoption of RECP practices by MSMEs
Technology	• Strengthening functionality and enhancing interoperability of the various portals on MSME (by MoMSME and participating states) • Online assessment and provision of basic services to MSMEs through the ZED scheme • Strengthening the TReDS platform for digital factoring • Strengthening Samadhaan portal to improve online dispute resolution for delayed payments • Portals to strengthen the market for BDS services by connecting MSMEs with service providers
Private	• Scaling up and improving quality of supply of service providers to enhance firm capabilities • Including Private sector ODR providers for Delayed Payments Dispute Resolution through the Samadhaan Portal; Samadhaan Portal to also include roster of mediators, arbitrators • Support to regulations to widen scope and include more NBFCs on TReDS • Rating system for service providers to address information gaps on service quality and strengthen market for BDS

29. **RAMP Expenditure Framework:** Table A.7 below details the PforR program boundary and resultant five-year expenditure framework. The specific MoMSME programs to be included in The Program boundary are listed. This includes the new budget heads – "RAMP" which provides additional funding at the Center to implement RAMP activities (US$113.50 million) and "RAMP States" (US$250 million) which provides for Center transfers to the participating states to provide: (a) gap financing for the preparation, implementation and capacity-building costs of the SIP; (b) complementary financing for the scale-up and convergence of MoMSME schemes with State-level programs. The PforR contributes 62 percent to The Program.

Table A.7: Expenditure Framework

Scheme	Sub-Scheme	Object heads presently mapped to the Schemes*	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26	FY21-26
			Figures in Mn	Figures in Mn	Figures in Mn	Figures in Mn	Figures in Mn	Figures in Mn	**Figures in Mn**
Establishment Expenditure for the Centre	Secretariat - Budget head Nos [3451.00.090.61.(01,96,99)]	Allowance, Medical Treatment, Domestic Travel Expenses, Foreign Travel Expenses, Office Expenses, Other Administrative Expenses, Advertising and Publicity, Minor Works,	INR 224.20	$ 1.45	$ 1.80	$ 2.00	$ 4.30	$ 4.60	$ 14.15
	Development Commissioner (MSME) - Budget Head Nos [2851.00.001.05.(01,96)]		INR 344.30	$ 2.21	$ 2.40	$ 2.80	$ 5.60	$ 5.98	$ 18.99
		Sub-Total	**INR 568.50**	**$ 3.66**	**$ 4.20**	**$ 4.80**	**$ 9.90**	**$ 10.58**	**$ 33.14**
Technology Upgradation and Quality Certification	Credit linked Capital Subsidy and Technology Upgradation Scheme (LEAN, DESIGN, ZED, Incubation, IPR, DIGITAL MSME) - Budget Head Nos [2552.00.236.31.03],	Other Administrative Expenses, Domestic Travel Expenses, Foreign Travel Expenses, Office Expenses, Advertising and Publicity, Professional Services,	INR 1,511.90	$ 24.19	$ 27.82	$ 29.77	$ 31.85	$ 34.08	$ 147.70
	Credit linked Capital Subsidy and Technology Upgradation Scheme – States [2552.00.101.11.01], [3601.06.101.73.01], [3601.06.789.63.01]	Grants-in-Aid General	INR 1,500.00	$ 24.00	$ 27.60	$ 29.53	$ 31.60	$ 33.81	$ 146.54
		Sub-Total	**INR 3,011.90**	**$ 48.19**	**$ 55.42**	**$ 59.30**	**$ 63.45**	**$ 67.89**	**$ 294.25**
Marketing Promotion Scheme	Procurement and Marketing Support Schemes - Budget head Nos [2552.00.236.33.03], [2851.00.102.97.02], [2851.00.789.65.04], [2851.00.796.64.04]	Other Administrative Expenses, Domestic Travel Expenses, Foreign Travel Expenses, Advertising and Publicity, Professonal Services, Grants-in-Aid General, Subsidies	INR 545.90	$ 7.79	$ 8.33	$ 8.92	$ 9.54	$ 10.21	$ 44.79
	Procurement and Marketing Support Schemes – States - Budget head Nos [2552.00.101.10.00], [3601.06.101.72.00], [3601.06.789.62.00], [3601.06.796.65.00]	Grants-in-Aid General	INR 290.00	$ 4.14	$ 4.43	$ 4.74	$ 5.07	$ 5.42	$ 23.79
	Marketing Assistance Scheme - Budget head Nos [2552.00.236.33.02], [2851.00.789.65.02], [2851.00.796.64.02], [2851.00.800.52.01]	Subsidies	INR 0.40	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.03
	International Cooperation Scheme - Budget head Nos [2552.00.237.14.01], [2851.00.789.65.03], [2851.00.796.64.03], [2851.00.800.52.02]	Grants-in-Aid General	INR 200.00	$ 2.85	$ 3.05	$ 3.27	$ 3.50	$ 3.74	$ 16.41
		Sub-Total	**INR 1,036.30**	**$ 14.78**	**$ 15.82**	**$ 16.93**	**$ 18.11**	**$ 19.38**	**$ 85.02**
Infrastructure Development Programme	Capacity Building for Technology centers (old scheme name - Establishment of New Technology centers) - Budget head No [2851-00-102-99-04]	Other Administrative Expenses, Domestic Travel Expenses, Foreign Travel Expenses, Office Expenses, Professional Services, Grants-in-Aid General	INR 110.00	$ 1.57	$ 1.68	$ 1.80	$ 1.92	$ 2.06	$ 9.02
		Sub-Total	**INR 110.00**	**$ 1.57**	**$ 1.68**	**$ 1.80**	**$ 1.92**	**$ 2.06**	**$ 9.02**
RAMP (WB) - Budget head No...		Grants-in-Aid General, Professional Services, Grants-in-Aid Salaries	INR 0.00	$ 24.50	$ 24.50	$ 24.50	$ 20.00	$ 20.00	$ 113.50
RAMP (WB) - States Budget Head No...		Grants-in-Aid General	INR 0.00	$ 50.00	$ 50.00	$ 50.00	$ 50.00	$ 50.00	$ 250.00
		Sub-Total	**INR 0.00**	**$ 74.50**	**$ 74.50**	**$ 74.50**	**$ 70.00**	**$ 70.00**	**$ 363.50**
Research and Evaluation Studies	Database Research Evaluation and Other Office Support Programme - Budget head Nos [2851.00.102.02.03], [2851.00.789.68.01], [2851.00.796.67.01], [2552.00.236.35.01]	Other Administrative Expenses, Domestic Travel Expenses, Office Expenses, Publications, Advertising and Publicity, Professional Services	INR 272.50	$ 3.89	$ 4.16	$ 4.45	$ 4.76	$ 5.10	$ 22.36
	Survey, Studies and Policy Research - Budget head No [2851.00.800.54.01]	Grants-in-Aid General	INR 12.60	$ 0.18	$ 0.19	$ 0.21	$ 0.22	$ 0.24	$ 1.03
		Sub-Total	**INR 285.10**	**$ 4.07**	**$ 4.35**	**$ 4.66**	**$ 4.98**	**$ 5.33**	**$ 23.39**
		Grand Total							**$ 808.33**

*Note: 'Object heads' mentioned above are taken from the budget documents of FY20-21. During the course of Program implementation, MoMSME may add 'object heads' under the schemes to represent the economic nature of expenditure, but those heads will be confined to financing Staff costs and Administrative expenes, Subsidies and Technical Assistance activities.

ANNEX 5. (SUMMARY) FIDUCIARY SYSTEMS ASSESSMENT

1. An Integrated Fiduciary System Assessment (IFSA) of the Central Ministry (MoMSME) and the five "First Mover" States (Punjab, Gujarat, Rajasthan, Maharashtra, Tamil Nadu) has been carried out, to determine whether the fiduciary systems provide reasonable assurance that funds will be used for the intended purposes. Adequate fiduciary framework, mitigation measures and Program Action Plan (PAP) have been put in place. Additional States that are identified later to join the RAMP program shall adopt the agreed fiduciary framework, including additional mitigation measures, as required.

2. The Central Ministry (MoMSME) and the "First Mover" States follow General Financial Rules (GFR-2017) of Government of India (GoI) for Financial Management (FM) and Procurement. The GFR-2017 meets the core FM and procurement principles of value for money, economy, efficiency, integrity, transparency, fairness and accountability. The Program design provides for flexibility to include Institutions either as Implementing Agencies (IA) or Implementing Partners (IP) at the Central Government (CG) and State levels. The IPs (public or private sector agencies) will be competitively selected and will be legally a contractor/service provider, while IAs (government or quasi-government/public sector agencies) will be identified by the Government on nomination basis. The design envisages an increase in the proportion of competitively selected IPs over nominated IAs. Existing IAs may continue during a transition period. The Program activities are mainly soft interventions, i.e. consultancies, capacity building and training and do not include major civil works. MoMSME, at the CG level and the Department of Industries/MSME at the state level will be the nodal agencies who will engage IAs and IPs for The Program implementation. They will be supported by the NPIU and SPIUs. The MoU or contractual arrangements entered by MoMSME and State Department of Industries/MSME with public and private entities will define their relationship under The Program either as IA or IP. Institutions engaged as IAs will be subject to Bank's prior fiduciary assessment and shall comply with all the PAP actions, as funds will be released to them as Grant-in-Aid for implementing program activities. The selected IAs will further hire service providers per GFR-2017 provisions, while IPs will deliver services per contract. The NPIU and SPIUs will monitor the contract performance, deliverables and payment milestones in the MIS system to be developed by MoMSME. All the contracts awarded to IP or awarded by IAs to service providers will be subject to an annual procurement and FM audit of The Program.

3. In view of The Program design, where Institutions are envisaged to be selected either as IAs or IPs, the IFSA proposes a framework approach be adopted. The Program fiduciary systems were assessed based on: (i) the data and information shared by MoMSME; (ii) review of fiduciary processes of CLCSTUS scheme that was implemented by one of the main IAs (the Quality Council of India - QCI) implementing two major CLCSTUS sub-schemes being scaled up under The Program; (iii) sample 'Sanction Orders' (SOs) issued by MoMSME to IAs; (iv) publicly available audit reports of the Comptroller and Auditor General of India (C&AG); (v) implementation experience from the WB Technology Center Support Project (TCSP) which has a similar institutional structure; (vi) CG and State level Public Financial Management System (PFMS) knowledge; and (vii) other broader assessments, such as the recently concluded MAPS. IPs being contractors do not require assessment under IFSA.

4. Based on the IFSA, The Program fiduciary risk is assessed as **Substantial**. With the implementation of mitigation measures and PAP actions put in place, the capacity and performance of the fiduciary systems of MoMSME and IAs are considered adequate to provide reasonable assurance that The Program funds will be used for the intended purposes. If any significant issues arise during Program implementation, additional mitigation measures will be put in place, in consultation with MoMSME. This annex summarizes findings. The IFSA will be publicly disclosed along with the PAD.

5. The key fiduciary risks and mitigating measures are summarized below.

a) **Limited fiduciary capacity to implement The Program:** Delays in procurement and FM action can lead to inconsistency and non-compliance of related processes. Mitigation requires procurement and FM staffing at NPIU and SPIU level and at IAs to be strengthened, including mandatory training.

b) **Standard bid and contract documents:** IAs are required to follow the GFR-2017. To ensure requirements are being consistently applied, standard documents need to be developed for consultancy services and goods (non e-GEM) and MoMSME ensures mandatory use for all the IAs. The revised document shall include reference to applicability of World Bank's Anti-Corruption Guidelines (ACG) and non-participation of Bank debarred firms.

c) **Lack of availability of consolidated procurement and contract performance information and need for public disclosure for enhanced transparency:** Procurement plans and contract awards are currently not available in public domain. Per the GFR-2017, annual procurement plans are to be prepared together with the publication of timely contract award notices. Procurement MIS systems will be required for the NPIU and SPIUs to monitor and address issues arising through IAs activities and contracts awarded to IPs.

d) **Absence of a procurement and FM related complaint handling mechanism:** A dedicated mechanism to handle procurement, FM and contract management complaints, with pre-defined roles, responsibilities and timelines is to be developed. The MoMSME will: (i) set-up a centralized complaint redressal system with a web interface to receive these complaints with clearly defined procedures to resolve/process the complaint; (ii) monitor and compile all fraud- and corruption-related allegations, investigation cases and actions taken related to The Program and share the report with WB in the prescribed format on a bi-annual basis.

e) **Strengthen internal audit function to conduct the audit of The Program:** The IAs receive funds as Grants-In-Aid under The Program to carry FM and procurement activities. In view of likely increase in activities and volume of transactions, the internal audit system needs strengthening. The Internal Audit Wing (IAW) of the MoMSME will engage and supervise audit expertise to conduct audits of The Program, including contracts awarded to IPs and contracts awarded and expenses incurred by IAs, as per ToR agreed with WB. Risk-based audit approaches can be practiced covering Procurement and FM. The auditor will validate applicability of ACG and verify that no contract is awarded to WB debarred firms under Program Expenditure Framework.

f) **Close monitoring to obtain timely utilization certificates (UC) as per GFR-2017 and year end audit reports from IAs:** IAs receive funds as 'Grant-In-Aid' to implement Program activities. To address capacity constraints and potential delays in the receipt of UCs and year end audit reports, the NPIU and SPIUs will engage FM specialists to work closely with The Program officers in O/o Development Commissioner (DC)-MSME to monitor receipt of UCs and audit reports. Further 'Grant-In-Aid' releases will not be made to IAs that have not submitted UCs and have overdue audit reports and either have 'disclaimer or adverse' audit opinion in the audit report. The GoI PFMS will be used to process payments and monitor program expenditures. Training programs on use of PFMS and online submission of UCs through PFMS portal will be organized for IAs.

6. **Program Boundary:** The expenditure framework of the RAMP Program, hereafter called 'The Program' is estimated at US$808.33 million, of which the WB will finance US$500 million. The Program will be a combination of Central Sector (CS) and Centrally Sponsored (CSS) schemes, identified from the existing budget lines of the MoMSME Demand for Grant No 67. The object heads mapped to these schemes represent the economic nature of expenditure, and the amounts paid and accounted under these object heads will construe as 'Program Expenditure'. The funds released under the object head 'Grant-In Aid' will be monitored through receipt of UCs, progress reports, financial and contract management reports, and year-end audit reports. Major civil works are not included in The Program boundary. Program funds will be used to finance technical assistance activities, IT related interventions and financial assistance to MSME units in the form of 'subsidies'. The expenses will be incurred mainly towards, staff costs of officials supporting in the scheme implementation, consultancies, awareness and capacity building programs, conducting seminars and workshops, domestic and international training programs, study tours, and travel expenses, office/administrative expenses, publications, advertisement and publicity, marketing and promotional activities (see Table 3, main text and Table A.7, Annex 4).

7. **Procurement Exclusions**: Based on the "Substantial" risk rating, The Program is not expected to procure any high value contracts[52] valued at or above Operational Procurement Review Committee (OPRC) thresholds (US$75 million for works, US$50 million for goods and non-consulting services, and US$15 million for consultant services). High value contracts shall be monitored during the implementation supervision missions (ISM) to ensure conformity with the WB policy in PforR Financing and validated through internal / external audit of the IAs.

8. **RAMP Program Monitoring and Implementation Arrangements** (see also "Implementation and Institutional Arrangements", Section III.A of the main report)**:** The schemes will be implemented at the CG level by the Ministry, Department and Agencies (MDAs) with the support of the State Governments and field level Institutions/agencies (IAs) and IPs:

- **Center Level:** MoMSME with the support of its administrative division 'O/o DC-MSME'.
- **State level:** 'Department of Industries' / 'Department of MSMEs' through its district offices 'District Industries Center-DIC' (DIC's are considered as IAs further in this document).
- **Field-level Institutions/Scheme Manager/Implementing Agencies (IAs)**: These include development Institutes (DI), Technology Centers (TCs) and other partners [Autonomous Bodies, Quasi-Government organizations such as - National Institute of Design (NID), Ahmedabad & Indian Institute of science (IISc), Bengaluru, Quality Council of India (QCI)] together with private sector service providers.
- **Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)**: A Trust set up by GoI and SIDBI to support the flow of credit to MSME sector through credit guarantee schemes.
- **Other public sector agencies** will also be involved in The Program implementation as IAs.
- **Private sector agencies** may be competitively selected as IPs on contractual basis.

9. **Governance Arrangements of MoMSME schemes:** The scheme guidelines set out a three-tier governance structure for implementation and monitoring. At the apex-level there is a Programme Monitoring and Advisory Committee chaired by DC-MSME who has the overall responsibility for planning, screening, identification and approval functions. Second-tier comprises of National Monitoring and Implementing Unit (NMIU) setup at the O/o DC-MSME responsible for day-to-day facilitation, coordination, monitoring, disbursement of funds. The last tier comprises the IAs who work directly with MSMEs through consultants.

10. **Regulatory framework:** As per scheme guidelines, each IA is required to follow GoI General Financial Rules 2017 procurement provisions and associated procurement manuals (Goods/Works/Services). State IAs will use their respective e-tendering[53] systems, as defined in their procurement regulations. The CG e-Marketplace (GeM) portal would be preferred option to be used by all IAs. MoMSME or state DOIs may competitively select private sector entities as IPs on contractual basis following selection process as per GFR-2017. The GFR-2017 stipulates the preparation of Annual Procurement Plans in alignment with the beginning of Financial Year. The procurement method is based on the market conditions and assessment. The specification is generic to attract better competition. The procedure for bid submission and opening, evaluation and contract award is based on the criteria provided in the bid documents. There is a clearly identified target market for all procurement activities and no restriction to competition. The IAs will be included as part of the scheme guidelines and, based on the SO, the activities will be carried out at state level through their respective e-tendering systems.

11. **Budget Planning:** At the Center level, scheme-financed projects (CS and CSS) are prepared by the MoMSME and appraised and approved, per the delegation of powers issued by DoE, (MoF). This will prescribe the financial outlay over

[52] This refers to contracts with estimated values exceeding the monetary amounts, as may be amended from time to time, that require mandatory review by the Bank's OPRC

[53] *https://eproc.karnataka.gov.in/* (Karnataka), *https://tendersodisha.gov.in* (Odisha), *http://apeprocurement.gov.in/* (AP) and *https://eprocure.gov.in/* (DoLR)

the implementation period and provide the broad framework for the annual planning and budget exercise. At the State level, planning department appraises the scheme proposals submitted by the administrative department. The budget process is enshrined in the Constitution of India and detailed in the budget manual and GFR-2017. It commences with an annual budget circular issued by the Department of Economic Affairs (DEA) Budget Division, MoF in September. Proposals by Ministries/departments, and pre-budget meetings held between representatives of Ministries/departments and MoF officials follow to finalize the budget allocations (as per ceilings indicated in MTEF statement). The budget is tabled and approved in the Parliament in February. The budget approved for each Ministry is reflected in the Demand for Grants and disclosed on the website of DoE, MoF and each MDA. Budget revisions are made through a September re-appropriation and supplementary budget process. The GoI budget classification system follows a six-tier /15-digit code system: Major Head [Function, 4-digit code] and Sub-Major Head [Sub-function, 2-digit code]; Minor Head [Program/Umbrella Scheme, 3-digit code]; Sub Head [Scheme, 2-digit code] and Detailed head [Sub-Scheme, 2-digit code]; and object Head [2-digit code such as salaries (01), professional services (28) and so on]. The actual expenditure is aggregated against the 15-digit budget code that allow for expenditure planning, tracking and budget control.

12. The "First Mover" States have relatively advanced FM systems, embodied in their Budget Manual, Treasury Code and Financial Rules. Instructions are issued annually to all Administrative Departments in September. Budget Estimates (BE) are submitted to the Budget Division in the Finance Department (FD) along with Revised Estimate (RE) for the current FY. The proposals are examined by the FD to ensure that expenditure commitments are within the fiscal targets set in the Fiscal Responsibility and Budget Management Act. The agreed allocations are presented in the annual State budget and approved by the State Assembly in February/March. The State budget classification structure parallels the CG version with a high degree of transparency and disaggregation for expenditure tracking.

13. The RAMP program budget of US$808.33 million over a five-year period with an average annual outlay of approximately $160 million, represents 16% of the annual budget of MoMSME (as per FY20-21 budget figures). The WB's experience of working with GoI indicate that once The Program/ scheme is formally approved, there were no subsequent delays or challenges in the approval of budget by the legislature. In the TCSP (implemented during FY12 to FY20), there were also no instances of delays noted in the approval and allocation of budget.

14. **Program Budgeting:** Funds represented in the 'Expenditure Framework' for the ongoing schemes will be budgeted in the existing scheme budget lines over the 5-year implementation period. A separate budget line has been opened to finance additional RAMP activities. The PSC provides strategic and policy direction for the implementation of The Program. The NPIU will ensure that activities planned and budgeted are implemented in a timely manner by coordinating with O/o DC-MSME, MDA and SPIUs. The SPIUs will be responsible for the preparation and implementation of the SIP. The budget division of Integrated Finance Wing of the MoMSME will coordinate with NPIU to obtain annual funding requirements, as approved by the PSC. The Budget (BE for next FY, RE for current FY and actual expenditure-AE for previous FY) for the schemes will be fed into the Detailed Demand for Grants (DDG) module of central Budget Information System and submitted to the DEA budget division. The approved budget will be reflected in the Demand for Grants with detailed scheme-wise allocations at object head level in 15-digit DDG budget code. This disaggregated budget data will be fed into the PFMS portal to permit the expenditure to take place under the schemes. At the State level, the SPIU will submit The Program budget through State Industries Department (SID) to the FD, based on the PSC approved SIP. A separate budget line for The Program will be opened in the 'Demand for Grants' SID and program funds will be annually budgeted to implement the SIP.

15. **Adequacy and Reliability of budgets:** The original budget and actual expenditure of MoMSME is shown in Table A.9. The overall funding to MSME sector has increased from INR 34,647.70 million from FY16-17 to INR 75,722.00 million in FY20-21. The budget execution for the past four FYs shows a budget outturn of within 5% of the originally approved budget thus corresponds to a good Public Expenditure and Financial Accountability (PEFA) Performance Indicator PI-1 rating of "A".

Table A.9: Original Budget vis-à-vis Actual Expenditures, FY16-17 to FY20-21 (figures in INR million)

	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21
Original Budget	34,647.70	64,819.60	65,526.10	70,112.90	75,722.00
Actual Expenditure	36,264.10	62,021.20	65,094.70	67,067.36	19,098.50
Budget Outturn	105%	96%	99%	96%	…

Note: Actual Expenditure reported for FY19-20 is unaudited and for FY20-21 is for the period April 2020 to Sep 2020.

16. The budget outturn of RAMP Program schemes for FYs (FY18-19 and FY19-20) – 'Technology Upgradation and Quality certification (CLCS-TUS)', 'Marketing Promotion', 'Research and Evaluation Studies' and 'Infrastructure Development Program' is low (full details available in IFSA), which shows weak IA implementation capacity. The IAs will require extensive training and capacity building support to implement the schemes under the RAMP program.

17. **Budget Execution (Treasury Management and Fund Flow):** CG budget execution process is guided by the CG Account (Receipts and Payments) Rules-1983, and GFR-2017. MDA approved budgets are reflected in the Demand for Grants and available to the Secretary of the MDA at the beginning of FY. The budget is distributed to the Drawing and Disbursement Officer (DDO)/Budget Controlling Officer of the Administrative Division. Budget execution provided in the Demand for Grants is covered under the cash management system of GoI (Exchequer control-based expenditure management). The MDA prepares a Monthly Expenditure Plan (MEP)[54] that forms the basis of Quarterly Expenditure Allocation (QEA). The information is submitted to Budget Division in DEA within two weeks of the parliamentary approval of Demand for Grants. MDAs manage expenditures within the QEA limits. The IFW Financial Advisor ensures compliance with MEP and QEA limits. PFMS monitors disbursement and utilization of funds for all CS/CSS schemes. The PFMS is administered by the Controller General of Accounts (CGA) and is recognized as an end-to-end IFMIS solution for effective administration and management of GoI schemes. The 15-digit budget/scheme account codes specified in DDG are configured into PFMS, including key FM functions of budget distribution, treasury management, electronic payments to IAs/beneficiaries (MSMEs). Expenditure tracking is done through the PFMS DBT and EAT (Expenditure, Advance, Transfer) module. The bank accounts of the IAs and MSMEs are registered in PFMS to receive scheme funds. The PFMS has the functionality to validate the beneficiary details including bank accounts. The payroll of CG employees is processed through the PFMS Employee Information System (EIS) module. The complete record of employee and bank account details are created in EIS with a unique identification number that is mapped to DDO. The electronic EIS record is maintained along with physical service book of the employee. At end-month, the DDO approves the pay bill in EIS module and it is forwarded to PAO (Pay and Accounts Office) through PFMS. Once the bill is approved by PAO, the salary is electronically transferred into the employee bank account. The treasury systems of the States are well established. The transactions are governed by the State treasury and financial rules. FMIS computerization has brought operational efficiencies to the Treasury processes and improved transparency and accountability. At the IA level, bank accounts are opened and registered with PFMS to receive Grant-In-Aid from MoMSME under the Schemes. The payments are made by IAs to the vendors and consultants from this bank account.

18. The treasury and fund flow process, and performance of the PFMS was experienced by WB in other CG level Programs. For the TCSP, the project never experienced any large delays in the release of Grant-In-Aid by MoMSME to the TCs. Once the SO was obtained by O/o DC-MSME with the concurrence of IFW, the Grant-In-Aid was disbursed by PAO into the bank account of TCs mapped to the PFMS. The consulting firm engaged by MoMSME provided close oversight and technical support by ensuring that Grant-In-Aid was released in a timely manner and obtained progress reports from the TCs on the funds spent. The WB also never received any complaints from suppliers/contractors citing payment delays for activities completed under TCSP project.

[54] MEP for March may not exceed 15 percent of BE. MEP for Q4 may be so fixed that QEA for Q4 may not exceed 33 percent of BE.

19. **Procurement framework**: All IAs performing any program activities within The Program Expenditure Framework will comply with the procurement and contractual arrangements prescribed in the GFR – 2017, GoI's procurement manual for Goods, Works, and Services and other services, and other instructions issued from time to time by the Ministry of Finance or by the Competent Authority. Private sector agencies at the central or state level may be competitively selected as IPs and will perform as per the agreed TOR with clearly listed deliverables against which payments shall be made. The IAs which are government, quasi government or autonomous agencies will use their respective e-tendering systems as stipulated and for procurement of goods, Government e-Marketplace (eGeM) portal of the CG would be preferred option for by all implementing entities. The terms of any procurement contract will be governed by the provisions of the Indian Contract Act 1872; the Sale of Goods Act 1930 is applicable where the contract relates to the sale of goods which are applicable throughout the country. In addition, numerous other Acts and regulations[55] have an impact on public procurement and are applicable at both CG and State levels, as do rules, procedures, directives and orders emanating from the MoF, other ministries such as the MoMSME, the Ministry of Industry through Department of Industrial Policy & Promotion, the Ministry of Communication and Information Technology and others such as the CVC (although the CVC Act is not applicable to the states and each of the states have their own similar Acts). Policies, e.g. Make in India, MSME preference etc are applicable. Relationship between the procurement entity and the providers (Supplier of Goods/ Contractors for Works/Consutalnts for services and other services) are solely governed by the Law of land and relevant bid/poposal/ contractual documents.

20. **Procurement profile of The Program:** The expenditure framework features various procurement activities which are covered under Grant-in-Aid General. The IA and The Program expenditure profile may vary from scheme to scheme. The DDG already includes the schemes that will be supported under The Program. The procurement arrangements envisioned under proposed Program are summarized as follows: Activities under the Object head Grant- In- Aid General. This can include procurement of: equipment and machinery; services of the technical partners including for various CLCSTU schemes (refer to the Technical Assessment[56]); research and studies; workshops , seminars, conferences and exhibitions; capacity building activities; incentives and awards; development of new digital platforms and maintenance of existing ones; consultancy services for training. Based on review of contract performance under TCSP (as of April 2020), the committed expenditure is about US$ 182 million (54%) and in the final stages of procurement. The available data in Bank's STEP portal indicates that the average publication period was 68 days and average procurement lead time from publication to award of contract was 238 days (32 activities, 22 Post, 10 Prior review; 17 Goods, 15 Works; Open International: 12, Open National: 20). This may helpful to draw inference on the DC-MoMSME procurement capability.

21. Based on the budget allocated the O/o DC-MSME issues a SO to the mandated IA which contains the information on the activities to be carried out. In no case is the grant released (generally in tranches) to be utilized for any purpose other than as specified in sanction[57]. If an IA fails to utilize the grant for the purpose for which it has been sanctioned or

[55] Arbitration and Conciliation Act, 1996 read with The Arbitration and Conciliation (Amendment) Act, 2015 and 2019; Competition Act, 2002 as amended with Competition (Amendment) Act, 2007; The Information Technology Act, 2000 (IT Act, regarding e-procurement and e-auction, popularly called the Cyber Law); Right to Information (RTI) Act 2005 and amendment 2019; *Central Vigilance Commission Act, 2003; Delhi Special Police Establishment Act, 1946 (DSPE – basis of the Central Bureau of Investigation)*; Prevention of Corruption Act, 1988 and amendment 2018; Code of Criminal Procedure, 1973 (Sections 195(1) and 197(1)); various labor laws applicable at the works' site; various building and safety acts, codes, standards applicable in the context of the scope of work; and various environmental and mining laws, codes, standards applicable in the context of the scope of work, the Foreign Trade (Development and Regulation) Act, 1992 and the Foreign Trade Policy, (EXIM Policy), 2015; Foreign Exchange Management Act (FEMA), 1999 and FEMA (Current Account Transactions) Rules, 2000. Procurement Policy for Micro and Small Enterprises, 2012 has been notified by the Government in exercise of the powers conferred in Section 11 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. notifications issued by Department of Promotion of Industry and Internal Trade orders for 'Public Procurement (preference to make in India) order, 2017 - revised (25/09/2019) etc.

[56] Credit Linked Capital Subsidy and Technology Upgradation (CLCSTUS) comprises: (i) Zero Defect Zero Effect certification (ZED); (ii) Lean Manufacturing Competitiveness (Lean); (iii) Design for Manufacturing (Design); (iv) Digital MSME (Digital (v) Entrepreneurial & Managerial Development of MSMEs through Incubators (Incubators); (vi) Building Awareness on Intellectual Property Rights for MSME (IPR) In addition, there are a set of Marketing Development Assistance (MDA) sub-schemes. Refer to technical assessments for details on the schemes.

[57] Sanction Order also stipulates for few schemes "Government assistance is only for organizational expenses of the proposed event and not for capital items like equipment'

does not adhere to the terms and conditions, the IA shall be required to refund the grant as per conditions laid down in GFR. The SPIUs will be responsible for preparation and implementation of the SIPs and for providing inputs to the NPIU. For Program implementation, each of the IA would follow the fiduciary rules, systems and processes as defined in GFR 2017 in addition to State specific rules, if and as applicable.

Box A.2: Sample SOs and budget of last two FYs were analyzed to understand spend profile of IAs

Based on the review of SOs the MoMSME spends on the construction works including minor repair, electrical maintenance and annual maintenance works is entrusted to the Central Public Works Department (CPWD). The CPWD carries out the procurement procedure broadly in line with the GFR and CPWD Code (manual). The Tenders are invited as per the delegation of financial powers of CPWD Works Manual58. The amount also includes recurring expenditure.

Financial Years	Total Number of SOs	Total Number of SOs analyzed	Total Amount INR million	Equivalent in US $ million [1 US $ = 75 INR]
FY 2020- 21 [November 2020]	103	76	844.29	11.26
FY 2019- 20	274	217	2,953.00	39.37
FY 2018- 19	162	102	430.53	5.74

For CLCS TUS sub scheme the amount spent on consultancy services, training, awareness program, desktop assessment, site assessment, implementation of lean tools, development of design projects including prototype, reimbursement under IPR for patent, trademark and GI, nurturing and development of Ideas, setting of IPFCs is as below (MoMSME informed that the amounts in table reflects payments made by IA for commitment of past years. No new expenses incurred during these FY's):

(Figures in INR million)

Sub-scheme under CLCS-TUS	IAs	Budget	GIA released by MoMSME to IA	Value of UC submitted by IA to MoMSME
		FY19-20	FY19-20	FY19-20
LEAN	NPC & QCI	189.70	174.00	181.40
DESIGN	IISc, Bangalore & NID	110.00	99.00	100.06
ZED	QCI	132.90	110.00	129.90
Incubation	Host Institutes	229.10	148.10	219.90
IPR	IPFCs	360.20	54.70	94.10
DIGITAL	CSC & EDII	400.00	190.00	245.00

22. **Accounting and Financial Reporting**: CG accounting follows CGA procedures and guidelines prepared in consultation with C&AG, per Government Accounting Rules (GAR-1990) and GFR-2017. The MoMSME Secretary is the Chief Accounting Authority, supported by IFW headed by Financial Advisor for financial advice, and Chief Controller of Accounts (CCA) for payment, accounting and financial reporting functions. The payments are made by PAO as defined above. Accounting is done by Principal Accounts Office (PrAO) through the ICT application 'e-Lekha' integrated with PFMS. The PrAO reconciles the 'e-lekha' data with the transaction reports of Reserve Bank of India (RBI). The monthly accounts are submitted by CCA to the CGA within 10th of the following month. These accounts are compiled and aggregated by CGA to prepare monthly and annual Finance Accounts & Appropriation Accounts at the central Level. The budget execution reports are publicly disclosed at the website of CGA.

23. At the State level, the accounting and financial reporting is governed by the State financial rules. The budget approved by the State legislature is allocated by the FD to the Administrative Department at the beginning of FY and is further distributed to the DDO / Budget controlling officers of the Administrative Department through computerized government financial applications (FMIS). The bills are submitted by respective DDOs to the Treasury / Sub-treasuries for bill passing and payment and transactions are accounted against the approved budget head. The DDOs does periodic

[58] *https://www.cpwd.gov.in/WriteReadData/other_cir/44774.pdf*

reconciliation of accounts with Treasury/Sub-treasury offices. The Directorate of Treasury & Accounts submits monthly accounts to the Accountant General (Accounts and Entitlement- AG A&E) for preparation of monthly and annual appropriation/State finance accounts. The budget utilization reports are shared by the AG (A&E) with the FD for expenditure monitoring and control.

24. Accounting and financial reporting for IAs is governed by the Act and rules. The IAs formed as Quasi-Government organizations and autonomous bodies operate under separate Acts, including: (i) agencies (such as Development Institutes-DI); and (ii) societies (such TCs) formed under Central and State specific Society Registration Acts, largely follow cash basis of accounting and maintain their books in manual form; (iii) IAs formed as Companies under the Companies Act 2013, normally follow accrual basis of accounting, maintain accounts as per applicable accounting standards. The system of accounting, applicability of standards may differ from State to State and from one IA to another. There would be also variations in the level of compliance on submitting UC.

25. The performance of the accounting and financial reporting systems (PFMS at the central level and FMIS at the state level) were experienced by WB in several Programs. These systems have in-built controls and can record the financial transactions and generate reliable financial reports at aggregate and dis-aggregate levels. The WB often relies on the PFM systems of the government to obtain program financial reports for expenditure monitoring and disbursements. The finance accounts of the CG for FY20-21 (to November 2020) at an aggregate level (covering all CG MDAs) is available at the CGA website. As an example, the Grant-In-Aid released by MoMSME to the TCSP project for the TCs (likely to be IAs for this Program) are accounted against the 15-digit budget head at the time of release and TC fund utilization. This is monitored offline (outside of PFMS) through Utilization certificates (UCs) submitted by the TCs. In the past two years, there has been a significant improvement in the timelines on UC submission (submitted within a period of 6 months from the date of release) by TCs, as MoMSME closely monitored these aspects while issuing SOs to release next tranche of funds. The TCs maintain books of accounts in computerized systems and submit quarterly progress and financial and contract management reports in the MoMSME prescribed format on the funds from Grant-In-Aid. The IA engaged by MoMSME under the TCSP Program provided close oversight and monitoring to obtain the UCs and fiduciary reports from TCs.

26. **Internal Controls:** The framework is embodied in the financial rules which includes: (i) CG - detailed in the GFR-2017, the GAR-1990, and the CG (Receipts and Payments) Rules-1983; (ii) State Governments - detailed in their respective budget manuals, financial rules, and treasury code. Oversight over compliance with internal controls are vested with the head of the Administrative Department and FD, and these are reviewed by the C&AG during annual audits. Internal controls at the Center and State levels are robust and respected, though there are deviations which is reducing due to use of ICT, and adoption of payments through electronic modes. The internal controls for the IAs are defined in the Act, byelaws, rules and regulations under which these are formed. The Board of Directors/Governing Body and Committees provide oversight on the functioning of the organization.

27. **Accounting and Financial Reporting - proposed for The Program:** At the central level, the accounting and financial reporting will follow the GoI system. The 'PFMS' and 'e-lekha' used by PAO and PrAO in CCA sufficiently captures The Program expenditures to the last budget object head level. At the State level, the accounting and financial reporting will be done in computerized State 'FMIS' systems. The IAs will maintain accounting records for Program expenses from the 'Grant-in-Aid' received from MoMSME and State Industries Depts. The IAs will use the PFMS portal to capture Program payment transactions. The bank accounts of all vendors/consultants will be linked to PFMS portal and payments will be made using this portal. The IAs will submit the UCs, financial and contract management reports to NPIU and SPIUs within 6 months from the release date of the Grant-In-Aid.

28. **Internal Audit and Program approach**: This function at MoMSME is carried by IAW with the support of consultants, per the Audit Manual of CGA. For the IAs, there are no defined systems for internal audit. In view of likely

increase in the volume of transactions by IAs under The Program, the risk is assessed as Substantial. Risk-based audit approaches can be applied, and Procurement and FM areas can be integrated to conduct the internal audit of the schemes. An Internal Audit ToR will be agreed to include review of compliance made by IAs to the agreed FM & Procurement processes as defined in the SO. An effective compliance and follow-up mechanism will also be established to satisfactorily close the Procurement and FM audit observations.

29. **Program Governance and Anti-Corruption Arrangements (Governance and Accountability Systems)**: Under the larger governance framework of India, all MDAs are covered under the Right to Information (RTI) Act 2005. The C&AG also carries out compliance and performance audits annually, and the audit-related queries are reported to the Legislature and Public Accounts Committee for recommendations and actions. Prevention of Corruption Act 1988 is the governing law which defines legal framework to prevent corruption. Central/State Vigilance units have jurisdiction to undertake an enquiry or cause an enquiry/investigation to be made on any information that a public servant has exercised or refrained from exercising his powers, for improper or corrupt purposes. MDAs can also initiate disciplinary proceedings against the Public Servant on charges of misconduct, possessing disproportionate assets and violation under respective Civil Services (conduct) Rules.

30. **Anti-Corruption Guidelines (ACG)**: The WB "Guidelines on Preventing and Combating Fraud and Corruption in Program for Results Financing" dated February 1, 2012 and revised on July 10, 2015, shall apply to all activities within The Program Boundary. As there is no distinction between WB financed activities and Government financed activities within The Program boundary, these guidelines shall be applied in an unrestricted manner on all activities within The Program boundary. Requirements under these guidelines include but are not limited to: (i) borrower's obligation on informing the WB about all fraud- and corruption-related allegations and investigations; (ii) the WB right to conduct administrative enquiries; and (iii) ineligibility of debarred firms for contract awards. It is clarified to IAs that these guidelines shall be applicable on all activities within The Program boundary and not the parts of the government program that are outside these boundaries.

31. The IFSA also considers how The Program systems handles the risks of fraud and corruption, including use of complaint mechanisms, and how such risks are managed and/or mitigated. Support to States and to IAs will be conditional on acknowledgement and consent to the lender's right of restitution of any amounts disbursed under the SIP with respect to which fraud and corruption has occurred, or where an ineligible expenditure, as defined by MoMSME in the PIM or as per audit observations, has been paid. In order to operationalize implementation of the various areas covered in the ACGs, MoMSME shall: (i) set-up/strengthen a centralized procurement and FM complaint redressal system which shall have a web interface to receive complaints and clearly defined rules and authorities to resolve/process the complaint/suggestions; (ii) maintain and compile fraud-and corruption-related allegations and investigations that are related to The Program and share it with the Bank bi-annually; (iii) include in the SO or in standard bid and contract document to IAs and IPs reference to applicability of World Bank's Anti-corruption Guidelines to ensure each procurement entity incorporates Bank's debarment list in the filter used by implementing entities when they conduct due diligence. The list is available at: *https://www.worldbank.org/en/projects-operations/procurement/debarred-firms*; and (iv) add to the scope of program Auditor to validate applicability of ACG and that no contract is awarded to World Bank debarred firms. The IAs will be sensitized regarding the applicability of the ACG, their roles and responsibilities.

32. **Program Audit:** Finance Accounts of the CG and State Governments are finalized by the CGA at the central level and the Accountant General at the State level within 9 months from the end of FY. MDA audits at the Center and State levels are annually conducted by the C&AG, through its CG and State audit offices. These are subject to parliamentary oversight and legislative scrutiny. The audit reports are issued by C&AG before the ensuing budget session (within 12 months from the end of FY), with an exception for FY18-19 where there was a delay due to CoVID-19 pandemic. The audit reports at the Central level for the past two FYs (FY17-18 and FY18-19) issued by C&AG (available in public domain) were

reviewed by the team. No significant audit issues were reported for MoMSME and its schemes. The financial Audits of IAs are either conducted by C&AG, or private audit firms empaneled by C&AG, or by private audit firms appointed by IAs. The audit reports of CGTMSE (likely to be an IA under RAMP) available in public domain for the past two FYs (FY18-19 and FY19-20) issued private chartered accountants were reviewed by the team. These audit reports were 'unqualified' and issued by the statutory auditor within 6 months from the end of FY. Similarly, in WB financed TCSP project, The Program financial audits were conducted by private chartered accountants empaneled with C&AG. These audit reports were issued within a period of 9 months from the close of FY. These program audit reports were unqualified and had not reported any accountability issues. The WB could not get access to the audit reports of other IAs.

33. **Auditing - Proposed for The Program:** Annual financial statements of the RAMP on scheme budget lines will be prepared by NPIU within 9 months from the end of each FY. The audit will be conducted by C&AG as per the ToR that was agreed between C&AG and WB for the India portfolio and such audit report will be submitted by NPIU to the WB within 12 months from the end of each FY. The WB during first year of Program implementation will enhance the ToR to meet the specific requirements of the P4R Program. The IA audit will be conducted by the statutory auditors of IAs, as per the agreed audit ToRs. Such audit reports will be submitted by IAs to NPIU and SPIUs within 12 months from end of FY. The NPIU will share the IA audit reports with the WB within 12 months from end of FY. The NPIU and SPIUs will closely monitor the audit status of IAs and timeliness on receipt of audit reports. Further 'Grant-In-Aid' will not be released to IAs that have overdue audit reports and where audit opinion is 'disclaimer or adverse'.

34. **Procurement and FM Capacity**: Procurement and contract activities are undertaken by the administrative staff. There is no dedicated procurement officer at the NMIU or at the MoMSME. Given recent changes[59] (the GFR was revised in 2017 and category-wise procurement manuals in 2019), a dedicated NMIU staff with training is required to oversee the procurement and contract management and articulate the prescribed GFR procedures. There is adequate MoMSME FM staffing and at participating MDAs and State Industries Department to carry out day to day functions. The IA FM staffing and capacity may vary. To oversee the FM activities and monitor Program key budget and payment, accounting and financial reporting, and audit compliance performance indicators, the NPIU and SPIUs may engage FM Specialists for required support and coordination on FM related matters.

35. **Implementation Support:** The WB task team will carry out regular implementation mission to support the IAs and IPs to achieve results. The progress on agreed PAPs (Annex 6) will be reviewed and any changes will be made during the implementation phase. The NPIUs and SPIUs will regularly share KPI reports with the WB to monitor the FM and procurement performance, identify gaps and recommend actions. These reports will be reviewed, and issues identified will be addressed appropriately. The team will monitor the following KPIs:

Indicator	Measure	Timeline
Budget and Fund Flow: Amounts budgeted in scheme budget lines are adequate, timely payments are made for program activities, including releases for Grant-in-Aid to IAs.	Budget documents (i.e. Demand for Grants) of MoMSME and State Department of Industries will be monitored to ascertain the amounts budgeted in the scheme budget lines based on annual plans approved by Program Steering Committee.	Semi-Annually (Budget Estimate and Revised Estimate preparation)
	Payments made by MoMSME for program activities, fund releases to IAs, and payment made by IAS to vendors and consultants to be monitored through PFMS reports, Utilization certificates, and contract management reports.	Semi-Annually during ISM
Fiduciary Staffing	Adequate fiduciary staffing at all levels, to manage FM and Procurement functions of The Program.	Semi-Annually during ISM
Accounting and Financial Reporting	• PFMS reports at MoMSME that capture Program expenditure details till last object head level; including amounts accounted in the object head 'Grant-In-Aid' for transfer to IAs.	Semi-Annually during ISM

[59] After date of IFSA, Change(s) in applicable procurement framework will promptly conveyed to the Bank and their implication on overall project implementation.

	• FMIS reports of States to ascertain the amounts transferred towards Grant-In-Aid to IAs. • PFMS reports, Utilization certificates and contract management reports submitted by IAs.	
Effectiveness of internal audit function	• Appointment of Individual consultants (or Internal Audit firm). • Audit plans prepared by IAW applying risk-based approach and covering FM and Procurement. • Audits completed • Review of Internal Audit reports and compliance to audit findings.	Annually
Timely audit of financial statements of IAs	• Appointment of statutory auditor. • Financial Statements prepared by IAs • Audits completed • Review of financial Audit reports and compliance to audit findings	Annually
Adequate monitoring of the procurement activities	• Percentage of contracts awarded to consultants, service providers and IPs and completed within original contract period. • Average number of quotation/ bids received. • Number of Procurement related complaints received/upheld. • No contract exceeds the threshold for high value contracts	Annually

ANNEX 6. PROGRAM ACTION PLAN

Action Description	Source	DLI#	Responsibility	Timing		Completion Measurement
Implementation plan for strengthening policy department and M&E systems developed	Technical		Ministry of MSME	Other	Year 1	Plan in Place
Training, capacity building and outreach program for TReDS stakeholders (anchor buyers incuding CPSEs, MSMEs, FIs, NBFCs, TReDS platform companies) formulated	Technical	DLI 5.3	DFS, RBI and Ministry of MSME	Other	Year 1 and 2	Guidelines for program published
Consultations conducted by CGTMSE with nodal environment agencies for defining green tag	Technical		CGTMSE	Other	Year 1	Consultations completed
Green Tag defined and Operationalized	Technical		CGTMSE	Other	Year 1	Guidelines issued by CGTMSE
Assessment completed with an action plan for increasing guarantees to women owned MSEs	Technical		CGTMSE	Other	Year 1	Assessment and action plan formulated
Revised guidelines on (i) product adjustments/ new product offerings	Technical	DLI 6.2	CGTMSE	Other	Year 2	Guidelines published by CGTMSE

to increase access and uptake of guarantees issued women headed MSEs (ii) product adjustments/ new product offerings to increase access and uptake of guarantees issued by CGTMSE						
Outreach to Financial institutions on products on greening investments and women owned MSEs	Technical	DLI 6.2	CGTMSE	Other	Year 2	CGTMSE puts in place the outreach program
Creation of data dictionary and format for Annual Statistical Yearbook	Technical	DLI 6.4	CGTMSE	Other	Year 2	Data dictionary and format in place
Guidelines issued by Ministry of MSME to lay out process and technology standards for ODR platforms including training requirements of service providers (in consultation with a committee on ODR experts)	Technical	DLI 7.2	Ministry of MSME	Other	Year 1	Ministry of MSME publishes guidelines
Samadhaan portal adapted to play the role of platform to link: (i) ODR private service providers; (ii) complaints to certified mediators and arbitrators	Technical		Ministry of MSME	Other	Year 1	Enhanced portal features in place
Creation of standardized forms on the ODR	Technical	DLI 7.4	Ministry of MSME	Other	Year 1	Forms published on Samadhan portal

platform (e.g. sample settlement agreements/arbitral awards/confidentiality agreements/statements; etc) to minimize the likelihood of legal anomalies and grounds for challenge						
Ministry of MSME institutes a voucher program to incentive ODR adoption	Technical	DLI 7.3	Ministry of MSME	Other	Year 2	Ministry of MSME issues guidelines for the voucher program
Guidelines issued to bring Medium enterprises under Samadhaan Portal	Technical		Ministry of MSME	Other	Year 1	Ministry of MSME publishes guidelines
Ministry of MSME database and information system updated to meet M&E and IE Plan requirements	Technical		Ministry of MSME	Other	Year 3	Systems updated
Preparation of a "Strategy to Strengthen Environment and Social Management".	Environmental and Social Systems		MoMSME and participating States	Due Date	30-Jun-2021	Preparation and approval of Strategy based on template agreed by negotiations. This will include action-oriented recommendations on OHS issues to be integrated into SIPs.
Build E&S institutional capacity through: (i) appointment of specialists to Ministry of MSME/NPIU and State/SPIU; (ii) development of Standard Operating Procedures, checklists/guideline	Environmental and Social Systems		MoMSME/NPIU and State/SPIU	Due Date	30-Jun-2021	Capacity building completed.

s.						
Complete Preparation of SIP plans by Five "first-mover'" States	Technical		Five States	Other	Year 1	SIP plans prepared and submitted by states
Support for the integration of OHS and Land Management oversight arrangements into SIPs	Environmental and Social Systems		MoMSME/NPIU and State/SPIU	Due Date	30-Dec-2022	SIPs competed with OHS/Land Management oversight arrangements incorporated.
Awareness training programs for all key stakeholders (government and associated agencies, financial institutions, firms) targeting needs of first generation entrepreneurs from marginal groups (women, SC/ST)	Environmental and Social Systems		MoMSME/NPIU and State/SPIU	Recurrent	Yearly	Awareness and training programs completed.
Gender and Socio-Economic disaggregated MIS system and GRM in place within the MSME data portal.	Environmental and Social Systems	DLI 2.2	MoMSME/NPIU and State/SPIU	Due Date	30-Jun-2021	INMP operational with PAP identified functionalities included.
ToRs and methodological approach for Impact Evaluation assessments prepared	Technical		Ministry of MSME	Other	Year 3	ToRs completed
Policy guidelines and digital blueprint for Integrated national portal for MSMEs in compliance with the principles of India Enterprise Architecture developed and approved	Technical	DLI 2.1	Ministry of MSME	Other	Year 1	Guidelines issued by Ministry of MSME

Functional requirement specifications, data sharing and interoperability guidelines for all agencies under MoSME to ensure integration of all portals into one national portal formulated and notified	Technical	DLI 2.1	Ministry of MSME	Other	Year 1	Guidelines issued by Ministry of MSME
Develop DPR & reference architecture including platform's non-functional requirements, metadata structure for provision of services to MSMEs & RFP Document for commissioning integrated portal development in compliance with principles of digital devlp	Technical		Ministry of MSME	Other	Year 1	DPR developed and RFPs issued
Formulate and notify capacity building/training and awareness roadmap for Ministry of MSE officials to ensure inhouse capacity for using national portal modules for service delivery and monitoring functions	Technical	DLI 2.1	Ministry of MSME	Other	Year 2	Roadmap formulated and issued
Capacity building/training and awareness activities of MoMSME officials for using national portal modules	Technical		Ministry of MSME	Other	Year 2 and Year 3	Training completed as per roadmap

completed						
SIP Plans of five "first-mover" states approved by Ministry of MSME	Technical		Ministry of MSME	Other	Year 1	Ministry of MSME approves plans
Institutional Strengthening and capacity building activities carried out as per SIP	Technical		Ministry of MSME	Other	Year 1	Five "first-mover" states submit progress report on activities completed
Preparation and approval of CLCS-TU schemes improvement and scale-up Implementation plan, including guidelines to firms on social distancing and other measures to protect the workplace against COVID infection.	Technical	DLI 4.1	Ministry of MSME	Other	Effectivenes s	Plan with updated guidelines published
Establishment of an integrated program management system for all CLCS-TU schemes	Technical		Ministry of MSME	Other	Year 1	System integration completed
RFPs issued and contracts initiated for appointment of additional competitively selected implementation partners	Technical		Ministry of MSME	Other	Year 1 and Year 2	RFPs issued on website and procurement process initiated .
Training and accreditation process and guidelines for additional Business Development	Technical	DLI 4.4	Ministry of MSME	Other	Year 1	Publishing of guidelines

Service providers completed						
Outline/Framework of State of Sector Report prepared	Technical		Ministry of MSME	Other	Year 1	Outline/Framework in Place
RFPs issued and contracts initiated for IEA	Technical		Ministry of MSME	Other	Year 4	RFPs issued and contracts initiated
Development of a Roster of mediators/arbitrators who meet guideline requirements	Technical		Ministry of MSME	Other	Year 2	Ministry of MSME publishes roster on Samadhaan Portal
Ministry of MSME to revise procedural rules incorporating ODR initiative	Technical		Ministry of MSME	Other	Year 1	Ministry of MSME issues guidelines
CGTMSE publishes Annual Statistical Yearbook with disaggregated data on women-headed businesses and green investments receiving guarantee support.	Technical		CGTMSE	Recurrent	Yearly	This Yearbook to include tables on: (i) origination data by fiscal years and active portfolio data at the end of fiscal years, (ii) annual penetration rates across its MLIs, the financial sector by major type of institution, and the MSE sector by g
Formation of advisory Expert Committee on ODR	Technical		Ministry of MSME	Other	Year 1	Notification of Committee Formation with Members and TORs
Engage procurement and financial management specialists in NPIU and SPIUs to operationalize fiduciary requirements	Fiduciary Systems		NPIU, SPIU and IAs	Due Date	30-Sep-2021	Recruitments/Assignments completed.
Focused training to fiduciary and program staff directly involved in financial	Fiduciary Systems		MoMSME (NPIUs), SPIUs and IAs	Due Date	30-Sep-2021	Training Completed.

management, procurement and contract management.						
Development of standard bid document and contract templates for use across Program procurement activities by all IA's, including reference to applicability of World Bank's Anti-corruption Guidelines and no contract award to debarred firms.	Fiduciary Systems		MoMSME	Due Date	30-Jun-2021	(i) Copy of revised standard bid documents with reference to applicability of World Bank anti-corruption guidelines notified. (ii) Documents adopted by all IAs
Finalize the Internal Audit ToR of the Program in agreement with the Bank and appoint Internal Auditor to review FM and procurement aspects of the Program.	Fiduciary Systems		MoMSME	Due Date	31-Dec-2021	Internal Auditor appointment made based on TORs agreed with the World Bank
Establish a procurement and contract management MIS system to monitor annual planned procurement, contract award, implementation progress and completed activities of each IA under the program.	Fiduciary Systems		MoMSME	Other	Year 1	Procurement and contract management MIS systems operationalized
Establish a centralized web-based complaint handling mechanism with interface for procurement and FM complaint with	Fiduciary Systems	DLI 2.2	MoMSME	Due Date	30-Jun-2022	(i) Web-based complaint handling mechanism operational. (ii) Notification of complaint redressal process by MoMSME.

provisions for complaint resolution, including appeal.						
MoMSME to monitor and compile fraud and corruption related allegations that are received and registered under the Program, including cases that are under investigation, and share the report with the World Bank in prescribed format.	Fiduciary Systems		MoMSME	Recurrent	Semi-Annually	Bi-annual consolidated report (both for Central and State level cases) formally sent by MOMSME.
Guidelines issued for framework for integration and verification of GST invoices with the TReDS platform.	Technical		DFS, Department of Revenue	Other	Year 2	Ministry of Finance issues guidelines
RBI amends TReDS guidelines to allow claiming input credit by large buyers on GST invoices can be considered implicit buyers' confirmation on TReDS	Technical		DFS and RBI	Other	Year 2	RBI issues amended guidelines for TReDS platforms
Interoperability of GSTN and TReDS achieved through technological integration. This will allow verification of the status of input tax credit for GST invoices by TReDS platforms	Technical		DFS, Dept. of Revenue & TReDS platform	Other	Year 2	Interoperability of GSTN and TReDS platforms implemented
Finalize the Financial Audit ToR of the Program for the IAs in agreement with the Bank.	Fiduciary Systems		MoMSME	Due Date	31-Dec-2021	ToR of Financial Audit notified.

MoMSME to develop and notify selection criteria and state support framework for selected additional states to (i) receive support for SIP preparation and (ii) receive partial financial support for SIP implementation.	Technical		MoMSME	Due Date	31-Mar-2022	Criteria developed and shared with the World Bank. State support framework to include minimum financial support to be given to additional participating states through the program.

ANNEX 7. IMPLEMENTATION SUPPORT PLAN

Focus of Implementation Support

Time	Focus	Skills Needed	Resources Estimate	Partner Role
First twelve months	Establishment and operationalization of the MSME Council Ensuring key strategic documents are prepared in a timely manner (e.g. INMP Roadmap, SIPs, CLCS Improvement and Scale Up Implementation Plan Timely implementation of PAP actions	Technical Expertise across all the key DLI areas of engagement	USD 300,000	N/A
12-48 months	Timely PAP completion to ensure DLRs are completed on schedule	Technical Expertise across all the key DLI areas of engagement	USD 300,00 per annum	

Task Team Skills Mix Requirements for Implementation Support (Template)

<table>
<tr><th>Skills Needed</th><th>Number of Staff Weeks for project life</th><th>Number of Trips</th><th>Comments</th><td rowspan="5">Mission plans remain flexible.

Major dependence in first 12-18 months of implementation on virtual mission arrangements. This is reflected in limited mission travel and high dependence on country-based and regional staff/consultancies.</td></tr>
<tr><td>Task Management</td><td>100</td><td>16</td><td>Ensure smooth project implementation with primary focus on: (i) ensuring early progress with state engagement; (ii) timely implementation of DLIs; (iii) PAP delivery with other WB and IFC colleagues; (iv) ensuring the “Gender, Greening, Technology and Private Sector” (GGTP) themes are effectively addressed.</td></tr>
<tr><td>Firm Capabilities</td><td>40</td><td>10</td><td>The further development of target schemes to integrate the GGTP thematic goals in close collaboration with other WBG colleagues key to RAMP outcome success.</td></tr>
<tr><td>Impact Evaluation Design</td><td>20</td><td>5</td><td>Planned focus of impact evaluations are: (i) State-Federal Convergence; (ii) CGTMSE; (iii) Firm capabilities</td></tr>
<tr><td>Digital Development</td><td>30</td><td>7</td><td>Priority focus on platform inter-operability and functionality for data-rich analysis and dashboard development.</td></tr>
</table>

Investment Climate and Value Chains	20	5	This additional expertise will be particularly key to the preparation of the State MSME Strategic Investment Plans	
Access to finance (Factoring and Guarantees)	40	10	Work to be co-led with IFC, with priority focus on "GG" dimensions of GGTP themes and entail extensive engagement with FIs and NBFCs operating in participating states.	
Alternative Dispute Resolution	30	7	Work to be led by IFC advisory drawing on experienced practitioner consultancies	
Gender Specialist	20	5	Priority focus on support on: (i) scheme development; (ii) impact evaluation design; (iii) preparation of State-Level SIPS.	
Environment Specialist	20	5	Ensure ESSA recommendations are addessed, with specific support to development of a web-based grievance redress process.	
Social Development Specialist	20	5		
Greening and Climate Specialist	10	5	Support RAMP objectives to mainstream greening priorities in schemes and SIPs.	
Procurement Specialist	20	N/A	Ensure IFSA implemented, with specific support to development of a web-based grievance redress process. (All key staff Delhi-based)	
Financial Management	20	N/A		
M&E specialist	20	5	Support to the MoMSME National and State-level PIUs to develop robust evidence-based M&E system and reporting for the RAMP	

Role of Partners in Program Implementation (Template)

Name	Institution/Country	Role
Asian Development Bank	International Financial Institution, Manila, Philippines	Potentially supporting the Ministry Enterprise Development Centres Scheme that can complement RAMP activities

ANNEX 8. (SUMMARY) ENVIRONMENTAL AND SOCIAL SYSTEMS ASSESSMENT

I. E&S Risk Rating:

1. The Environment and Social Risk Rating of the Program is **'Moderate'**. The Program will include technical assistance and technology-enhancing interventions to existing MSMEs. The anticipated negative E&S impacts are relatively small in scale and temporary. In addition, some enhanced access to technology-based interventions, trainings and targeted interventions designed for women entrepreneurs are likely to result in positive E&S outcomes. Institutional strengthening of MSME related agencies and technology upgrades in MSMEs participating in The Program will result in overall human and environmental wellbeing and reduce risks of environmental pollution arising from manufacturing operations.

II. Environmental and Social Systems Assessment:

2. As required by PforR financing, an Environmental and Social Systems Assessment (ESSA) was conducted by the Bank following the Bank Guidance (Policy, Directive and Guidance for ESSA), during project preparation. ESSA was prepared in collaboration with the MoMSME and the "First Mover" states to assess potential adverse risks and impacts associated with The Program, adequacy of the environmental and social systems of The Program implementing and operating agencies, identify specific measures to strengthen environmental and social systems and outline the steps to be followed by the borrower to mitigate potential adverse impacts associated with The Program. The ESSA emphasizes strengthening institutional capacity at the state and district levels and for overall management of environmental and social risks and social inclusion aspects under The Program. Activities that are likely to have significant adverse impacts on the environment and/or affected people are ineligible for the PforR financing. Such interventions will be excluded from the PforR Program.

III. ESSA Methodology:

3. The ESSA was primarily a desk-based exercise due to the impacts of COVID-19 and travel restrictions. The Bank team reviewed capacity of existing systems at the federal and state level to plan and implement effective measures for environmental and social management of The Program and determine if any measures will be required to strengthen it.

4. In preparing the ESSA, a review of available secondary data was carried out, including extensive references to Annual Reports prepared and disclosed by the MoMSME. The ESSA specifically delved into systems and institutional capacities (planning, implementation, monitoring) for: a) environmental and social due diligence of the proposed interventions across states; b) regulations and monitoring; and incorporation of screening for potential risks, alternative analysis, stakeholder consultations at the federal and state level, and measures to promote sustainability amongst women-led SMEs to offset COVID-19 impacts, c) management of workers, occupational health and safety (OHS) and good practices, and; d) best practices/end-to-end solutions for assisting SMEs, especially women-led SMEs to access information, credit and redressal of grievances.

IV. Key Findings:

5. ***Environmental Issues:*** The key findings on environmental systems are:

- The national and state governments have well-developed environmental legislation. However, the implementation setup to address RAMP environmental challenges needs to be further strengthened.
- Non-compliance with required environmental permits, exceeding discharge limits, poor monitoring and enforcement by government authorities, and improper technology selection may affect the environment negatively.
- The Program's existing institutional systems needs further strengthening for environmental management especially related to due diligence and monitoring aspects.

6. ***Social Issues:*** The key findings on social systems are:

- **Limited Institutional Capacity:** Legislation at the national and state level is well-developed from a social perspective. The central level schemes supported under The Program have clear targets to improve outreach to vulnerable groups and first-generation SC/ST/Women entrepreneurs. However, roles and responsibilities of nodal officers at the state and district levels on management of social inclusion aspects (e.g.: targeted training, tailor-made business development courses, awareness and outreach strategies for SC/ST/Women entrepreneurs) were largely found to be missing.
- **Limited awareness among enterprises on occupational health and safety issues:** There is a lack of awareness among enterprises on the benefits that they can avail after obtaining scheme-related registration/ licenses and the need to adhere to occupational health and safety norms.[60] Scheme and state-level officials conduct sessions to promote awareness on registration/licenses and benefits. However, these sessions are not effective because: a) they don't ensure complete participation of owners due to lack of prior effective communication about the sessions; b) women beneficiaries and beneficiaries from aspirational districts/Schedule V Areas do not participate; and c) Enterprises largely perceive OHS aspects and scheme-related registration to be a bottleneck.
- **State-level departments do not have a consolidated MIS/database disaggregated by social and gender status**: Across various schemes operated by the federal and state governments, a consolidated MIS system that provides information disaggregated by gender and social status is missing. Investments in strengthening such a database at the state level will help in building targeted training and capacity building initiatives to reach SC/ST/women entrepreneurs.

V. Key Risk Mitigation Measures and Inputs to The Program Action Plan:

7. **Strategy to Strengthen Environment and Social Management:** The national and state governments have well developed environmental and social legislation, although the implementation setup to address the environmental/social inclusion challenges of The Program needs to be strengthened. To address this, it is proposed to develop a strategy document - 'Strategy to Strengthen Environment and Social Management' which will seek to outline the existing regulatory mechanisms, communication, due-diligence, monitoring and capacity building plan around E&S aspects; and the risk screening and management mechanism associated with MSME operations at the federal and state levels. The strategy document will also include action-oriented recommendations on occupational health and safety issues (OHS) to be integrated in the SIPs. A draft strategy document will be finalized with stakeholder consultations during the first year of the project implementation.

8. ***Environment:***

- Building institutional capacity to address environmental issues for monitoring and due diligence.
- Assist development of detailed checklists, standard operating procedures, guidelines etc. to ensure adequate environmental permits are in place for the MSMEs supported by The Program.
- Ensure Occupational Health and Safety (OHS) aspects are not compromised, OHS regulatory compliance is in place and all accidents/incidents are recorded and reported to the authorities.

9. ***Social:***

- **Labor management and Occupational Health and Safety oversight** will be integrated into the Strategic Investment Plans developed for states.

[60] This finding is based on a review of secondary literature related to labor management and OHS aspects in the MSE sector.

- **Strengthening/convergence of state-level MIS systems** to reflect disaggregation by social and gender status of entrepreneurs
- **Strengthening of feedback/Grievance Redressal Mechanism (GRM) at the state and district-level:** The SIPs will include interventions to localize the feedback mechanism at the state-level as well as capacity measures to improve the functions of DICs to build effective information flows targeting first-generation entrepreneurs from SC/ST communities.
- **Land management:** Assist in developing screening checklists to ensure no risks of involuntary resettlement and/or loss of livelihoods are associated with investments supported by The Program.
- **Awareness and training programs** targeting first-generation entrepreneurs from aspirational districts, women entrepreneurs and SC/ST entrepreneurs.

VI. Consultations on ESSA

10. **The draft ESSA report has been disclosed by MoMSME as well as the World Bank.** Feedback has been received from government officials, industry associations, non-governmental organizations, civil society organizations, MSME associations and other relevant stakeholders, also including written comments from stakeholders. Additionally, virtual consultations with nodal officials and district-level representatives from “First Mover” states, NGOs, CSO, think-tanks and business associations took place on December 3, 2020. Stakeholders included state level nodal officials from Punjab, Rajasthan, Tamil Nadu, Maharashtra and Gujarat. Various civil society representatives from well-known organizations active in key MSME sectors such as Self-Employed Women’s Association, Association of Lady Entrepreneurs of India, SME Finance Forum, Centre for Science and Environment were also invited by the Ministry to join the consultation process. The main issues discussed at the stakeholder workshop were as follows (i) training priorities for MSMEs on E&S management; (ii) compliance with public health and safety aspects; (iii) E&S compliance: challenges faced by states; (iv) awareness raising and training campaigns; (v) feedback and GRM mechanism at the state and district level; and (vi) linkages with Industry Associations/FIs on outreach towards women entrepreneurs. These consultations proved instrumental to secure agreement on the major findings and recommendations emerging from the ESSA process.

11. **The MoMSME, state officials and other stakeholders agreed on the findings and emerging recommendations of the draft ESSA report**. The ESSA, as finalized during project appraisal, will be publicly disclosed once negotiations are completed. Most importantly, as a result of the ESSA consultations, the MoMSME agreed to develop an ‘E&S Strategy Document’ to inform the E&S management aspects, due-diligence procedures and integration of E&S aspects of The Program, including strengthening of GRM in the state SIPs.

12. **Any additional states to be supported through the RAMP program will need to be consistent with the recommendations of the ESSA.** This will entail: (i) holding state-level consultations with stakeholders; (ii) following the suggestions of the ESSA in the newly added states and (iii) applying the ‘ Strategy to Strengthen Environmental and Social Management’ to the SIP work in these additional states.

ANNEX 9: CLIMATE CO-BENEFITS

The Vulnerability Context for the MSME sector is as follows:

a) Climate and disaster shocks can significantly impact MSMEs in terms of both product and factor markets and harm the livelihoods of many in the population. The situation is intensified by low MSME awareness of resource efficiency, putting them at risk for gradual changes like temperature rises and subsequent price hikes of water and energy. These MSMEs face increasing income and asset loss risks due to the projected changing climate and more frequent disasters. They are often not equipped to absorb the economic losses climate change may bring.

b) Direct impacts of climate change affect the physical assets of a business, such as buildings, machinery and equipment or other vital infrastructure. Indirect impacts of climate change affect business operations through changes in the business environment, such as new regulations and market demand, changes in prices and availability of inputs and financing or effects on employees.

c) The lack of waste management in the sector is another key challenge. The hazardous waste generated is generally dumped on land or discharged into water bodies, without adequate treatment, and thus becomes a large source of environmental pollution and health hazard while also leading to depletion of water resources.

d) Temperature rises are likely to reduce productivity of workers due to heat stress and increase energy use, as more cooling is required in manufacturing processes. Rising temperatures can also negatively affect crop production, therefore impacting agribusiness enterprises. Access to water and energy for production will become increasingly unreliable due to climate change. Decreasing availability, declining quality and growing demand for water due to irregular precipitation patterns are likely to have serious repercussions for the cost and productivity of MSMEs, impacting water-intensive industries the most. The increasing occurrence of extreme weather events may lead to rising insurance costs. Also, in case of foreseeable physical risks from climate change the owner of a business cannot appeal on “an act of nature”, resulting in non-liability of the insurer. MSMEs have limited access to public social safety nets, formal finance channels, and post-disaster insurance—making it difficult for them to recover quickly from an extreme weather and climate events.

e) MSME can contribute to climate adaptation and mitigation through improved productive use of resources; social enhancement by protecting the wellbeing of workers and local communities; and environmental protection by conserving resources and minimizing industry’s impact on the natural environment. The Adaption Actions under the RAMP Program are given below. There are no mitigation actions under The Program.

Adaptation and Mitigation Climate Actions by DLI

Activities	Adaptation and Mitigation Actions
RA#1: Strengthening Institutions and Governance of the MSME Program ($250 million)	
DLI 1: Strengthening coordination and institutions at the Federal level ($95 million)	
• MSME Council for enhanced coordination on the development of the MSME sector and, more specifically, the MCRRP agenda • Extending the policy and research capacity of the MoMSME • Strengthening M&E systems • Improved and interoperable portals to deliver online services to MSMEs at scale and in a cost-effective manner - Integrated National MSME Digital Portal (INMDP) two-phased implementation including operationalization of	*Vulnerability context:* See (a), (b), (c), and (d) *Intent to address identified vulnerabilities*: -MSME Council will support greening initiatives such as improved energy efficiency, renewable energy, and waste management in the sector. - Capacity building of the Ministry of MSME (MoMSME) policy unit will include a focus on the policy agenda to promote climate adaptation and mitigation measures such as energy efficiency, resource-efficient manufacturing, eco-friendly resources, green procurement, etc. - An important agenda of the Policy Unit will be Resource Efficiency and Cleaner Production (RECP) and some of the output/ research will be related to this. -The Policy Unit will incorporate a resilience or climate adaption screening/ analysis for its policy outputs. - Of the three impact evaluations (IEs) under DLI1 as an outcome of the strengthening of the M&E systems, two directly cover RECP/Greening themes (The IE on Firm Capabilities Interventions will analyze the impact of the ZED and Lean interventions under DLI 3) and the IE on CGTMSE will analyze the impact of the interventions pertaining to the green tag and green guarantees under DLI 5). The third IE on State

dashboards and data analytics function	SIPS also includes elements of climate considerations as one of the components and will analyze the efficacy of states in building the pipeline of firms into the ZED and Lean Programs, the outcomes from the capacity building of DICs on RECP and energy efficiency and the extent to which states have been successful in incorporating RECP and climate resilience and adaption in its policies. -Integrated portals and services will cover access to information related to climate and disaster vulnerabilities and business adaptation resources to address them; information on different programs and incentives offered by different ministries and agencies on greening; modules on green financing options available to MSMEs, lists of energy efficient equipment from the Bureau of Energy Efficiency; service providers for different services., such as Energy Management; Lean technique etc., - Dashboards for analytics and program monitoring will cover the Firm Capabilities interventions which focus on RECP (ZED; Lean; design). In addition to Program monitoring (firms graduating from ZED; Lean etc.,), data such as number of firms getting energy efficiency certification (ISO) etc., will be available. Also, volume and number of green guarantees and greening investments under CGTMSE will also be covered. *Explicit link between identified climate change risks and specific project activities*: These activities will enhance the MoMSME expertise to develop initiatives that can better assist MSMEs to prepare for current and projected climatic shocks, rather than adopting a reactive approach. Greening initiatives will help reduce GHG emissions and promote resource efficiency. Therefore, building long-term resilience in the sector and those employed. These data and analytics from INMP will help MSMEs in taking informed decisions and in dealing with structural shifts in their sectors and business models. This will reduce their vulnerability to identified climatic shocks.
DLI 2: Accelerating MSME Sector Center-State collaboration ($155 million)	
• Developing and implementing MSME-support strategic plans (SIPs) • Improving State level implementation capacity-includes: (i) enhancing coordination mechanisms at state level; (ii) strengthening MIS systems to monitor SIP implementation and results; (iii) build capacity of nodal MDAs to design and implement awareness programs, with specific attention to key MCRRP themes; capacity building to DoIs and District Industries Centers (DICs) to meet the requirements of SIP implementation, state scheme adaptations (iv) supporting public private partnerships for R&D for product and process innovation; and (iv) fostering active participation from key private sector intermediaries such as financial institutions	*Vulnerability context:* See (a), (c) and (d) *Intent to address identified vulnerabilities*: -SIP will address measures required to integrate climate and disaster considerations in existing policy and program initiatives to promote RECP of MSMEs and help address climate challenges in more systematic way states will also be asked to provide targets for the ZED; Lean programs (RECP related schemes) in their results framework. Their SIP will include interventions to achieve these targets. The SIPs will also include outreach to Financial institutions and MSMEs for CGTMSE including their greening guarantees -Capacity building of District Industries Centers (DICs) will include measures like promoting energy conversation, waste management, environmental pollution, resource efficiency; onboarding firms to access ZED; Lean; Design, CGTSME; connecting MSMEs to relevant service providers based on requirements -Improved coordination mechanisms at state level will include environmental and DRM agencies and departments in the state level to include climate and disaster considerations -The strengthened MIS and M&E systems will also track and provide disaggregated information on RECP / greening aspects (for example – firms graduating through ZED and lean at state level; getting energy certifications; etc., -The partnerships for R&D for innovation will promote RECP - An important element of process innovation is reducing costs through reducing inefficiencies and wastages of materials, energy and waste. Therefore, RECP is an integral aspect of Process innovation. Some of the product innovation also has potential for "green" products (whether produced through sustainable methods or materials). - Partnerships with FIs will include outreach for CGTMSE product including their green guarantees *Explicit link between identified climate change risks and specific project activities*: The activities will enhance resilience of MSMEs by helping them prepare a plan for response and recovery which is essential to combat supply chains disruptions by climate shocks thus promoting adoption of greener and fairer practices for development.
RA#2: Support to Firm Capabilities and Access to Markets, Access to Finance ($250 million)	
DLI 3: Enhancing Firm Capabilities and Access to Markets ($75 million)	
• The set of Firm Capabilities intervention RAMP is supporting covers the following schemes – ZED; LEAN; Design; IPR; Digital. OF these ZED is the spine of The Program and every firm will enter through ZED and do the basic certification. Following which it will be referred to other schemes or it will graduate to higher levels within ZED. ZED is the most important scheme under this cluster, followed by Lean. The others are relatively minor schemes. The intervention supports the development	*Vulnerability context:* See (a) and (d) *Intent to address identified vulnerabilities*: -Firms will incorporate climate and disaster shock preparedness screening as part of the ZED assessment and support for this will be incorporated in the business plan preparation. -ZED and Lean directly relate to RECP. The Design Intervention also relates to RECP to some extent based on the specific firm intervention. The interventions support the scaling up adoption of RECP (greening) practices (ZED; Lean; design) - ZED Certifications to promote adaptation of Quality tools/systems and Energy Efficient manufacturing. Environment friendly packaging; energy management and saving; environmental management (ISO 14001); ecomark certification are all elements of ZED - Lean will promote resource-efficiency in the participating firms. Lean techniques are about reducing wastage (of physical materials, energy etc.,) thus reducing costs. - Design intervention under the Design scheme can potentially support climate-friendly design related

of an integrated delivery model for CLCSTUS schemes, which will include a unified management information system; Increased delivery capacity via private sector providers, expanding coverage to include selected service sectors; Improved branding and marketing of schemes, provision of advisory services to prepare commercial loan applications and linkages to other financial services; Integrating firm capabilities with market access interventions through promotion of supplier linkage initiatives	improvements and product development projects in MSMEs such as green products, reducing/ recycling of waste material, reuse of water in the process, switching to recycled materials, eco-friendly packaging material, etc. - Advisory services to prepare commercial loan applications and linkages to other financial institutions, including for green (RECP) and climate adaptation/resilience investments. *Explicit link between identified climate change risks and specific project activities*: These measures will help MSME sector build long-term resilience to any climate/disaster shocks by promoting green technologies, increasing resource efficiency and providing access to green financing options.
DLI 5: Enhancing Guarantee Products ($55 million)	
• defining a green tag for use of proceeds to track greening (RECP) investments, in consultation with nodal agencies and using extant metrics • enhancing product offerings to incentivize financing for greening investments • enhancing CGTMSE delivery to women-headed micro and small enterprises through a combination of product adjustments and price differentials, adapting qualification criteria for underserved women entrepreneurs, outreach through states and FIs • strengthening data reporting and M&E systems	*Vulnerability context:* See (a), (b) and (d) *Intent to address identified vulnerabilities*: - The project will define green tag for use of proceeds to track greening (RECP) investments, in consultation with nodal agencies and using extant metrics. The greening investments aim to cover a wide spectrum of investment which relate to RECP – So they potentially include investments in renewables; in energy efficiency and management (equipment and services); waste management; reduction in use of materials; reduction in use of water (water saving); adoption of Lean practices in production etc., -Enhancing product offerings will incentivize financing for greening investments. The Product offering will be based on the green tag and market study conducted and will cover elements to incentivize greening investments – Pricing differentials; guarantee cover; outreach measures to Financial institutions and MSMEs. *Explicit link between identified climate change risks and specific project activities*: These measures will empower MSMEs to deal with climatic risks and to transition as the global demand and supply chains swiftly shift to greener, environment-friendly processes and products while capitalizing on newly generated business opportunities and incentivizing local green enterprises.