

ADB to grant loan for improving Rural Roads in Some Indian States

ADB & Gol sign Loan Agreement for Improvement of Rural Roads

ADB and the Government of India Sign A \$ 252 Million Loan to Continue improving Rural Roads in the States of Assam, Chhattisgarh, Madhya Pradesh, Odisha, and West Bengal

The Asian Development Bank (ADB) and the Government of India today signed here a \$252 million loan to continue improving rural roads in the States of Assam, Chhattisgarh, Madhya Pradesh, Odisha, and West Bengal.

The loan represents the first tranche of a US\$ 800 million financing facility under the Rural Connectivity Investment Program. The loan will construct 3,461 km of all-weather rural roads in the five States, benefiting nearly 1,600 rural habitations. The second goal is to improve the capacity of implementing agencies through rural connectivity training and research centers and rural roads network management units.

The signatories to the loan were Mr. Nilaya Mitash, Joint Secretary (Multilateral Institutions), Department of Economic Affairs, Ministry of Finance, on behalf of the Government of India; and Mr. Hun Kim, Country Director for India, on behalf of ADB. The project agreements were signed by representatives from Ministry of Rural Development (MoRD) and respective concerned States- Assam, Odisha, West Bengal, Madhya Pradesh and Chhattisgarh.

Speaking on the occasion, Shri Mitash said that the provision of all-weather roads in rural areas is a crucial investment that will improve access to markets, district headquarters, health and education facilities, and other centers of economic activity. This is an important priority of the Government of India," he added.

On the occasion Mr. Kim said that poor rural connectivity affects economic growth in rural areas and has a strong link to poverty, particularly in these five states. The first stage of this loan will invest in physical infrastructure and strengthen institutional arrangements, business processes, and road safety and asset management.

The Ministry of Rural Development (MoRD) is the executing agency of the project at the central level while the implementing agencies at the state level will be the respective State Rural Roads Development Agencies. The first tranche is expected to be completed in December, 2015.

The first tranche from the ordinary capital resources of ADB has a 25-year term including a grace period of 5 years, commitment charge of 0.15% per year, and interest rate to be determined in accordance with ADB's LIBOR-based lending facility. The Government of India (MoRD and concerned States) will provide counterpart funds of \$89 million for a total first tranche project investment cost of \$341million.

A Capacity Development Technical Assistance (TA) for US\$ 2,300,000 (US\$ 1,300,000 JFPR

and US\$ 1,000,000 Technical Assistance Special Fund-ADB) is also under process, as grant from ADB, for institutional development for Rural Roads Asset Management and will support the piloting of Rural Roads Network Management Units (RRNMUs) and establishment of the Rural Connectivity Training and Research Centres (RCTRCs) for the Rural Connectivity Investment Program. The said TA will be conducted for a period till June, 2015.
