

【Press release】

Signing of Exchange of Notes on Japanese ODA Loan of 242.276 Billion JPY

1. The Exchange of Notes on Japanese ODA Loan totaling JPY 242.276 billion for the projects including the following, approximately INR 14,251 crore, were signed in New Delhi on March 31st, 2016, between Mr. Kenji Hiramatsu, Ambassador of Japan to India, and Mr. S. Selvakumar, Joint Secretary, Department of Economic Affairs, Ministry of Finance, Government of India.

2. Project overviews

(1) Jharkhand Horticulture Intensification by Micro Drip Irrigation Project (JPY 4.652 billion, approximately INR 274 crore)

About a half of the total workforce is engaged in the agriculture sector in India. However, agricultural productivity is not stable due to reasons such as, floods and drought arising from volatile rainfall and seasonal fluctuation of river waters. The share of agriculture sector in the overall GDP is decreasing every year, and it is a challenge for India to develop agriculture and rural areas in order to achieve balanced social and economic development, and to eradicate poverty.

Groundwater accounts for 62% of irrigation water sources in India. Effective use of water sources is an urgent issue in India, as demands for municipal water and industrial water are expected to increase, and issues of excessive pumping and depletion of groundwater are causing serious problems.

This Project will provide Japanese ODA loan to install drip irrigation facilities in farmer households, and to provide technical support for horticultural crop cultivation and marketing in the state of Jharkhand in Eastern India. It is expected that this loan will improve the irrigation rate as well as efficiency of irrigation, thereby improving productivity of agriculture and diversification of crops. Through enhancing incomes of small and micro-scale farmers and social participation of women, this loan will lead to economic development, poverty alleviation, and improvement of environmental problems.

(2) North East Road Network Connectivity Improvement Project (Phase 1)(I) (JPY 67.17 billion, approximately INR 3,951 crore)

85 % of the passenger transportation and 60% of the freight transportation is carried via roads in India. However, development of National Highways in the mountainous areas is not adequate due to various financial and technical

constraints. Especially, the North East region, which is the focus of this Project, is surrounded by mountains, and its road pavement rate is quite low. Furthermore, landslide disasters owing to heavy rains often happen in the North East region. Due to these factors, stable supply of goods and access to medical and educational facilities are often disrupted, and the economic development of the North East region is hindered as a result.

This Project will provide Japanese ODA loan in order to carry out the improvement of National Highway 51 and 54 in the North East region. It is expected that this loan will contribute to enhancing the connectivity within the region and beyond, thereby leading to economic development and mitigation of poverty and environmental problems in the North East region.

(3) Transmission System Strengthening Project in Madhya Pradesh (JPY 15.457 billion, approximately INR 909 crore)

As its economy grows rapidly in recent years, energy consumption in India is on the rise and India's electricity consumption currently ranks at 4th position in the world. However, electricity supply is not enough to meet the increasing demand due to insufficient development of the electricity infrastructure.

It is necessary to reinforce grid substations and associated transmission lines in the state of Madhya Pradesh in the central part of India, responding to the expected expansion of generation capacity, and to maintain a stable power system with the increased power flow.

This Project will provide Japanese ODA loan so as to newly establish and expand facilities of transmission lines and substations all across the state of Madhya Pradesh. It is expected that this loan will contribute to the stabilization of power system and achieve stable power supply in line with increased generation capacity in the state, thereby leading to economic development with improved supply-demand balance of electricity.

(4) Dedicated Freight Corridor Project (Phase 1) (III) (JPY 103.664 billion, approximately INR 6,098 crore)

While cargo volume has been growing rapidly in India, the capacity of freight railways is approaching its limit, and the share of freight railways in the total cargo volume is decreasing. Therefore, it is indispensable for India to develop the dedicated freight railways network for its economic growth which has the capability to carry out mass transportation and are more eco-friendly as compared with road transportation.

This Project will provide Japanese ODA loan to construct new freight railways connecting major cities in the states of Gujarat, Rajasthan, and Haryana, and to deploy fully automatic signaling and communication systems as well as high power and high speed electric locomotives within the Western Dedicated Freight Corridor between Delhi and Mumbai.

It is expected that this Project will cater to the increasing cargo demand and contribute to enhancing the efficiency of the logistics network, thereby leading to economic development, poverty alleviation and improvement of environmental problems.

(5)Odisha Integrated Sanitation Improvement Project (II) (JPY 25.796 billion, approximately INR 1,517 crore)

In India, the sewage is increasing due to expanding water demands accompanied by population expansion and industrialization. However, only 30 percent of sewage is appropriately processed due to limited capacity of the current sewage treatment as of 2009, and the rate of access to sanitation facilities is only 36 percent as of 2012. This has resulted in the pollution of rivers, soils and ground waters, and the hygiene and living environments of the local residents are being threatened. Furthermore, entities in charge of providing sewage services are facing challenges such as low access rate of households to sewage services, low tariff collection rate, insufficient staff, and other technical and financial problems related to management and maintenance.

This Project will provide Japanese ODA loan to facilitate the establishment of sewage and rainwater drainage facilities in the cities of Bhubaneswar and Cuttack, in the state of Odisha in Eastern India. It is expected that stable sewage services and improved rainwater drainage system will be provided, thereby leading to poverty alleviation and better environmental condition through improvement of sanitation and living environment of the residents.

3. Terms and Conditions of these yen loans

(1) For the projects mentioned in 2 (1) and (2) above

(a) Rate of Interest : 1.40% per annum (The part concerning payments to consultants is 0.01% per annum)

(b) Repayment period : Thirty (30) years including the grace period of ten (10) years

- (c) Procurement Conditions : General untied
- (2) For the project mentioned in 2 (3) above
- (a) Rate of Interest : 0.80% per annum
 - (b) Repayment period : Twenty (20) years including the grace period of six (6) years
 - (c) Procurement Conditions : General untied
- (3) For the project mentioned in 2 (4) above
- (a) Rate of Interest : 0.10% per annum (The part concerning payments to consultants is 0.01% per annum)
 - (b) Repayment period : Forty (40) years including the grace period of ten (10) years
 - (c) Procurement Conditions : STEP (Special Terms for Economic Partnership)
- (4) For the project mentioned in 2 (5)
- (a) Rate of Interest : 0.30% per annum (The part concerning payments to consultants is 0.01% per annum)
 - (b) Repayment period : Forty (40) years including the grace period of ten (10) years
 - (c) Procurement Conditions : General untied (priority term)
4. The loans for the projects mentioned in (1), (3), (4), and (5) above are provided as part of supporting initiative for emerging countries in the area of climate change. The Government of Japan has been cooperating and will continue to cooperate with India in the field of climate change.

