

ADB ENGAGEMENTS IN RURAL ROAD SECTOR IN INDIA

A. Background

1. The Government of India seeks to improve rural connectivity through the Prime Minister's Rural Road Program or Pradhan Mantri Gram Sadak Yojana (PMGSY), which was launched in 2000. The PMGSY's main goals are to (i) reduce poverty faster for more inclusive growth; (ii) expand rural infrastructure to accelerate agricultural growth and the rural economy; (iii) create more jobs; and (iv) enable social development to improve education, health, and social indicators.

B. Completed ADB Assistance to PMGSY

2. ADB has provided assistance to PMGSY through loans totaling \$1.15 billion, and constructed over 22,600 kilometers (km) of all-weather rural roads in the states of Assam, Chhattisgarh, Madhya Pradesh, Odisha and West Bengal (the investment program states).

3. **Rural Roads Sector I Project (RRS-I).** The loan for \$400 million was approved on 20 November 2003, and about 9,500 km all-weather rural roads were constructed under the PMGSY in the states of Chhattisgarh and Madhya Pradesh.¹ The RRS-I also included capacity building to establish the procedures and financing arrangements, and to ensure the sustainability of the rural road assets established under the PMGSY through training of project implementation unit and *zilla panchayat* staff.² The project was completed satisfactorily on 30 June 2009 and was rated *successful*.³

4. The executing agency for RRS-I is the Ministry of Rural Development (MORD) through the National Rural Roads Development Authority (NRRDA) at the national level, and the respective state governments at the state level. The implementing agencies are the Chhattisgarh Rural Road Development Agency (CGRRDA) and the Madhya Pradesh Rural Road Development Authority (MPRRDA).

5. **Rural Roads Sector II Investment Program (RRS-II).** The multitranche financing facility (MFF) for \$750 million was approved on 20 December 2005.⁴ Five tranches were approved under the RRS-II, and about 13,100 km rural roads were constructed in the investment program states. The RRS-II also built the capacity of the implementing agencies in terms of planning, design, operation, safeguards, financial, road safety, and road maintenance. All tranches have been satisfactorily completed and were rated *successful* or *highly successful*.⁵ At the end of the RRS-II, a total of \$710.99 million (94.8%) was disbursed. Table 1 shows the details of each tranche completed under the RRS-II.

¹ ADB. 2003. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance to India for the Rural Roads Sector I Project*. Manila; and ADB. 2005. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranche Financing Facility to India for the Rural Roads Sector II Investment Program*. Manila.

² *Zilla panchayat* is a body of directly elected people responsible for development of activities at the district level.

³ ADB. 2014. *Validation Report: Rural Roads Sector I Project*. Manila

⁴ ADB. 2005. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranche Financing Facility to India for the Rural Roads Sector II Investment Program*. Manila.

⁵ ADB. 2012. *Completion Report: Rural Roads Sector II Investment Program (Project 1)*. Manila;

ADB. 2012. *Completion Report: Rural Roads Sector II Investment Program (Project 2) – State of Orissa*. Manila;

ADB. 2016. *Completion Report: Rural Roads Sector II Investment Program (Project 3)*. Manila; and

ADB. 2014. *Completion Report: Rural Roads Sector II Investment Program (Project 4)*. Manila.

Table 1. Approved Loans under the Rural Roads Sector II Investment Program

Loan No	Approved loan amount (\$ million)	Approval date	Rural roads constructed (km)	Habitations connected	Completion date	Rating
2248	180.00	31 July 2006	2,927	1503	30 June 2008	Successful
2414	77.65	17 March 2008	1,013	336	31 December 2009	Highly successful
2445	130.00	26 September 2008	1,707	1123	31 December 2010	Successful
2535	185.00	7 August 2009	2,975	1224	31 December 2012	Successful
2651	222.20	6 July 2010	4,476	1573	30 June 2014	Completion report is being prepared

Source: Asian Development Bank.

5. The implementation arrangement for the RRS-I was adopted for the RRS-II. In addition to CGRRDA and MPRRDA, Assam Public Works Department, Odisha State Rural Road Agency and West Bengal State Rural Development Agency acted as the implementing agencies for Assam, Odisha and West Bengal, respectively.

6. The capacity building under the RRS-II was provided through the engagement of project implementation consultants (PICs) at the state-level, and a technical support consultant (TSC) at the national level. The coordination between the PIC and the TSC in performing their respective tasks have ensured that (i) technical specification for the all-weather rural roads were adopted in accordance with the PMGSY guidelines, (ii) road safety measures are incorporated in the design, (iii) safeguard requirements in accordance with ADB's Safeguard Policy Statements were fulfilled, and (iv) implementation and monitoring activities were done to achieve the intended project outputs. This set up was well accepted by both the state and the national governments, and retained for the subsequent ADB assistance.

C. Ongoing ADB Assistance to PMGSY

6. **Rural Connectivity Investment Program (RCIP).** The MFF in the amount of \$800 million was approved on 12 July 2012 for the first RCIP. The MFF has three tranches, to provide additional coverage for about 9,000 km of all-weather rural roads in the investment program states.⁶ The first two tranches are substantially completed, and the third one is ongoing. About 11,000 km of rural roads have been constructed. Table 2 shows the details of each tranche approved under the first RCIP. The implementation arrangement for the RRS-II has been adopted for the first RCIP, which is also proposed for the Second Rural Connectivity Investment Program (the investment program).

Table 2. Approved Loans under the Rural Connectivity Investment Program

Loan No	Approved loan amount (\$ million)	Approval date	Target length (km)	Completed length (km) ^a	Elapsed period	Expected completion date
2881	252.00	22 August 2012	3,859	3,724 (96.5%)	98%	31 December 2017
3065	275.00	25 November 2013	3,813	3,197 (83.8%)	96%	31 December 2017
3306	273.00	22 October 2015	6,025	4,131 (71.6%)	70%	30 June 2018

^a Status as of 31 May 2017

Source: Asian Development Bank estimates.

⁶ ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranchise Financing Facility, Technical Assistance, and Administration of Technical Assistance to India for the Rural Connectivity Investment Program*. Manila.

7. In addition to technical support provided by the PIC and TSC, the first RCIP also aims to strengthen the institutional capacity to manage completed rural roads in the investment program states. This entails establishing rural road network management units (RRNMUs) for asset management and operation of the rural road networks, and rural connectivity training and research centers (RCTRCs) for staff training, knowledge management, and research. Under the first RCIP, one pilot RRNMU and one RCTRC have been established in each investment program state, equipped with the operation manual and procedures prepared under the ADB's technical assistance.⁷ As a pilot program, each RRNMU covers only a few districts in the investment program state. Using the institutional set-up of the pilot RRNMUs as a model, the implementing agencies are currently establishing 25 RRNMUs that will serve all districts in the investment program states.⁸ Technical support for these 25 RRNMUs in terms of road maintenance and road safety is proposed under the investment program.

⁷ Attached to ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranche Financing Facility, Technical Assistance, and Administration of Technical Assistance to India for the Rural Connectivity Investment Program*. Manila.

⁸ The state governments' orders to establish the RRNMUs have been issued and key staff have been appointed in all investment program states.