



Project Readiness Financing Report

Project Number: 54335-001
October 2021

India: Aizawl Sustainable Urban Transport Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 7 September 2021)

Currency unit	–	Indian rupee/s(₹)
\$1.00	=	₹73.30
₹1.00	=	\$0.01364

ABBREVIATIONS

ADB	–	Asian Development Bank
CMP	–	comprehensive mobility plan
PAM	–	project administration manual
PRF	–	project readiness financing
UDPAD	–	Urban Development and Poverty Alleviation Department

NOTE

- (i) In this report, “\$” refers to United States dollars.

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PROJECT READINESS FINANCING AT A GLANCE

1. Basic Data		Project Number: 54335-001	
Project Name	Aizawl Sustainable Urban Transport Project	Department/Division	SARD/INRM
Country	India	Executing Agency	Urban Development and Poverty Alleviation Dept
Modality	Project Readiness Financing (Loan)		
Borrower	India		
Country Economic Indicators	https://www.adb.org/Documents/LinkedDocs/?id=54335-001-CEI		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=54335-001-PortAtaGlance		
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Transport	Urban public transport		3.15
	Urban roads and traffic management		1.35
		Total	4.50
3. Operational Priorities		Climate Change Information	
✓ Addressing remaining poverty and reducing inequalities		GHG reductions (tons per annum)	0.000
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		Climate Change impact on the Project	Low
✓ Making cities more livable			
✓ Strengthening governance and institutional capacity			
		ADB Financing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
		Cofinancing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
Sustainable Development Goals		Poverty Targeting	
SDG 1.4		General Intervention on Poverty	✓
SDG 3.6			
SDG 9.4			
SDG 10.2			
SDG 12.8			
4. Risk Categorization:	Low		
5. Safeguard Categorization	Not Applicable.		
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		4.50	
Sovereign Project Readiness Financing (Regular Loan): Ordinary capital resources		4.50	
Cofinancing		0.00	
None		0.00	
Counterpart		1.13	
Government		1.13	
Total		5.63	
Currency of ADB Financing: US Dollar			

I. PROJECT READINESS FINANCING

A. Rationale

1. Aizawl is the capital of Mizoram, a landlocked state in the northeastern region of India. The city covers an area of 129 square kilometers and had an estimated population of about 370,000 in 2020.¹ Aizawl is the state's center of administration, and the service industry contributes to about 50% of the state's gross domestic product. Rapid and unplanned expansion of Aizawl's urban area has put tremendous pressure on the sustainability of the city's urban infrastructure and services, including in the transport sector, which underpins the city's economy. Aizawl's transport sector relies heavily on its road-based transport systems. Even though public transport services are available such as the state-owned bus service, the city's urban mobility is dominated by private vehicles, notably cars and motorcycles. The number of private vehicles increased from about 52,000 in 2011 to about 186,265 in 2020.² Constrained by the hilly nature of the city's terrain and the narrow road widths, the increasing motorization causes heavy congestion across the city and adversely affects road user safety, efficiency in movement of people and goods, and environmental sustainability.³

2. The Government of Mizoram, through its Urban Development and Poverty Alleviation Department (UDPAD), seeks to address the transport problems by adopting sustainable urban mobility solutions. In 2011, the UDPAD conducted a comprehensive traffic and transportation study, followed by the development of the Master Plan for Aizawl, Vision 2030 in 2012.⁴ Recommendations to improve land transport from an Asian Development Bank (ADB) technical assistance in 2017,⁵ and a city-specific nonmotorized transport plan for Aizawl prepared by the Government of India's former Ministry of Urban Development (now the Ministry of Housing and Urban Affairs) in 2015–2016, have helped the UDPAD improve urban roads and key traffic junctions in the city.⁶ However, the UDPAD recognizes the need to strengthen these efforts further and complement them with structured and prioritized interventions that (i) consider significant changes in the urban environment and in travel patterns since the comprehensive traffic and transportation study was conducted, (ii) support the state's strategic sectors such as tourism, (iii) promote inclusive mobility, and (iv) strengthen urban resilience against natural hazard and climate change impacts. Thus, it is imperative to take an overall strategic view of the urban transport conditions in Aizawl and prepare a comprehensive mobility plan (CMP) as a guide to overcome the urban mobility challenges.

3. Further, the coronavirus disease (COVID-19) pandemic has exposed the vulnerability of Indian cities in dealing with the ever-increasing number of commuters and urban workers who need safe, reliable, and affordable transport systems that connect peri-urban areas to central areas for jobs and other financial services. Investments in urban transport will remain relevant to ensure the provision of such systems to spur economic activities in the post-COVID-19 disease era and improve livelihood opportunities, particularly for the lower-income groups worst affected by the pandemic.

¹ United Nations. 2019. [World Urbanization Prospects](#). The 2018 Revision. New York.

² Government of Mizoram, Transport Department. 2020. [An E-Book on Achievement of Transport Department during 2019–2020](#). Aizawl (Table 8, p. 12).

³ Road transport relies on an 8-kilometer arterial road running through the city center, with most of the road sections having a carriageway width of less than 6–8 meters.

⁴ Government of Mizoram, UDPAD. 2011. *Comprehensive Traffic and Transportation Study*. Aizawl; and Government of Mizoram, UDPAD. 2012. *Master Plan for Aizawl, Vision 2030*. Aizawl.

⁵ ADB. 2017. [Technical Assistance to the Government of India for Supporting Sustainable Urban Transport in Aizawl City](#). Manila (TA 8765-IND).

⁶ Government of India, Ministry of Urban Development. 2016. [Aizawl NMT City Specific Plan](#). New Delhi.

4. The Government of Mizoram has requested ADB assistance through a project readiness financing (PRF) to prepare the ensuing Aizawl Sustainable Urban Transport Project. The PRF will support the development of the CMP, identify high-priority urban transport investments for the ensuing project, and enhance its readiness by supporting due diligence and other preparatory activities. The PRF will also conduct detailed assessment of institutional strengthening and capacity development requirements of the UDPAD for the ensuing project.

5. **ADB's value addition.** The ensuing project developed through the PRF will include (i) institutional strengthening for improved urban mobility planning systems through the identification of integrated smart solutions; (ii) support for strategic planning while building on earlier urban transport initiatives, current development plans, robust technical analysis, and state government priorities; (iii) synergy with land use and urban planning; and (iv) inclusion of disaster and climate change resilience and gender inclusiveness in urban mobility interventions. The PRF and the ensuing project are listed in ADB's country operations business plan for India, 2021–2023.⁷ It is closely aligned with the following five operational priorities of ADB's Strategy 2030: making cities more livable; addressing remaining poverty and reducing inequalities; strengthening governance and institutional capacity; accelerating progress in gender equality; and tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability.⁸

B. Outputs and Activities

6. The PRF will ensure high readiness of the ensuing project by delivering three outputs, which will be achieved through mobilization of consulting services under the supervision of and coordination among the state government, the UDPAD, and ADB.

7. **Output 1: Comprehensive mobility plan for Aizawl prepared.** The PRF will prepare the CMP for Aizawl, which covers the Greater Aizawl City Development Planning Area (about 290 square kilometers). The CMP will outline urban transport development strategy for a 20-year planning period. It will build synergies with urban development planning initiatives in the state and promote climate and disaster resilience and gender inclusiveness in its interventions.

8. **Output 2: Feasibility studies and project preparatory activities for the ensuing project completed.** The PRF will (i) conduct feasibility studies for prioritized projects as identified in the CMP; (ii) prepare detailed project reports for selected feasible projects, which will include due diligence assessments on environmental safeguards, climate risks aspects, social safeguards, gender dimensions, economic and financial aspects, and financial management; (iii) prepare detailed design for the ensuing project with provisions to address disaster risks and climate risks, as well as provisions for gender inclusiveness; (iv) prepare requisite safeguards planning documents; and (v) assist in (a) project procurement risk and capacity assessments and strategic procurement planning; (b) identify contract packaging, contract modalities, procurement plans, contract management plans, and bid documents; and (c) support the bidding process.⁹

9. **Output 3: Project implementation capacity of the executing agency strengthened.** The PRF will (i) conduct sector analysis and a capacity building needs assessment, and outline the capacity building measures for (a) preparation and implementation of the ensuing project, and

⁷ ADB. 2020. *Country Operations Business Plan: India, 2021–2023*. Manila.

⁸ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

⁹ Including due diligence of existing detailed project reports prepared by the Government of Mizoram.

(b) ensuring the sustainability of assets; (ii) prepare a framework to guide preparatory activities for other urban transport projects in the state in line with best practices; and (iii) provide project implementation support for the UDPAD on technical, financial management, safeguards, and procurement aspects. The support for procurement activities will include streamlining the procurement decision-making processes and use of an e-procurement system, and assisting in the bid process until contract award.

C. Ensuing Project

10. The ensuing project will be financed through a regular loan from ADB's ordinary capital resources with an indicative amount of \$248 million, with approval expected in 2023. The loan amount for the ensuing project will be predetermined after the CMP preparation followed by the feasibility studies and will be confirmed upon the completion of the detailed engineering design for selected subprojects, assessment of the absorptive capacity of the executing agency and the contracting industry, and the availability of counterpart funding from the state government.¹⁰

D. Cost Estimates and Financing Arrangements

11. The PRF is estimated to cost \$5.63 million (Table 1). Detailed cost estimates by expenditure category and by financier are included in the project administration manual (PAM).¹¹

Table 1: Summary Cost Estimates
(\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Comprehensive mobility plan for Aizawl prepared	0.39
2. Feasibility studies and project preparatory activities for the ensuing project completed	3.49
3. Project implementation capacity of the executing agency strengthened	1.14
Subtotal (A)	5.02
B. Contingencies^c	0.54
C. Interest During Implementation^d	0.07
Total (A+B+C)	5.63

^a Includes taxes and duties of \$0.77 million to be financed by government through cash contribution.

^b In prices as of September 2021.

^c Physical contingencies computed at 5.0% for consulting services. Price contingencies computed in the range of 1.6%–1.8% on foreign exchange costs and in the range of 4.0%–5.2% on local currency costs; includes a provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Interest during implementation for the ordinary capital resources loan has been computed at the 3-year United States dollar fixed swap rate plus an effective contractual spread of 0.5%.

Source: Asian Development Bank estimates.

12. The government has requested a regular loan of \$4,500,000 from ADB's ordinary capital resources to help finance project preparation and design activities. The loan will have a 15-year term, including a grace period of 3 years; an annual interest rate determined in accordance with

¹⁰ The scope of the ensuing project will be determined in line with the CMP recommendations. It may include junction improvement, parking management, public transport system enhancement, introduction of a new transit system such as cable-propelled transit or ropeway, electric mobility, provision for nonmotorized transport including pedestrian facility, public space, multimodal terminals, and peri-urban connectivity improvement. The subproject selection criteria will be finalized in consultation with ADB during PRF implementation with due consideration to conformity with sustainable urban mobility principles, operational sustainability, technical relevance, safeguards, and governance.

¹¹ Project Administration Manual (accessible from the list of linked documents in the Appendix).

ADB's London interbank offered rate (LIBOR)-based lending facility; and such other terms and conditions set forth in the draft loan agreement.

13. The summary financing plan is in Table 2. ADB will finance the expenditures in relation to consulting services.

Table 2: Summary Financing Plan^a

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Ordinary capital resources (regular loan)	4.50	80
Government ^b	1.13	20
Total	5.63	100

^a The project readiness financing loan will be refinanced under an ensuing loan, and the refinancing date will be the expected date of effectiveness of the ensuing loan agreement and will generally be adjusted to coincide with the actual effectiveness date of the ensuing loan agreement. The refinancing date will be before the first principal repayment date to the project readiness financing loan.

^b The government contribution includes interest during implementation, taxes, and duties.

Source: Asian Development Bank estimates.

E. Implementation Arrangements

14. The implementation arrangements are summarized in Table 3 and described in detail in the PAM (footnote 11). Procurement under the PRF assistance will follow the ADB Procurement Policy (2017, as amended from time to time) and its associated staff instructions.

Table 3: Implementation Arrangements for Project Readiness Financing

Aspects	Arrangements		
PRF implementation period	October 2021–September 2024		
Estimated PRF completion date	30 September 2024		
Management			
(i) Oversight body	Project steering committee chaired by chief secretary		
(ii) Executing agency	Government of Mizoram acting through the UDPAD (project management unit set up in the UDPAD)		
Consulting services	1 international consulting firm, QCBS (quality–cost ratio of 90:10)	669 person-months	\$4.37 million
	5 individual experts	113 person-months	\$0.65 million
Advance contracting and retroactive financing	The Government of Mizoram will use retroactive financing and advance contracting for consulting services. ADB allows retroactive financing for expenditures incurred before loan effectiveness, but not earlier than 12 months from the date of legal agreement, subject to a maximum amount equivalent to 20% of the loan amount.		
Disbursement	Disbursements under PRF will follow ADB's <i>Loan Disbursement Handbook</i> (2017, as amended from time to time) and detailed arrangements agreed between the government and ADB.		

ADB = Asian Development Bank, PRF = project readiness financing, QCBS = quality- and cost-based selection, UDPAD = Urban Development and Poverty Alleviation Department.

Source: ADB.

II. DUE DILIGENCE

15. **Technical.** The CMP for Aizawl will be prepared in accordance with the relevant tool kits and guidelines issued by the Ministry of Housing and Urban Affairs. The due diligence of the

ensuing project will be based on feasibility studies of selected high-priority projects in the CMP. The detailed design for the ensuing project will adopt lessons and best practices from related interventions and will incorporate gender-responsive and innovative features. To integrate climate resilience in the CMP and in the feasibility studies (particularly site selection and designs), a rapid climate risk assessment using the preliminary climate risk screening checklist will be accomplished for each of the ensuing subprojects. Thereafter, further assessments and measures to strengthen resilience against natural hazards and climate change impacts will also be taken into consideration, as appropriate. An urban transport specialist will be engaged under the PRF as an individual consultant to provide hand-holding support to the UDPAD.

16. **Governance.** The UDPAD has demonstrated adequate capacity in the implementation of and procurement for ADB-funded projects.¹² A procurement risk assessment concluded that the procurement risk for the PRF is *low* because the executing agency has established a procurement function and has experience in ADB procedures and guidelines. The pre-mitigation financial management risk was assessed as *substantial* because of the (i) absence of internal audit functions in UDPAD; and (ii) need to improve its accounting policies, procedures, and reporting. An action plan to address the risks and strengthen the financial management functions has been agreed with the UDPAD and is included in the PAM.¹³ The consultants recruited under the PRF will enhance the UDPAD's procurement and financial management capacities under output 3 with oversight from ADB staff.

17. **Safeguards.** Since the proposed interventions consist of consulting services only, activities have not been categorized in accordance with ADB's Safeguard Policy Statement (2009). The scope of the ensuing project will likely be situated within the urban and/or peri-urban area of Aizawl. Accordingly, the detailed design will be prepared with considerations to (i) minimize interface with national parks, wildlife sanctuaries, or any other environmentally sensitive areas; (ii) minimize impacts on resettlement and land acquisition; and (iii) avoid adverse impacts on indigenous peoples, if any. Additionally, the PRF will identify any urban communities whose livelihoods will be adversely affected by the ensuing project and propose suitable mitigation actions. The safeguard categories for the ensuing project are likely to be B for environment and involuntary resettlement, and C for indigenous peoples.¹⁴ The PRF will finance the preparation of necessary safeguard documents for the ensuing project. An environmental specialist and a social development specialist will be engaged under the PRF to assist the UDPAD and help enhance the capacity of the agency in safeguards aspects, particularly in ensuring compliance with ADB's Safeguard Policy Statement.

III. PRESIDENT'S DECISION

18. The President, acting under the authority delegated by the Board, has approved the loan of \$4,500,000 to India for the Aizawl Sustainable Urban Transport Project, from the ordinary capital resources of the Asian Development Bank (ADB), in regular terms, with interest to be determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; for a term of 15 years, including a grace period of 3 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement; and hereby reports this action to the Board.

¹² ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to India for the North Eastern Region Capital Cities Development Investment Program*. Manila.

¹³ ADB. 2019. *Financial Analysis and Evaluation: Technical Guidance Note*. Manila; and ADB. 2015. *Financial Management Assessment: Financial Management Technical Guidance Note*. Manila.

¹⁴ The safeguard categories for the ensuing project will be confirmed during the PRF implementation.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=54335-001-PRF>

1. Loan Agreement
2. Project Agreement
3. Project Administration Manual