



# Periodic Financing Request Report and Minor Change of Multitranche Financing Facility

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**PUBLIC**

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## India: Rajasthan State Highway Investment Program (Tranche 3)

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**Asian Development Bank**

## CURRENCY EQUIVALENTS

as of 10 November 2022

Currency Unit	–	Indian rupee/s (₹)
₹1.00	=	\$ 0.012286
\$1.00	=	₹ 81.393000

## ABBREVIATIONS

ADB	–	Asian Development Bank
APFS	–	audited project financial statements
EMP	–	environmental management plan
EPC	–	engineering, procurement, and construction
EWCD	–	elderly, women, children, and people with disability
GESI	–	gender equality and social inclusion
km	–	kilometer
MDR	–	major district road
MFF	–	multitranches financing facility
PAM	–	Project administration manual
PPMS	–	project performance monitoring system
PPP	–	public–private partnership
RPWD	–	Rajasthan Public Works Department
STI	–	sexually transmitted infections

## NOTES

- (i) The fiscal year (FY) of the Government of India and its agencies ends on 31 March. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2022 ends on 31 March 2022.
- (ii) In this report, “\$” refers to United States dollars

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## TRANCHE AT A GLANCE

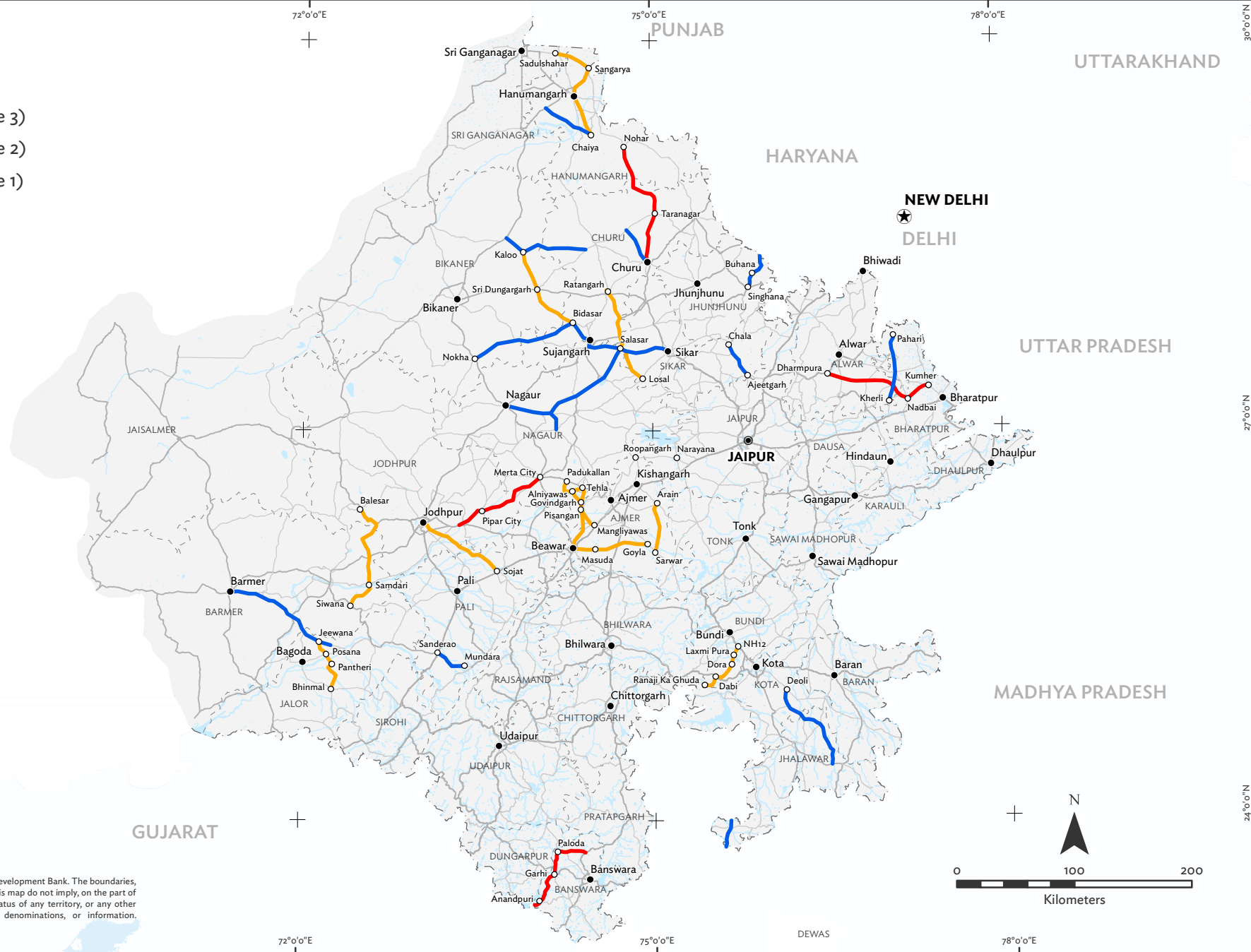
<b>1. Basic Data</b>		<b>Project Number:</b> 49228-004	
<b>Project Name</b>	Rajasthan State Highway Investment Program - Tranche 3	<b>Department/Division</b>	SARD/SATC
<b>Country</b>	India	<b>Executing Agency</b>	Government of Rajasthan
<b>Borrower</b>	India		
<b>Country Economic Indicators</b>	<a href="https://www.adb.org/Documents/LinkedDocs/?id=49228-004-CEI">https://www.adb.org/Documents/LinkedDocs/?id=49228-004-CEI</a>		
<b>Portfolio at a Glance</b>	<a href="https://www.adb.org/Documents/LinkedDocs/?id=49228-004-PortAtaGlance">https://www.adb.org/Documents/LinkedDocs/?id=49228-004-PortAtaGlance</a>		
<b>2. Sector</b>		<b>ADB Financing (\$ million)</b>	
✓ Transport	Road transport (non-urban)		110.000
		<b>Total</b>	<b>110.000</b>
<b>3. Operational Priorities</b>		<b>Climate Change Information</b>	
✓ OP1: Addressing remaining poverty and reducing inequalities		GHG reductions (tons per annum)	65,809
✓ OP2: Accelerating progress in gender equality		Climate Change impact on the Project	High
✓ OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability			
✓ OP5: Promoting rural development and food security		<b>ADB Financing</b>	
✓ OP6: Strengthening governance and institutional capacity		Adaptation (\$ million)	22.490
		Mitigation (\$ million)	1.130
		<b>Cofinancing</b>	
		Adaptation (\$ million)	0.000
		Mitigation (\$ million)	0.000
<b>Sustainable Development Goals</b>		<b>Gender Equity and Mainstreaming</b>	
SDG 1.a		Effective gender mainstreaming (EGM)	✓
SDG 5.4			
SDG 9.1		<b>Poverty Targeting</b>	
SDG 13.a		General Intervention on Poverty	✓
<b>4. Risk Categorization:</b> Complex			
<b>5. Safeguard Categorization</b> Environment: B Involuntary Resettlement: A Indigenous Peoples: B			
<b>6. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>110.000</b>	
Sovereign MFF-Tranche (Regular Loan): Ordinary capital resources		110.000	
<b>Cofinancing</b>		<b>0.000</b>	
None		0.000	
<b>Counterpart</b>		<b>48.100</b>	
Others		48.100	
<b>Total</b>		<b>158.100</b>	
<b>Currency of ADB Financing:</b> US Dollar			

# INDIA RAJASTHAN STATE HIGHWAY INVESTMENT PROGRAM (TRANCHE 3)

## Project Roads

### Legend

- Project Road (Tranche 3)
- Project Road (Tranche 2)
- Project Road (Tranche 1)
- ★ National Capital
- ⊙ State Capital
- City
- Point of Interest
- Major Road
- Other Road
- - - District Boundary
- - - State Boundary
- Waterway



This map was produced by the cartography unit of the Asian Development Bank. The boundaries, colors, denominations, and any other information shown on this map do not imply, on the part of the Asian Development Bank, any judgement on the legal status of any territory, or any other endorsement or acceptance of such boundaries, colors, denominations, or information.

## I. BACKGROUND

1. **Multitranches financing facility.** India and the Asian Development Bank (ADB) signed the framework financing agreement for the Rajasthan State Highway Investment Program on 16 March 2017. The ADB Board of Directors approved the multitranches financing facility (MFF) for \$500 million equivalent from its ordinary capital resources to finance the investment program on 23 May 2017. The MFF will be available until 30 September 2024, and the last financing tranche is expected to be executed no later than 31 December 2022. The executing agency is the state government through the Rajasthan Public Works Department (RPWD) and the implementing agency is RPWD.<sup>1</sup>

2. **Strategic context and ADB value addition.** The MFF aligns with ADB's Strategy 2030 operational priorities: (i) addressing remaining poverty and reducing inequalities, (ii) accelerating progress in gender equality, (iii) tackling climate change, (iv) promoting rural development, and (v) strengthening governance and institutional capacity.<sup>2</sup> ADB financing will facilitate the smooth procurement and contract administration through provisions on procurement requirements in loan and project agreements, incorporating private sector participation, and ensuring good governance during project implementation, particularly on procurement and safeguards.

3. **Tranches.** The updated indicative tranche implementation plan is in Table 1. The investment program was initially designed as a two-tranche MFF. Tranche 1 was designed to finance the upgrading of about 1,000 kilometers (km) of state highways and major district roads (MDRs) and to build the capacity of RPWD's Public-Private Partnership (PPP) Division on business processes covering road asset management, road safety, and project management. Tranche 1 helped the PPP Division develop a project performance monitoring system (PPMS) for the entire investment program.<sup>3</sup> Tranche 2—\$190 million, less than the originally envisioned \$280 million because of insufficient readiness at the time of processing—will construct or rehabilitate a total of 754 km of state highways and MDRs. Tranche 2 will continue to build the PPP Division's capacity, particularly to implement and monitor safeguards and ensure road safety.<sup>4</sup>

**Table 1: Indicative Tranche Implementation Plan**

Tranche	Estimated Approval Date	Actual Approval Date	Estimated Closing Date	Actual Approved Amount (\$ million)
Tranche 1	15 June 2017	30 May 2017	30 September 2022	220.00
Tranche 2	31 December 2018	13 September 2019	30 September 2024	190.00
Tranche 3	12 December 2022		30 September 2026	110.00 <sup>a</sup>

<sup>a</sup> \$90 million available under the MFF envelope and \$20 million loan savings carried over from tranche 1.

Source: Asian Development Bank.

4. The government proposed a third tranche amounting to \$110 million to cover the improvement of about 290 km of state highways and MDRs, which are under the approved MFF scope and originally planned to be covered by the previous two tranches.<sup>5</sup> Although tranche 3 is

<sup>1</sup> ADB. 2017. [Report and Recommendation of the President to the Board of Directors: Proposed Multitranches Financing Facility to India for the Rajasthan State Highway Investment Program](#). Manila.

<sup>2</sup> ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

<sup>3</sup> ADB. 2017. [Periodic Financing Request Report: India: Rajasthan State Highway Investment Program Tranche 1](#). Manila.

<sup>4</sup> ADB. 2019. [Periodic Financing Request Report: India: Rajasthan State Highway Investment Program Tranche 2](#). Manila.

<sup>5</sup> The MFF plans to improve 2,000 km of state highways and MDRs.

not in the original tranche implementation plan, it aims to achieve the original MFF outcome and outputs. The Rajasthan government proposed extending the original MFF availability period by 2 years to 30 September 2026 to provide a sufficient construction period for packages proposed under tranche 3. The overall impact, outcome, and outputs will be achieved within the extended period and implementation arrangements will remain unchanged.

5. ADB received the periodic financing request for \$110 million on 21 October 2022 (Appendix 4). The roads proposed under tranche 3 are part of the State Highway Development Program being implemented using PPP models and supported by the MFF and are aligned with the MFF's road map and policy framework.<sup>6</sup>

## II. ASSESSMENT OF MULTITRANCHE FINANCING FACILITY IMPLEMENTATION

6. **Progress on the road map.** To facilitate Rajasthan's development through inclusive economic growth and poverty reduction, the Rajasthan government aims to provide a safe, sound, environment-friendly, and sustainable state-of-the-art road infrastructure network through its State Highway Development Program. RPWD is implementing it under viability gap funding; annuity-based PPP concessions; and engineering, procurement, and construction (EPC) contracts, with funding from the state government, the private sector, and multilateral development banks. As of 30 September 2022, construction or procurement was progressing for 58 roads totaling about 3,577 km, with construction substantially completed for about 1,923 km. The MFF contributes to the success of the sector development road map by financing mainly the civil works under annuity-based PPP concessions and EPC contracts.

7. **Improvements in the policy framework.** In 2018, the Government of India introduced Strategy for New India @ 75 as the key national development policy, which aims to bolster connectivity by increasing the coverage and quality of roads and highways and improving the implementation capacity of RPWD through institutional strengthening and training.<sup>7</sup> The policy continues to promote boosting transport connectivity, and thus the impact and outcome of the MFF remain relevant. With support from multilateral development banks, RPWD's capacity on streamlined business procedures, road asset management, and road safety has been strengthened.<sup>8</sup>

8. **Progress of investment program.** The MFF's performance was rated *on track* from 2017 to 2021. Tranche 1 covered the upgrading of 16 roads totaling about 975 km. The loan was closed on 30 September 2022 with all civil works completed. Of tranche 1, \$25 million savings were cancelled. As of 14 October 2022, the cumulative contract award was \$213.27 million (96.9% of the loan amount), and \$189.78 million (97.3% of the net loan amount) had been disbursed. Tranche 2 covers the upgrading of 11 roads totaling about 754 km. Civil works contracts were all awarded. As of 30 September 2022, the overall physical progress stood at 53.5%. Of tranche 2, \$20 million savings was cancelled. As of 14 October 2022, the cumulative contract award was \$143.14 million (84.2% of the net loan amount) and \$87.41 million (51.4% of the net loan amount) had been disbursed. The progress of tranche 2 was slowed by the coronavirus disease (COVID-19) pandemic lockdown.

<sup>6</sup> ADB. 2017. [Framework Financing Agreement: India: Rajasthan State Highway Investment Program](#). Manila.

<sup>7</sup> Government of India, NITI Aayog. 2018. *Strategy for New India @ 75*. Delhi.

<sup>8</sup> World Bank Group. 2019. *India—Second Rajasthan State Highways Development Program Project*. Washington, DC; and footnote 1. ADB's coordination with the World Bank has been maintained to facilitate the exchange of information to enhance synergies and avoid duplication.



9. **Progress in capacity development.** A project management consultant was recruited under tranche 1 to help build the PPP Division's capacity by streamlining the business process and developing a PPMS. Road safety audits have been conducted for all project roads. The PPMS has been completed. Manuals on road safety audit, financial management, and safeguards have been prepared. Trainings have been organized. The target of capacity-building output under tranche 1 has been achieved. The project management consultant's contract is being extended to continue its support for the MFF.

10. **Compliance with undertakings and loan covenants and lessons learned.** The government is complying with undertakings of the framework financing agreement and loan covenants of tranches 1 and 2 (Appendix 14). The audited project financial statements (APFS) were submitted on time, are of acceptable quality, and are disclosed on the ADB website. The government complied with the safeguards covenants.

11. **Continuity of longer-term engagement.** The Rajasthan government assured ADB of its continuous commitment to complete the MFF implementation by providing adequate annual budget for (i) road construction and operation and maintenance of roads completed under the MFF and (ii) land acquisition and resettlement and utility shifting. Sufficient qualified staff were positioned at the implementing agency.

12. The strategic direction of the road map and policy framework has undergone no substantial and material change that negatively affects the viability or sustainability of the investment program. The sector covered by the investment program remains the same. No substantial and material changes in the type of the investments are contemplated under the investment program. However, because of insufficient readiness when tranche 2 was being processed, tranche 3 was proposed to complete the original MFF scope and the MFF availability period was extended by 2 years.<sup>9</sup>

### III. PERIODIC FINANCING REQUEST

#### A. Tranche Readiness and Learning from Previous Tranches

13. The readiness of tranche 3 is high. Under advance contracting, as of 14 October 2022, all four civil works packages were at an advanced stage of procurement, with no objection to financial bid evaluation reports provided. More than 80% of the total road length is free of encumbrances and ready for construction. Forest clearance is not required. As a lesson learned, additional human resources were provided to effectively implement safeguards under tranche 3.

#### B. Impact and Outcome

14. Tranche 3 is aligned with the following impact: good connectivity provided in all areas, aligned with Strategy for New India @ 75 (footnote 7). Tranche 3 will have the following outcome: efficiency and safety of transport on Rajasthan state highways improved.<sup>10</sup>

#### C. Outputs

15. **Output 1: State highways and major district roads improved.** About 290 km of state highways and MDRs in Rajasthan will be constructed, rehabilitated, operated, and maintained in

<sup>9</sup> Even with the proposed extension, the MFF is still within the 10-year maximum availability period.

<sup>10</sup> The design and monitoring framework is in Appendix 1.

good condition. The project roads will be upgraded to two-lane or intermediate-lane standards and will incorporate features responsive to the needs of the elderly, women, children, and people with disability (EWCD) and climate-resilient features.<sup>11</sup>

16. **Output 2: Capacity of the Rajasthan Public Works Department enhanced.** The PPP Division's capacity to implement streamlined business operating procedures and gender equality and social inclusion (GESI) will be further enhanced.

#### D. Summary Cost Estimates and Financing Plan

17. Tranche 3 is estimated to cost \$158.10 million (Table 2). Detailed cost estimates by expenditure category and by financier are included in the project administration manual (PAM) (Appendix 5).

**Table 2: Summary Cost Estimates**  
(\$ million)

Item	Amount <sup>a</sup>
<b>A. Base Cost<sup>b</sup></b>	
1. State highways and major district roads improved	148.56
2. Capacity of Rajasthan Public Works Department enhanced	0.75
<b>Subtotal (A)</b>	<b>149.31</b>
<b>B. Contingencies<sup>c</sup></b>	<b>6.57</b>
<b>C. Financial Charges during Implementation<sup>d</sup></b>	<b>2.22</b>
<b>Total (A+B+C)</b>	<b>158.10</b>

<sup>a</sup> Includes taxes and duties of \$14.41 million, which does not represent an excessive share of the project cost.

<sup>b</sup> In April 2022 prices.

<sup>c</sup> Physical contingencies computed at about 3%. Price contingencies computed at an average of 3.0% on foreign exchange costs and 5.3% on local currency costs.

<sup>d</sup> Includes interest, commitment, and other charges on all sources of financing.

Source: Asian Development Bank.

18. The government has requested a loan of \$110 million from ADB's ordinary capital resources to help finance part of the project. The loan will have a 25-year term, including a grace period of 5 years; an annual interest rate determined in accordance with ADB's Flexible Loan Product; a commitment charge of 0.15% per year; and such other terms and conditions set forth in the draft loan and project agreements. Based on the straight-line method, the average maturity is 15.25 years and the maturity premium payable to ADB is 0.10% per year.

19. The summary financing plan is in Table 3. ADB will finance the expenditures related to part of the civil works cost during construction and capacity building in project management. The government will finance utility works, social mitigation, project management, and all other consulting service costs, including authority engineers and nongovernment organizations; and operation and maintenance. The government will finance any shortfall, if required.

**Table 3: Summary Financing Plan**

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Ordinary capital resources	110.00	69.58
Government	48.10	30.42

<sup>11</sup> The project will complement the central government's state road safety incentive program.

Source	Amount (\$ million)	Share of Total (%)
<b>Total</b>	<b>158.10</b>	<b>100.00</b>

Source: Asian Development Bank estimates.

20. Climate adaptation is estimated to cost about \$22.49 million and climate change mitigation about \$1.13 million. ADB will finance 100% of climate change adaptation and mitigation costs.<sup>12</sup> As a co-benefit, greenhouse gas emission reduction is estimated at 65,809 tons per annum.

## E. Implementation Arrangements

21. The implementation arrangements are summarized in Table 4 and described in detail in the PAM.

**Table 4: Implementation Arrangements for Tranche 3**

Aspects	Arrangements		
Implementation period	December 2022–March 2026		
Estimated completion date	31 March 2026		
Estimated closing date	30 September 2026		
Management			
(i) Oversight body	Empowered Committee for Road Projects, Rajasthan government		
(ii) Executing agency	Government of Rajasthan through RPWD		
(iii) Key implementing agency	RPWD		
(iv) Implementation unit	Public–Private Partnership Division, RPWD; 52 staff		
Procurement	National competitive bidding	4 contracts	About \$104.27 million
Consulting services	Project management consultant (quality- and cost-based selection 80:20)	1 contract	\$0.75 million
Retroactive financing and/or advance contracting	Retroactive financing and advance contracting will be used for civil works and consulting services financed by this tranche.		
Disbursement	The loan proceeds will be disbursed following ADB's <i>Loan Disbursement Handbook</i> (2022, as amended from time to time) and detailed arrangements agreed upon between the Rajasthan government and ADB.		

ADB = Asian Development Bank, RPWD = Rajasthan Public Works Department.

Source: Asian Development Bank.

## IV. DUE DILIGENCE

### A. Technical

22. The engineering designs are optimized for economy, construction efficiency, and road safety, following international and national design standards. The construction method will use proven technology and standard materials compatible with local conditions. Tranche 3 includes four EPC contracts for construction with 5 years of performance-based maintenance. Potential climate change impacts are tackled in the road designs through design measures, including increased drainage capacities, increased embankment in flood-prone sections, and slope protection works. A road safety consultant will be engaged to undertake road safety audits during the design, construction, and maintenance stages. Climate risks of the project roads have been assessed and dealt with in the environmental management plan (EMP).

<sup>12</sup> Details are in Climate Change Assessment (Appendix 13).

## B. Economic and Financial Viability

23. Economic analysis for tranche 3 was carried out by comparing the societal cost of transport with and without the project, considering the benefits of improved levels of service on the project road sections. The project benefits will include reduced vehicle operating costs and travel time, road crashes, and congestion at some of the built-up areas to be alleviated with bypasses. The economic internal rate of return (EIRR) (considering vehicle operating cost and travel time savings) is estimated at 15.6%, indicating that the investment is viable in social cost–benefit terms. The EIRR for individual road sections ranges from 11.6% to 23.1%. A sensitivity analysis testing the effects of possible unfavorable scenarios resulting from changes in the key parameters that determine the project costs and benefits indicated that the economic viability remained satisfactory, with an EIRR of 13.2% or above.<sup>13</sup>

## C. Sustainability

24. Since 2016, the state government has consistently used its budget well by significantly executing the approved budget for maintenance. However, the risk is substantial that the improved roads will not achieve the full economic benefit because of insufficient funding for full routine and periodic maintenance. Countermeasures being implemented to mitigate this risk include the following:

- (i) The contractors are responsible for maintenance over an extended period (i.e., 5 years for EPC contracts).
- (ii) The Rajasthan government will collect tolls from program roads directly, which will increase its revenue. The Rajasthan government does not intend to recover the capital investment from tolling, but funding for the operation and maintenance of program roads is projected to be covered through toll revenue.
- (iii) The road asset management system and PPMS are being developed.
- (iv) The loan agreement provisions ensure proper maintenance and counterpart funding.

## D. Governance

25. **Financial management.** The financial management assessment and financial management action plan were reviewed and updated for tranche 3. The PPP Division has dedicated financial management staff who are already familiar with ADB's procedures. For tranches 1 and 2, no major disbursement issues were identified, and APFS were submitted on time with mostly unqualified opinions. The PPP Division has fully complied with the financial management action plan agreed for tranches 1 and 2, including (i) preparation of a project financial management manual; (ii) use of the tally system for project financial management, with an appropriate chart of accounts in accordance with program expenditure categories, and adequate controls in place to reconcile transactions with the Rajasthan government's integrated financial management system; (iii) establishment of an internal audit cell in RPWD and conduct of semiannual internal audits of the MFF; (iv) submission of APFS for tranches 1 and 2 on time and of acceptable quality; and (v) submission of timely and comprehensive quarterly progress reports. Based on the assessment, the continuity of the external consultant to support the PPP division in program financial management, and some quality improvements required in APFS were identified as key financial management risks. The overall pre-mitigation financial management risk of the implementing agency is, therefore, *moderate*. The Rajasthan government

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<sup>13</sup> Details are in the Appendix 7.

has agreed to execute an updated action plan to resolve the deficiencies. A financial management specialist will be recruited when the existing consultant's contract expires to further strengthen RPWD's financial management capacity. Detailed guidance on improving APFS quality was provided to the PPP division financial management team during tranche 3 processing. The PPP division assured ADB that it would continue to submit APFS and quarterly progress reports on time and ensure that internal audit would be conducted semiannually.

26. **Procurement and value for money.** The overall project risk is considered *low to moderate*. The implementing agency has substantial experience in procurement and contract implementation, including under EPC contracts. All four civil works packages will be procured through EPC contracts following ADB's Procurement Guidelines (2015, as amended from time to time). Consultants will be recruited following ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).<sup>14</sup> EPC contracts financed by ADB will use a procurement process and bidding documents that follow ADB policies and guidelines and include a policy statement on avoiding corrupt practices. The contract agreements developed by the national government for EPC contracts may be used as appropriate and with necessary revisions on eligibility, safeguards, anticorruption, and other factors to meet ADB procurement requirements. The Rajasthan government will publish information relating to tranche 3 on RPWD's website, including business opportunities and information on the procurement of works and consulting services. The capacity development component under tranches 1 and 2 will continue to help RPWD improve its business process and PPMS, which will strengthen good governance. With due consideration of project needs and objectives, value for money will be optimized through strategic procurement planning and a risk-managed approach as follows: (i) adopting open competitive bidding; (ii) arranging works contracts based on market capacity, geographical proximity, and project readiness; (iii) promoting innovation through the single-responsibility EPC method, with 5-year performance-based maintenance requirements; and (iv) adopting the prior review procedure for all contract packages to minimize the risk of noncompliance.

27. **Anticorruption.** ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the Rajasthan government and RPWD. The specific policy requirements and supplementary measures are in the PAM (Appendix 5).

## **E. Poverty, Social, and Gender**

28. Tranche 3 roads will pass through 59 villages in seven districts, where about 16 million people reside, 5 million of whom are poor. A socioeconomic survey and gender analysis were undertaken to characterize the project's context. The project roads under tranche 3 are spread across rural areas of Rajasthan that are predominantly agricultural and lack reliable road connectivity. Access to health and education institutions, commercial facilities, and government agencies is limited. The surveyed households along the project roads indicated that poor road conditions prevent safe and reliable travel, particularly during the monsoon season and at night for women and vulnerable groups. The communities indicated that benefits likely to accrue from the enhanced road connectivity include (i) improved access to health and education facilities, (ii) faster access to marketplaces, (iii) more jobs, and (iv) better public and private transport options. An efficient road network connecting villages, towns, and cities will provide stronger links between rural communities and district or urban hubs. Better connectivity is expected to uplift beneficiary villages socioeconomically.

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<sup>14</sup> The procurement plan for tranche 3 is in Appendix 15.

29. **Gender and development.** Tranche 3 is categorized *effective gender mainstreaming* based on Guidelines for Gender Mainstreaming Categories of ADB Projects (2021).<sup>15</sup> Tranches 1 and 2 were categorized *some gender elements*, and specific gender-responsive measures have been implemented, including integrating EWCD-friendly features into constructed roads and conducting road safety awareness and health campaigns. For tranche 3, a GESI action plan is attached to the project to ensure the following: (i) state highways and MDRs with features responsive to the needs of EWCD, (ii) livelihood training for women, (iii) conduct of gender-based awareness campaigns, (iv) training on GESI-responsive highway development, (v) capacity building on gender-responsive budgeting, and (vi) preparation of a guidance note on preventing sexual harassment.<sup>16</sup>

30. **Sexually transmitted infections, including HIV, and trafficking.** The health department and the Rajasthan AIDS Control Society are undertaking awareness building, prevention, and treatment in states, districts, and blocks to deal with sexually transmitted infections (STIs, including HIV). Government initiatives and mitigating measures are in place to alleviate the health risks and impacts associated with infrastructure development in the project area. The poverty and social assessment indicate that the project will not increase the incidence of STIs (including HIV), as all improved roads will be along the existing corridor. RPWD will ensure that civil works contractors conduct awareness programs on STIs (including HIV), human trafficking, and child labor at construction campsites and workplaces. All contracts will have clauses concerning these initiatives and the state government will monitor compliance during implementation. Nongovernment organizations will raise awareness about STIs (including HIV), basic hygiene, and human trafficking in villages along the project roads.

## F. Safeguards

31. In compliance with ADB's Safeguard Policy Statement (2009), the project's safeguard categories are as follows.<sup>17</sup>

32. **Environment (category B).** Environment due diligence on the two ongoing tranches revealed generally satisfactory compliance with loan documents, particularly the environmental assessment and review framework (EARF), facility administration manual, PAMs, initial environmental examinations (IEEs), and EMPs. The four roads that will be funded under tranche 3 involve widening existing roads to mainly two lanes with granular shoulders. The EARF prepared during MFF processing remains valid and guided the screening and environmental assessment of the roads and the monitoring of ongoing subprojects under tranches 1 and 2. None of the tranche 3 roads pass through or are near any environmentally sensitive areas. One project road falls within the Taj Trapezium Zone and will have to obtain permission to cut trees from the Supreme Court. Activities under the tranche will not cause significant irreversible environmental impacts. Anticipated environmental impacts entail typical road construction-related issues such as the generation of dust, noise, exhaust, and waste from construction and worker camps; water contamination; restrictions on animal movement; and occupational health and safety hazards. A consolidated IEE has been prepared for all roads with road-specific environmental monitoring and management plans and has been disclosed on the ADB and RPWD websites.<sup>18</sup> Meaningful consultations with key environmental agencies and roadside communities were conducted during project preparation, and all concerns of the affected people and stakeholders were incorporated

<sup>15</sup> ADB. 2019. [Guidelines for Gender Mainstreaming Categories of ADB Projects](#). Manila.

<sup>16</sup> The GESI action plan is in Appendix 11.

<sup>17</sup> ADB. [Safeguard Categories](#).

<sup>18</sup> The IEE report is in Appendix 9.

into the IEE and EMPs. An integrated social and environmental grievance redress mechanism has been formed under the MFF to receive and respond to feedback and complaints from affected parties during construction and operation. The EMP implementation structure will follow that of ongoing tranches as prescribed in the PAM. Annual monitoring reports will be prepared by RPWD and submitted to ADB for disclosure on the ADB website.

**33. Involuntary resettlement (category A).** A resettlement framework is in place to guide the screening and planning of involuntary safeguards under the program.<sup>19</sup> Tranches 1 and 2 are in category A; 15 resettlement plans are currently under implementation in compliance with the loan agreement provisions. For tranche 3, RPWD prepared three resettlement plans and one combined resettlement and indigenous peoples plan.<sup>20</sup> The plans are in line with India's Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation, and Resettlement Act (2013) and ADB's Safeguard Policy Statement (2009). About 39 hectares of private land will be acquired, affecting 567 private structures, 67 community properties, and 55 trees. Involuntary resettlement will impact 2,080 households (8,047 people) of which 570 (2,126) will potentially experience significant impacts caused by (i) full physical displacement from shelter at 18 households (85 people); or (ii) permanent loss of more than 10% of productive assets (i.e., land parcels and commercial structures of 552 households [2,041 people]). Displaced households will be entitled to replacement cost compensation, shifting allowance, income restoration assistance, and other entitlements depending on the type of asset lost. RPWD has experience in employing involuntary resettlement safeguards in projects funded by ADB and the World Bank. RPWD is committed to providing resources needed to carry out resettlement plans on time and will engage (i) nongovernment organizations to help execute resettlement plans, (ii) a project management consultant with a social safeguard specialist to support the implementing units, and (iii) an external expert to verify the outcome of putting resettlement plans into action. Consultation and information disclosure, grievance redress, and internal and external monitoring will be conducted under the resettlement plans. The entire cost of land acquisition and resettlement will be borne by the Rajasthan government.

**34. Indigenous peoples (category B).** Indigenous peoples' households have been identified around the package 4 road in Banswara District, which is designated as a scheduled tribe district by the Constitution of India. The affected households generally belong to the Bheel scheduled tribe. The social impact assessment suggests that the households (i) do not have collective attachment to the affected land parcels; and (ii) do not occupy, use, or claim ancestral domain. Consultations with the households during project design indicate that the benefits of improving the existing roads and alignments (e.g., climate resilience; safety; and access to markets, schools, and health services) will not adversely affect their dignity, human rights, livelihood systems, or culture. About 518 individual scheduled tribe households will be affected by land acquisition and resettlement but not significantly. A combined resettlement and indigenous peoples plan have been prepared to meet the requirements of the ADB Safeguard Policy Statement (2009) and the Rajasthan government policy framework.

## **G. Summary of Risk Assessment and Risk Management Plan**

**35.** Significant risks and mitigating measures are summarized in Table 5 and described in detail in the risk assessment and risk management plan.<sup>21</sup>

<sup>19</sup> Resettlement Framework, accessible from the list of linked documents in Appendix 2 of the report and recommendation of the President (footnote 1).

<sup>20</sup> The resettlement plans and combined resettlement and indigenous peoples plan are in Appendix 10.

<sup>21</sup> The updated risk assessment and risk management plan is in Appendix 12.

**Table 5: Summary of Risks and Mitigating Measures**

<b>Risks</b>	<b>Mitigation Measures</b>
Improved roads will not achieve the full economic benefit because of insufficient funding for full routine and periodic maintenance.	The road asset management system and project performance monitoring system are being developed. An extended period (5 years) of maintenance is included in the contract agreements. Toll collection on project roads is expected to strengthen the budgetary position of the Rajasthan government. Proper maintenance and fund provision are ensured in the draft loan agreement.
Implementation will be delayed by prolonged land acquisition and resettlement.	Resettlement plans have been prepared for all project roads under tranche 3. RPWD started preparing for land acquisition and resettlement in 2021 to complete them on time and in accordance with the contract agreements. Nongovernment organizations are being engaged to help implement the resettlement plan.

Source: Asian Development Bank.

**V. ASSURANCES**

36. The Government of India and the Government of Rajasthan have assured ADB that implementation of tranche 3 shall conform to all applicable ADB policies, including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the PAM and loan documents.

37. The Government of India and the Government of Rajasthan have agreed with ADB on certain covenants for tranche 3, which are set forth in the loan and project agreements.

**VI. MINOR CHANGE OF THE MULTITRANCHE FINANCING FACILITY**

38. The government made a request to change the number of tranches to three and extend the MFF availability period by 2 years from 30 September 2024 to 30 September 2026 (para. 4). The extension is within the maximum availability period. The request is supported as it will expedite the achievement of the original MFF outcome and outputs and because the extension ensures a sufficient construction period for contracts under tranche 3. In accordance with Project Administration Instruction 5.02, para. 10, the proposed changes to the MFF are considered minor as they do not involve any substantial and material changes as described in Operations Manual Section D14, para. 16.

**VII. THE PRESIDENT’S DECISION**

39. On the basis of the approval by ADB’s Board of Directors for the provision of loans under the multitranche financing facility in an aggregate principal amount not exceeding \$500,000,000 to India for the Rajasthan State Highway Investment Program, the President has approved (i) the tranche as described in para. 18 and such other terms and conditions as are substantially in accordance with those set forth in the draft loan and project agreements; and (ii) the minor change in the MFF to increase the number of tranches to three and extend the availability period from 30 September 2024 to 30 September 2026, as described in para. 38 pursuant to para. 10 of PAI 5.02 and para. 43 and Table A4.4 of the Staff Instructions on Business Processes for MFF.



## DESIGN AND MONITORING FRAMEWORK FOR TRANCHE 3

<b>Impact the Investment Program is Aligned with</b>			
Good connectivity provided in all areas (Strategy for New India @ 75) <sup>a</sup>			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks and Critical Assumptions</b>
<b>Outcome</b> Efficiency and safety of transport on Rajasthan's state highways improved	By 2027: a. Use of the project roads averaging 2.158 million vehicle-km per day (2022 baseline: 1.446 million) (OP 1.3; OP 2.4; OP 3.2; OP 5.1)  b. Road safety audit mainstreamed in the business process of RPWD's PPP Division (2022 baseline: Not mainstreamed) (OP 6.1)	a. RPWD database  b. Operation manuals of the PPP Division	R: Improved roads will not achieve the full economic benefit because of insufficient funding for full routine and periodic maintenance.
<b>Outputs</b> 1. State highways and MDRs improved	By 2026: 1a. About 290 km climate-resilient state highways and MDRs with EWCD-responsive design and safety measures in Rajasthan improved and maintained under performance-based contracts in good condition <sup>b</sup> (2022 baseline: 0) (OP 1.3.1; OP 2.4.1; OP 3.2.5; OP 5.1.1)  1b. At least one bus stop with EWCD-responsive features in each of the seven districts constructed <sup>c</sup> (2022 baseline: 0) (OP 1.3.1; OP 2.4.1)  1c. At least four wayside facilities with amenities for livelihood and services for women constructed and maintained <sup>d</sup> (2022 baseline: 0) (OP 1.3.1; OP 2.4.1)  1d. Awareness campaigns on road safety, HIV/AIDS, human trafficking, and gender-based violence conducted benefitting 59 villages with 40% women participation (2022 baseline: 0) (OP 2.2.3)	1–2. RPWD project progress reports	R: Limited interest of the construction industry in the works  R: Implementation delayed by prolonged land acquisition and resettlement

<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources and Reporting Mechanisms</b>	<b>Risks and Critical Assumptions</b>
2. Capacity of RPWD enhanced	<p>By 2026:</p> <p>2a. Streamlined business operating procedures implemented (2022 baseline: Not implemented) (OP 6.2.1)</p> <p>2b. Project performance monitoring system implemented (2022 baseline: Not implemented) (OP 6.2.1)</p> <p>2c. Five training workshops prepared and conducted for RPWD officials on GESI-responsive highway development, with at least 90% of eligible women participating (2022 baseline: 0) (OP 6.1.1)</p> <p>2d. Two training workshops on gender-responsive budgeting for staff in RPWD organized, with at least 10 women participants (2022 baseline: 0) (OP 6.1.1)</p> <p>2e. One guidance note on preventing sexual harassment in the workplace (in accordance with the Prevention, Prohibition and Redressal Act, 2013) for the PPP Division and project implementation units prepared and adopted (2022 baseline: Not prepared) (OP 6.2.1)</p>		
<p><b>Key Activities with Milestones</b></p> <p><b>1. State highways and MDRs improved</b></p> <p>1.1 Recruit all authority engineers by Q4 2022</p> <p>1.2 Procure all civil works by Q4 2022</p> <p>1.3 Implement and complete all civil works by Q4 2024</p> <p><b>2. Capacity of RPWD enhanced</b></p> <p>2.1 Extend the contract of the current project management consultant by Q4 2022</p> <p>2.2 Finalize the project performance monitoring system and start operating it by Q2 2023</p> <p>2.3 Conduct trainings on GESI in road transport in 2022, 2023, 2024, 2025, and 2026</p> <p>2.4 Complete the gender-responsive budgeting by Q4 2024</p> <p>2.5 Develop the guidance note to support the committee on sexual harassment in the workplace by Q4 2024</p> <p>2.6 Implement the streamlined business operating procedures by Q4 2024</p> <p><b>Project Management Activities</b></p> <p>Prepare and manage the implementation of procurement plans (Q4 2021–Q3 2026)</p>			

<p>Monitor the implementation of the resettlement plan, the gender action plan, and the environmental management plan (Q3 2022–Q3 2026)</p> <p>Monitor project performance and ensure timely delivery of outputs (Q4 2022–Q3 2026)</p> <p>Prepare and submit quarterly progress reports within 45 days of the end of each quarter (Q1 2023–Q3 2026)</p> <p>Prepare and submit annual audited project financial statements within 6 months of the end of each financial year (Q1 2023–Q3 2026)</p>
<p><b>Inputs</b></p> <p>Asian Development Bank: \$110.00 million (loan)</p> <p>Rajasthan government: \$48.10 million</p>
<p><b>Assumptions for Partner Financing</b></p> <p>Not applicable</p> <p>EWCD = elderly, women, children, and people with disability; GESI = gender equality and social inclusion; HIV/AIDS = human immunodeficiency virus/acquired immune deficiency syndrome; km = kilometer; MDR = major district road; OP = operational priority; PIU= project implementation unit; PPP = public–private partnership; Q = quarter; R: risk, RPWD = Rajasthan Public Works Department.</p> <p><sup>a</sup> Government of India, NITI Aayog. 2018. <i>Strategy for New India @ 75</i>. Delhi.</p> <p><sup>b</sup> EWCD features include but are not limited to well-marked crossings, safety signage, pedestrian walkways, railings along roads, covered drains, paved (hard) shoulders and earthen (soft) shoulders, speed bumps, rumble strips, guard stones, and solar blinkers. Other gender-responsive features include streetlights; well-lit bus stops; closed-circuit television cameras at warranted locations; and separate toilets suitable for EWCD. Climate-resilient features may involve additional investments for reconstruction and improvement of bridge protection works and raising of the approach to bridge level, river protection works, increase in number and improvement of culvert discharge capacity, improvement in roadside drainage structures and capacities, slope stabilization works, bioengineering works on hills and embankment slopes, raising of embankment height above high flood level, improvement of pavement rigidity in marshy and/or waterlogged areas, route realignment and/or construction of bypasses, rainwater harvesting structures, and tree planting.</p> <p><sup>c</sup> The districts are Alwar, Banswara, Bharatpur, Churu, Hanumangarh, Jhdpur and Nagaur. Bus stands and bus shelters close to educational and health institutions, community centers, habitations, and factories with EWCD-responsive features as per Ministry of Road and Transport guidelines (e.g., adequate, and comfortable seating, ramps, roofs, solar lights, and emergency contact details in English and the local language).</p> <p><sup>d</sup> Wayside amenities provide rest and refreshment for highway commuters. The amenities can be stand-alone or integrated into petrol stations. The amenities will be finalized after the needs assessment and include, but are not limited to, restaurants; food courts; <i>dhaba</i> (roadside restaurant); fuel pumps; minor-repair shops; pharmacies; dormitories for drivers; kiosks; and clean, hygienic, and segregated restrooms.</p> <p><b>Contribution to Strategy 2030 Operational Priorities</b></p> <p>Expected values and methodological details for all OP indicators to which this operation will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (Appendix 6).</p> <p>Source: Asian Development Bank.</p>