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**\$200 MILLION ADB LOAN TO TACKLE POWER DISTRIBUTION IN MADHYA  
PRADESH**

New Delhi: Shravana 26, 1933  
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The Government of India and the Asian Development Bank (ADB) today signed an agreement for the first tranche (\$200 million loan) under the \$400 million Madhya Pradesh Energy Efficiency Improvement Investment Programme. The programme will help improve electricity distribution in rural areas of Madhya Pradesh, and help in providing reliable 24-hour electricity to rural households that will stimulate business, employment and education.

The signatories were Mr. Venu Rajamony, Joint Secretary (Multilateral Institutions), Department of Economic Affairs, Ministry of Finance, on behalf of the Government of India, and Mr. Hun Kim, ADB Country Director for India. Mr. Mohd. Suleman, Mr. Nitesh Vyas, Mr. Manish Rastogi and Mr. D. P. Ahuja signed the project agreements on behalf of the state Government of Madhya Pradesh.

At present, overuse of electricity for irrigation from a single distribution feed leaves households short of power for much of the day. Old distribution lines and transformers result in poor quality supplies. ADB's loan will be used to help establish separate power feeders for households and agricultural use, install high-voltage distribution systems, provide new power connections and improve the financial sustainability of distribution companies.

Speaking on the occasion, Shri Rajamony said that the current distribution system leaves households without a 24-hour supply which is hurting business, and constraining inclusive growth and development in rural areas. The investment programme will help ensure a constant, reliable supply of electricity which will bring broad benefits to over 2.6 million households and will provide new power connections to 1.3 million homes. He said that a special feature of the programme is linked technical assistance of \$1 million to train poor women in target districts as entrepreneurs to take advantage of the new economic opportunities that come with reliable power.

ADB Country Director for India, Mr. Hun Kim said that poor and vulnerable consumers as well as social service providers such as hospitals and schools are particularly disadvantaged by low quality power supplies so this program will bring them direct benefits.

ADB's loan has a 25-year term with a grace period of five years and interest determined in accordance with ADB's LIBOR-based lending facility. The technical assistance grant comes from ADB's concessional Technical Assistance Special Fund.

Madhya Pradesh's demand for power has been rapidly rising in tandem with increasing economic growth. Government of India and ADB have been working closely with the authorities to support electricity sector reforms. As a result of measures taken over the past seven years, 85% of villages in the state now have access to electricity and 60% of households have formal power connections.

**DSM/SS/GN**