

**PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA**

**GOVERNMENT OF INDIA, ASIAN DEVELOPMENT BANK AND THE INDIA
INFRASTRUCTURE FINANCE COMPANY LTD SIGN A \$240 MILLION LOAN
AGREEMENT FOR THE THIRD AND FINAL TRANCHE OF THE SECOND INDIA
INFRASTRUCTURE PROJECT FINANCING FACILITY (IIPFF II) TO STIMULATE
INFRASTRUCTURE DEVELOPMENT THROUGH PUBLIC-PRIVATE PARTNERSHIP
INVESTMENTS**

**New Delhi: Chaitra 01, 1934
March 21 2011**

The Government of India (GOI), Asian Development Bank (ADB) and the India Infrastructure Finance Company Ltd (IIFCL) today signed a \$240 million loan agreement for the third and final tranche of the second India Infrastructure Project Financing Facility (IIPFF II), which aims to stimulate infrastructure development through public-private partnership investments. The Facility was approved in 2009 for \$700 million as multi-tranche financing facility to finance subprojects under the Investment Program of IIFCL for financing viable infrastructure projects in transport, urban and power sectors.

The tranche-III is expected to support the government's infrastructure agenda by enabling IIFCL to catalyze over 10 times its own resources from the private sector. Road networks in Andhra Pradesh, Bihar, Gujarat, Maharashtra, Jammu and Kashmir will be expanded. The loan to road projects will help connect far flung communities to markets. Long term funds for infrastructure financing will also improve financial viability and sustainability of the project companies and generate employment directly. A power project in Gujarat will also receive funding. The loan has a 25-year term with a grace period of five years and interest would be determined in accordance with ADB's LIBOR-based lending facility. The first and the second tranches of \$460 million were earmarked to finance subprojects for improving roads and highways in Madhya Pradesh, Punjab, Haryana, Himachal Pradesh, National Capital Region of Delhi, Uttar Pradesh, Maharashtra, Rajasthan, and to partially fund a power project in Kutch District in Gujarat.

The loan would flow to the IIFCL on back-to-back basis with sovereign guarantee by the GOI.

The signatories to the tripartite agreement were Shri Venu Rajamony, Joint Secretary (Multilateral Institutions), Department of Economic Affairs, Ministry of Finance on behalf of the Government of India, Mr. Hun Kim, ADB Country Director for India on behalf of ADB and Shri Sanjeev Ghai, Chief General Manager on behalf of IIFCL signed the loan agreement today in the national capital.

Shri Rajamony speaking on the occasion said that the long-term financing under the project will play a catalytic role in encouraging private sector participation in infrastructure projects, particularly, through the PPP modality and will leverage funds over 10 times from the private sector. He said that it will improve cash flow and commercial viability of subprojects in infrastructure sector and will improve overall availability and reliability of physical infrastructure in line with the targets of the 11th Five Year Plan. Shri Venu said that this loan will also benefit

economically disadvantaged people directly through improved access to various infrastructure services, lowering of input costs, opening of opportunities for entrepreneurs and increase in employment opportunities.

Mr Kim said that the absence or inadequacy of infrastructure is most critically felt by the vulnerable section of population. He said that the majority of sub-projects in this phase involve roads and energy which should improve the economic well-being of even the most vulnerable groups.

DSM/GN