

ADB Provides USD 490 Million for PPP to Upgrade Madhya Pradesh Roads

The Asian Development Bank (ADB) has approved a USD 490 million loan as part of a USD 904 million public-private partnership (PPP) project to improve about 1,600 kilometers (km) of state highways and major district roads in Madhya Pradesh, India. State highways and major district roads are key links between the extensive web of rural roads and national highways. Increasing the capacity of the Madhya Pradesh road network will not only improve road conditions and safety but raise living standards by enabling better access to markets and better services. This project also introduces PPP arrangements through the hybrid-annuity model in Madhya Pradesh to bring private sector efficiencies for sustainable asset creation and maintenance.

The current road system in the State is subject to increasing vehicular traffic, at a growth rate of over 10% in the past decade; flooding during monsoons; and increased axle loads, which accelerate the deterioration of road surfaces, limits access to goods and services, and compromises road safety. The state government envisions connecting all regional and district headquarters by well-designed two-lane roads, and all villages by all-weather roads. This is aligned with the Government of India's agenda to develop states' road networks to enhance connectivity, road safety, and quality.

The Public-Private Partnership in Madhya Pradesh Road Sector Project will upgrade at least 750 km of state highways and 850 km of major district roads to two-lane and all-weather standards with road safety features. It will also develop an e-maintenance system, which can record defects or required maintenance, along with a training program to develop capacity on contract

implementation and project finance in the Madhya Pradesh Road Development Corporation.

The hybrid-annuity model is a mix of engineering, procurement, construction, and build-operate-transfer. This passes design, implementation, and operation and maintenance obligations to the private sector, while attracting some private sector financing. Under this model, the government will release 60% of the total project cost during construction, to be paid to the concessionaire in tranches linked to completion milestones. The remaining 40% is arranged by the concessionaire in the form of equity and commercial debt. Once the project is completed, the government will repay the concessionaire's financial investment and operation and maintenance costs over 10 years.

The private sector contribution will amount to USD 286 million and the government will provide USD 128 million toward the total USD 904 million cost of the project, which is due for completion in May 2024.

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