

Japanese ODA Loan Agreement Signed with India

-Construction of Freight Railway to Promote the Delhi-Mumbai Industrial Corridor Initiative-

1. On July 26, the Japan International Cooperation Agency (JICA) and the Government of India signed a Japanese ODA loan agreement for the Dedicated Freight Corridor Project (Phase 2) with a total limit of 1.616 billion yen. The Special Terms for Economic Partnership (STEP [1]) is applied, and advanced Japanese technology will be utilized for the Project.

2. This project is the second phase of the Dedicated Freight Corridor (DFC) Project and a total of 552 kilometers of a rail corridor for freight traffic (Dadri to Rewari and Vadodara to Mumbai), which is part of the Western Corridor between Delhi and Mumbai (approximately 1,500km) [2]. will be constructed. It follows the first phase of the DFC Project, which constructs a dedicated freight corridor between Rewari and Vadodara. Under the DFC Project a dedicated freight railway line will be constructed with fully automated signals and communication system, and locomotives capable of providing high-speed high-capacity freight transportation system. By catering to the rapid growth in freight volume, this project will make a far-reaching contribution towards India's economic development. The loan will be allocated to the engagement of engineering services consultants to undertake a review of basic design and tender preparation.

3. Since economic reforms began in 1991, India's economy has achieved an annual growth rate of between 5 and 8 percent, bringing great attention to India as one of BRIC countries for remarkable economic growth (the other BRICs being Brazil, Russia and China). India has shown signs of a quick recovery from the world economic crisis, maintaining a steady high rate of growth, estimated for 7 percent in 2009. Along with this rapid development, the volume of freight traffic has increased by 15 percent per annum, stretching the existing rail lines to the limits of their carrying capacity. The development and upgrading of railway system with exclusive corridors for freight transportation between important growth centres within the country is, therefore, a pressing agenda for India if India is to sustain such high rates of economic growth. In order to enable mass transportation along the trunk railways, the Indian Government is expanding routes, introducing high speed-freight trains and improving access to port facilities as part of its 10th (2002 to 2007) and 11th (2007 to 2012) Five-Year Plans.

4. In light of the growth policy of the Indian Government, the then-Prime Minister Junichiro Koizumi made a joint statement during a visit to India in 2005 regarding the Japanese Government's intention to look into the possibility of supporting the Western DFC Project through Japanese ODA loan. After the declaration, sustained support has been provided to the Indian Government for the formulation and implementation of the project. In May 2006, JICA performed a development study for project formation. In October 2009, an engineering service loan of 2.6 billion yen was provided for the Phase 1 section, and in March 2010, a loan of 90.3 billion yen was provided for construction of the Phase 1 section .

5. The DFC Project is an important part of "Delhi-Mumbai Industrial Corridor (DMIC) initiative", which is a flagship Japanese-Indian collaborative project for comprehensive infrastructure development. The DMIC has been conceptualized to eventually become India's largest industrial belt by linking the industrial parks and harbors of the six states between Delhi and Mumbai in order to promote foreign export and direct investment, particularly those from Japan. Under the DMIC initiative, plans are also being developed to create industrial parks and logistics hubs with well-developed infrastructure extending up to 150 kilometers on both sides of the Western DFC Corridor. In addition to being the largest consumer in the country, the National Capital Region around Delhi is making progress in manufacturing, commerce and agriculture. The western coasted line of India, centered around Mumbai, is home to several prosperous deep harbor ports, and container traffic between these parts and the interior regions is expected to increase rapidly as industrial areas continue to develop.

6. Since more than 250 Japanese companies are located in the area around the Western DFC Corridor, such improvements to alleviate the transportation problems impeding business are expected to be beneficial not only to Indian, but also to the many Japanese businesses which have a stake here. Furthermore, the total amount of ODA loan allocated to the DFC Project is expected to be among the largest ever not only to India but also in the world, and it is hoped that the cooperative implementation of the DFC Project by Japan and India will become a new symbol of partnership between the two countries.

[1] Special Terms for Economic Partnership (STEP) is a scheme created to promote "development assistance with a distinct Japanese profile through technology transfer utilizing the advanced Japanese technology and know how to developing countries.

[2] Project map (PDF/262KB)

Reference

1. Terms and Amounts of Loan

Project title	Amount (million yen)	Annual interest rate (%)	Repayment Period (years)	Deferment period (years)	Procurement
Dedicated Freight Corridor Project (Phase 2)	1,616	0.01	40*	10*	Tied *

* STEP is applied.

2. Executing Agency

Ministry of Railways
Address: Rail Bhawan, New Delhi-110001
Phone: +91-11-23389101

Dedicated Freight Corridor Corporation of India Limited (DFCCIL)
Address: Pragati Maidan Metro Station Building Complex New Delhi-110001
Phone: +91 (11) 2345-4780

3. Planned Implementation Schedule

(i) Completion of project: September 2012 (with the completion of consulting services)

(ii) Mailing of letters of invitation for consulting services: Approximately July 2010

4. JICA Information Services

For further information about the procurement schedule, please contact the party listed below

Transport Sector, JICA India Office
Address: Second Floor, Dr. Gopal Das Bhawan, 28 Barakhamba Road, New Delhi 110001, India
Phone: +91 (11) 4768-5500, Fax: +91 (11) 4768-5555



Signing ceremony

