

Signing of Japanese ODA Loan with the Government of India

–JICA's First Program Loan to India to Accelerate Investment in Tamil Nadu State–

1. On November 12, the Japan International Cooperation Agency (JICA) signed a Japanese ODA Loan Agreement with the Government of India in New Delhi to provide up to 13 billion yen for the Tamil Nadu Investment Promotion Program. This loan is JICA's first Program Loan extended to India.

2. The objective of the Tamil Nadu Investment Promotion Program is to support policy implementation to improve the investment climate in Tamil Nadu, thereby easing business hurdles for foreign investors. The Program also supports the State to develop infrastructure which would directly benefit those investors including road, power supply, water and sewerage systems.

3. Between 2003 and 2010, India achieved a high economic rate of growth, generally ranging from 7 to 9 percent per year. Since 2011, however, India's economic growth has undergone significant deceleration due to devaluation of the rupee and the Eurozone crisis, with the real GDP growth rate in April and June 2013 sinking by 4.4 percent in April to June 2013 compared to the previous year, the lowest level in the past decade. In terms of industrial structure, the manufacturing sector's share of the GDP accounted for 13.9% in 2011, far behind, for example, that in Thailand (34.0%) and Indonesia (24.3%). To improve the situation, the Government of India aims to increase the share to 25% by 2025. Moreover, India ranked 132nd among 185 countries worldwide in the World Bank's "Doing Business 2013," which is relatively low compared with India's South Asian neighbors. It is critical for India to make policy and institutional improvements, and to develop quality infrastructure to attract more foreign direct investment (FDI).

4. Under the Program, during FY2012-14, JICA and the Government of Tamil Nadu will jointly monitor the progress and achievement of the predefined policy actions, those actions being: 1) making improvements to policy, organization and procedures relating to the investment environment (reviewing the investment application process and land acquisition system, as well as promoting industrial human resources development), and 2) making improvements to roads, power, sewers and other infrastructure, which are a part of the policy position of Tamil Nadu State as expressed in its "Vision Tamil Nadu 2023," the state's long-term strategy. JICA will make disbursement in stages based on the achievement of the policy actions in each fiscal year to promote improvement of the investment environment through policy reforms of the State.

5. Especially on the development of industry-related infrastructures, which are attracting deep interest among foreign investors, the Small Infrastructure Project Empowered Committee will prepare a Project Monitoring Matrix and monitor progress, which has been set as one of the policy actions.

6. The Program is expected to further accelerate a growing trend of investment by foreign private companies into the Chennai Metropolitan Area, the capital city of Tamil Nadu State. The Program is also contributing to progress of the "Chennai-Bangalore Industrial Corridor" led by the Governments of both Japan and India.

Reference

1. Terms and Amount of Loan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
Tamil Nadu Investment Promotion Program	13,000	1.40	–	30	10	General untied

2. Project Summaries

Planning and executing agency

Finance Department, Government of Tamil Nadu
Address: Secretariat, Chennai 600009, Tamil Nadu, India
Phone: +91-44-2566-5566

3. Planned Implementation Schedule

- (i) Completion of program: June 2015 – with completion of the loan procedure
- (ii) International competitive bidding will not take place for consultant hiring and project construction.

4. JICA Contact Information

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

Contact Point for Investment Promotion Sector, JICA India Office
Address: 2nd Floor, Dr. Gopal Das Bhawan, 28 Barakhamba Road, New Delhi 110001, India
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Rajesh Khullar, joint secretary of the Department of Economic Affairs, Ministry of Finance, Government of India and Shinya Ejima, chief representative of the JICA India Office shake hands after the signing