1. Key development issues and rationale for Bank involvement

In the past few years, India has emerged as one of the world’s fastest growing economies. Since 1990, its economic growth rate has more than doubled. The GDP per capita grew from 1.9 percent per year during 1961-1990 to 4.6 percent in 1991-2008 and is expected to grow at 5.3 percent during 2008-12. In 2008-09 real per capita income stood at US$1,040, more than double the 1993/94 level. Rapid growth has contributed to reducing poverty but poor road infrastructure has hampered the distributional effect of economic growth. India continues to suffer from a massive infrastructure deficit. Over a third of Indian firms surveyed in the 2004 Investment Climate Assessment cite infrastructure as a “major” or “severe” obstacle to business expansion, and transport is considered the second most severe constraint after power supply.

Since the 11th Five Year Plan (2007-2012), the Government of India has adopted a new strategy in the road sector with the objective of providing world class infrastructure. This addresses the inadequacy of the road network despite its importance to the national economy. The 70,934 km-long network of National Highways comprises 2 percent of the total length of roads in India but carries over 40 percent of the total traffic of the country. The new strategy will provide the capacity required to accommodate the rapidly growing volume of traffic as a result of the high rate of economic growth. The strategy gives priority to the construction of missing

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1 Development Economics, LDB database
The proposed operation is fully aligned with the Country Strategy (CAS) for FY09-12. The overarching objective of the CAS is to help India achieve the long-term vision encapsulated in the Eleventh Plan of a country free of poverty and exclusion. The project contributes to this objective by focusing on low-income States and lagging regions of middle-income States in India. The project supports the first pillar of rapid and inclusive growth which aims, among other areas, at removing infrastructure constraints to growth in both urban and rural areas. The project is also designed to ensure consistency with the other two pillars of ensuring sustainable development and increasing the effectiveness of service delivery, even if they do not target specifically the road sector. The design also aims at improving effectiveness of public spending and results, a cross-cutting focus of the CAS, through better governance and strengthened monitoring and evaluation in the road sector.

2. Proposed objective(s)

The proposed Project Development Objectives (PDOs) are:

(a) PDO1: Enhance accessibility of the area of influence of the project roads to the country’s economy by improving the interconnectivity among National Highways;
(b) PDO 2: Improve development and maintenance of the non-National Highway Development Program (non-NHDP) network through strengthened management and more efficient systems.

3. Preliminary description

The National Highways Interconnectivity Improvement Project (NHIIP) will finance about 1,000 km of double-laning of existing single-lane/intermediate-lane national highways and maintenance/rehabilitation of adjacent stretches. The project roads are located in seven States. Four States are low income states' [Bihar, Orissa, Rajasthan, Uttarakhand]. Three are middle income states [Karnataka, West Bengal and Himachal Pradesh]. The latter and Uttarakhand are classified by the Government of India as 'Special Category State'.

The project will support development and implementation of a policy and institutional strengthening agenda to address key issues identified in the sector: weak sector governance, weak road management framework, lack of sustainability of road maintenance, weak capacity of road construction industry, weak capacity of design consultants and Government implementing agencies, lack of road safety and safety at work construction sites, weaknesses in the framework for road concessioning and local marketability of road concessions.

The project will cost US$ 775 million, including US$ 620 million financed by a Specific Investment Loan (SIL) from the Bank, and will be implemented in five years starting from FY12. The project will have three components:

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a. **Component 1 - Improvement of project roads including consulting services for the supervision of the works.** This component will include the civil works and impact mitigation measures (environmental, social, road safety, construction site safety, HIV AIDS and health) included in the civil works contracts. Land acquisition and compensatory afforestation will be financed by the Borrower’s own funds.

b. **Component 2 - Project management and coordination.** This component will include technical advisory services such as project management consulting services, monitoring and evaluation and technical audit.

c. **Component 3 - Institutional Development.** This component will include technical advisory services and provision of equipment for policy and institutional strengthening activities.

4. Safeguard policies that might apply

The following safeguard policies are likely to apply and more details may be found in the ISDS also available in the public domain:

- Environment Assessment
- Natural Habitats
- Physical Cultural Resources
- Indigenous Peoples
- Involuntary Resettlement

Preliminary environment and social screening of the project roads was initiated in February/March 2010. Detailed environment and social screening and other safeguard-related studies (EIA/SIA) were initiated in August/September 2010 and are expected to be completed by May 2011.

5. **Tentative financing**

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<th>Source</th>
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<td>Borrower</td>
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<td>International Bank for Reconstruction and Development</td>
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<td><strong>Total</strong></td>
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6. **Contact point**

<table>
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