

Press Release

The Asian Development Bank (ADB) has agreed to provide grant assistance of US\$ 100 Million (equivalent to Rs.6290 Million) to the Government of Nepal (GoN) for the implementation of the Rural Reconstruction and Rehabilitation Sector Development Program (RRRSDP).

Two separate agreements to this effect were signed between the Government of Nepal and the ADB at the Ministry of Finance today. The first agreement is for program part under which the ADB will provide a grant assistance of US\$ 50 million. The second agreement is for the project part under which ADB will provide a grant assistance of the same amount, i. e. US\$ 50 million. RRRSDP will be implemented for a period of four years starting from 2008.

The principal objective of the Program is to support reconstruction and rehabilitation of the rural sector in Nepal through enhanced poverty reduction and inclusive development, improved and inclusive governance and decentralization, and strengthened support for rural infrastructure development.

The program part will support the Government of Nepal (GoN)'s initiative for poverty reduction and sustained economic growth in rural areas through implementing the policies and programs focused on immediate post-conflict recovery, promoting inclusiveness, and enhancing effective implementation of projects in the rural infrastructure sector. This grant will be released as a single-tranche disbursement to GoN immediately upon the effectiveness of the Agreement.

The project part will improve connectivity of rural communities, enhance their economic and employment opportunities, and increase access to market and social services. The major component of the project investment cost is Rural Transport followed by Supplementary Infrastructure.

The Project grant of RRRSDP will focus Nepal's 20 districts not yet covered by major donor-funded rural road infrastructure projects such as the World Bank-funded Rural Access Improvement and Decentralization Project (RAIDP). The Project will additionally provide complementary support to the existing 18 districts under ADB-funded Decentralized Rural

Infrastructure and Livelihood Project (DRILP) for rural Water Supply and Sanitation. In 20 non-DRILP districts, RRRSDP will improve or upgrade about 560 km of rural roads.

The OPEC Fund for International Development (OFID) has also committed to providing a soft loan of US\$ 10 million for the RRRSDP as a co-financer with ADB, for which an agreement is expected to be concluded soon. Upon the request of GoN, the UK's Department for International Development (DFID) has also shown its interest to co-finance the RRRSDP. Likewise, Swiss Agency for Development and Cooperation (SDC) has also principally agreed to provide Technical Assistance for district roads and trail bridge in the implementation of the RRRSDP.

Mr. Vidyadhar Mallik, Secretary, Ministry of Finance and Mr. Paul J. Heytens, Country Director, Asian Development Bank, Nepal Resident Mission signed the agreements on behalf of GON and ADB, respectively.

The Government of Nepal has expressed its sincere appreciation to the ADB for its assistance and continued support in Nepal's socio-economic development endeavors.

Ministry of Finance
Singhdurbar, Kathmandu

January 14, 2008
(Poush 30, 2064)