

ASIAN DEVELOPMENT BANK

**COUNTRY ASSISTANCE PLAN
(2000-2002)**

INDIA

December 1999

FOREWORD

The Country Assistance Plan describes the planned program of assistance by the Asian Development Bank (ADB) for India covering the three-year period 2000-2002. It includes loan and technical assistance projects, as well as possible cofinancing from other donors. The CAP was prepared by the ADB between April and June 1999, in close consultation with the Government of India, and other stakeholders, including non-government organizations. The CAP was discussed with the Board of Directors in October 1999. The assistance plan described in the CAP is only indicative and may be revised to reflect more recent developments.

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CURRENCY EQUIVALENTS

(as of 30 November 1999)

Currency Unit	-	Rupees
Rs1.00	=	\$0.0230
\$1.00	=	Rs43.41

ABBREVIATIONS

ADB	-	Asian Development Bank
ADF	-	Asian Development Fund
BOT	-	Build-Operate-Transfer
CMNAPP	-	Common Minimum National Action Plan for Power
COS	-	Country Operational Strategy
DEA	-	Department of Economic Affairs
DGH	-	Director General of Hydrocarbons
DMC	-	Developing Member Countries
DOT	-	Department of Telecommunications
EAI	-	Environment Impact Assessment
FY	-	Financial Year
GAD	-	Gender and Development
GDI	-	Gross Domestic Investment
GDP	-	Gross Domestic Product
IBRD	-	International Bank for Reconstruction and Development
IDA	-	International Development Agency
IDF	-	Indian Development Forum
INRM	-	India Resident Mission
IR	-	Indian Railways
JEXIM	-	Japan Export Import Bank
LNG	-	Liquid Natural Gas
NBFI	-	Non-Bank Finance Institution
NHAI	-	National Highways Authority of India
NSDP	-	Net State Domestic Product
OCR	-	Ordinary Capital Resources
ODA	-	Official Development Assistance
OECD	-	Overseas Economic Cooperation Fund
ONGC	-	Oil and Natural Gas Company
PLF	-	Plant Land Factor
PPP	-	Public-Private Partnership
PPTA	-	Project Preparatory Technical Assistance
PSG	-	Private Sector Group
PSU	-	Public Sector Undertaking
RETA	-	Regional Technical Assistance
SAARC	-	South Asia Association for Regional Cooperation
SAGQ	-	South Asia Growth Quadrangle
SEBs	-	State Electricity Boards
SERC	-	State Electricity Regulatory Commission
TA	-	Technical Assistance
TRAI	-	Telecommunications Regulatory Authority of India
USAID	-	United State Agency for International Development

NOTES

- (i) The fiscal year (FY) of the Government ends on 31 March.
- (ii) In this report, "\$" refers to US dollars.

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INDIA

I. Country Performance Assessment ¹

A. Economic Performance Assessment

1. In the wake of the economic crisis in the early 1990s, the Government launched a decisive break from the formerly closed and regulated policy regime by liberalizing economic policies and adopting an outward-oriented approach. Substantial progress was initially made in liberalizing industry, trade, investment, and the exchange rate regime, as well as reforming the financial sector and strengthening capital markets, thereby opening up almost all areas of the economy to domestic and foreign private investment. This shift towards a more outward-oriented strategy has begun integration into the global economy, and resulted in improved capital and technology inflows. In parallel, sound macroeconomic management reduced the severe internal and external imbalances, and provided a basis for sustained higher economic growth. Real gross domestic product (GDP) growth recovered rapidly from less than one percent in fiscal year 1992 (FY1992) to about 7.8 percent in FY1997, without fueling inflationary pressures (see Appendix 1). Unlike in the past, economic expansion was driven by private investment rather than public sector expenditure, reflecting inter alia the efforts at reducing the government fiscal deficit, as well as improving the incentive structure for private sector resource allocation.

2. India's strong economic performance through FY1997, however, could not be sustained. Real GDP growth slowed to 5 percent in FY1998, before improving to an estimated 6.0 percent in FY1999, reflecting large fluctuations in agricultural production as well as continued slowdown in industrial activity. Subdued consumer demand, slackening export demand, and prevailing infrastructure constraints were the main contributing factors.

3. The deceleration of economic growth has aggravated the fiscal imbalances. The Central Government fiscal deficit, which was reduced to 4.7 percent of GDP in FY1997, surged to 5.7 percent of GDP in FY1998, and to 5.9 percent in FY1999. The continued pressure on the public finances reflects shortfalls in tax revenues resulting from lower domestic economic activity and declining level of imports, as well as rationalization of the tax and tariff structures. This has been heightened by rising current expenditures, particularly resulting from wage adjustments associated with the implementation of the Fifth Pay Commission recommendations, nonproductive expenditures,² and lower privatization proceeds reflecting delay in the Government's divestment program. Despite a GDP windfall of almost 0.5 percent of GDP on account of proceeds from a government tax amnesty program shared with the states, the latter's consolidated budgetary deficit increased from 2.8 percent in FY1998 to 4.3 percent in FY1999. This was mainly due to a sharp rise in revenue expenditure emanating from implementing wage adjustments, rising interest burden, and continued high levels of implicit and explicit subsidies, notably in the power, irrigation, and higher education sectors. The rising pressure on resource availability has also adversely impacted on central and state governments' allocation for capital outlays, which declined from more than 7 percent of GDP in

¹ Appendix 1 provides information on key economic, social, and environmental indicators.

² Budgetary subsidies, which amounted to 2.3 percent of GDP in FY1991, were reduced to about 1.3 percent of GDP by FY1995, but remained about constant as a share of GDP through FY2000 budget. Meanwhile, defense expenditure, which averaged 3.4 percent of GDP during the second half of the 1980s, declined to 2.5 percent of GDP during FY1991-FY1999, and have been budgeted at 2.3 percent of GDP in FY2000.

the early 1990s to about 4.5 percent of GDP in FY1999. Notwithstanding the increasing fiscal deficit, external current account deficits remained at an average of 1.2 percent of GDP in FY1998-FY1999, the same level as in FY1997.

4. While India's economic performance has fallen short of what had been achieved in the recent past, this has occurred in the context of an unfavorable external environment as well as prolonged political uncertainties. India's GDP growth, averaging 6.3 percent during 1997-1999, has been one of the highest in Asia. Over the last year, the then coalition Government has also stated its strong commitment to continuing the reform process, particularly as regards further liberalization of the domestic economy, while acknowledging the need to boost foreign investment in infrastructure. However, the FY2000 budget makes little progress in strengthening fiscal consolidation and does not contain specific and decisive measures to control expenditure. Moreover, very limited progress has so far been achieved in public sector undertaking (PSU) reform and divestment, and uncertainties over the enabling environment for private sector participation still persist.

5. A demanding reform agenda thus remains. A key outstanding issue remains the need to reduce central and state fiscal imbalances. Slow progress in the reform of PSUs, as well as delay in adjustment of administered prices, continues to adversely affect domestic saving. Another key constraint facing the economy is the country's seriously inadequate infrastructure. Uncertainties over the policy, legal, and regulatory frameworks in key infrastructure sectors continue to act as a constraint to increasing private sector involvement. A further deepening of the capital market and financial sector reforms are also a prerequisite to strengthening financial intermediation, fostering availability of long-term infrastructure financing, and facilitating public-private partnership in infrastructure development. Finally, while the agriculture sector has benefited from trade and exchange rate reforms, the sector has remained heavily regulated with controls on movement, storage, and trade on most major food and industrial crops.

6. Given the country's relatively low level of external debt (as percentage of GDP) and its strong foreign exchange reserves position, India is not expected to face any serious economic crisis in the short term. However, the constraints outlined above will need to be addressed if the country is to move to a higher, and more sustainable, rate of economic growth. To this end, the Ninth Five-Year Plan (1997-2002) acknowledges the need for sound macroeconomic policies and calls for an acceleration of structural reforms. Recognizing that sustained economic growth is a prerequisite for poverty reduction, the Plan has set a target for annual GDP growth of 6.5 percent over the five-year period. However, this growth target appears optimistic given the prevailing unfavorable international economic environment, heightened political uncertainty resulting from the recent resignation of the Government, as well as the delay in implementation of physical infrastructure projects.

7. The sanctions, imposed in the wake of India's nuclear tests in May 1998, together with continuing political uncertainty, have cast a cloud over India's medium-term economic prospects. Together with the freeze on bilateral assistance, the drastic decline in multilateral lending to India has reduced foreign aid to about \$1.8 billion in FY1999, compared to an average \$4 billion a year since the early 1990s. Downgrading by international credit agencies of the corporate sector's foreign currency credit ratings and lower sovereign risk rating have also put some pressure on external borrowing costs. The dual effects of economic sanctions and political uncertainty have been reflected in larger fluctuations in the stock and foreign

exchange markets. Moreover, the current international environment is increasingly impinging on the country's access to long-term funding especially for development of its crucial infrastructure sectors. This will make it harder for India to garner external support for removing infrastructure bottlenecks and to achieve the medium-term growth target.

B. Assessment of Socio-Environmental Performance

1. Poverty Issues

8. Huge challenges are posed by India's low per capita income (\$396 in FY1999) and a population approaching one billion. The Government accords high priority to human development and poverty reduction and some improving trends are evident; however, absolute levels of performance are still relatively low compared to other developing economies. Government spending for the social sector has been compressed during the 1990s, declining from 7 percent of GDP in FY1991 to about 5.7 percent of GDP in FY1997, but has subsequently been raised to 6.1 percent of GDP in FY1999. The compression is due largely to the strained financial position of the states, which account for about 90 percent of social sector spending. The per capita spending decline has been most marked in the poorer states, which were already operating from a low base.

9. Despite some progress, income and capability poverty remains widespread: the proportion of the population living below the poverty line declined from 50 percent in the 1970s to about 39 percent in 1987/88, and further to 36 percent in 1995. However, as India's population increased from 600 million in the early 1970s to more than 950 million in the mid-1990s, poverty alleviation has not been sufficient to reduce the absolute number of poor, which doubled from 164 million in 1951 to 320 million by 1993-94. Moreover, poverty incidence in India is characterized by substantial inter-state variations, intra-state differences, and urban-rural disparities and the imbalances and disparities are widening over time. For example, according to a recent report of the United Nations Development Programme (UNDP), the ratio of average per capita net state domestic product (NSDP) of the highest-income state in India (Punjab) to that of the lowest-income state (Bihar) rose from 3.30 times to 3.76 during the last decade. Apart from the incidence of income poverty, limited access of the poor to social services and continued high levels of illiteracy—with a literacy rate of only 52 percent in 1997—have perpetuated the population's capability poverty.

10. Geographically, the poor are mainly concentrated in the eastern and central parts of the country, with the highest incidence in Bihar, Orissa, and Madhya Pradesh. In rural areas, which account for 75 percent of the population, almost 40 percent live below the poverty line compared to about 33 percent in urban areas. Moreover, poverty in rural Bihar and Assam was four-to-five times as widespread (58 percent and 45 percent, respectively) as in rural Punjab (12 percent), and between twice and six times as widespread as urban poverty in the respective states. While urban poverty is highly concentrated in a few states including Andhra Pradesh, Madhya Pradesh, and Rajasthan, the incidence of urban poverty is also high in the larger metropolitan areas, especially Calcutta and Mumbai. Economic groups most prone to poverty are rural households (mainly agricultural laborers), urban casual labor households, and the self-employed.

11. Over the decades, the Government has made notable efforts to reduce income and capability poverty, mainly through self-employment initiatives, rural public works, and food subsidies/nutrition programs, as well as increased spending for basic education and primary

health. Programs addressing income poverty aim at creating individual assets through financing fixed or working capital and training and generating wage employment for the poor. However, these programs have received critical review in light of their lack of efficiency and effectiveness, resulting from poor targeting and large leakage of resources to the non-poor. The Government has started taking corrective measures including decentralization of program administration, involving the private sector and nongovernment organizations in their implementation, and empowering people.

12. Increasingly, the notion of poverty is being expanded to cover the wider dimension of powerlessness, vulnerability, and exclusion, reflecting the increasing awareness that the concern is not only about access, but also about the ability of the poor to fully participate in decision-making processes and exercise their power on an equal footing with the non-poor. Cognizant of this additional dimension as evidenced by the 73rd and 74th Amendments of the Constitution, the Government is supporting increasing devolution of authority and responsibility from the states to the rural and urban local bodies and the mainstreaming of the poor and disadvantaged into the development process. Building a fair and equitable structure and processes has thus become a crucial issue of poverty reduction, rather than the mere provision of physical facilities or social services to the poor.

2. Gender Issues

13. While declining over the past several decades, wide gender disparities still exist in India with regard to economic, health, and educational attainment. Sixty-two percent of India's illiterates are girls or women. The incidence of infant mortality and child malnutrition is more pervasive among females; however, female life expectancy at birth has improved somewhat during the last decade and now exceeds male life expectancy (see Appendix 1). Notwithstanding the increased female life expectancy, the sex ratio has declined from 946 females per 1,000 males in 1951 to 927 in 1991, indicating serious gender bias and reflecting neglect of women's health and gender-based discrimination. The generally poorer health of women is caused by dual work burdens in production and household tasks, poor reproductive health, and skewed patterns of intra-household food allocation favoring males. Gender disparities are especially significant in the states with the lowest social indicators, such as Uttar Pradesh, Bihar, and Rajasthan and, within states, among certain social groups such as Scheduled Tribes and Scheduled Castes. Gender bias is also reflected in their lack of control over assets and other productive resources.

14. The National Perspective Plan for Women (1988–2000) has the dual goal of integrating women into the mainstream of the economy and providing equity and justice for all women. The Government is now in the process of finalizing a National Policy for the Empowerment of Women, which would define strategies and action points to bridge the gap between the actual position and the constitutional and legal equality granted to women. Empowerment of women is one of the nine primary objectives of the Ninth Plan. The Ninth Plan stipulates that every effort will be made to create an enabling environment where women can freely exercise their rights both within and outside the home. This is a clear break away from earlier phases of development planning, wherein the concept of women's development was mainly oriented towards welfare. Mainstreaming strategies under the Ninth Plan include ensuring adequate representation of women in decision making through reserved seats, elimination of gender bias in all educational programs, and organizing women into self-help groups.

3. Human Development

15. While deteriorating public finances and infrastructure bottlenecks are the immediate constraints on higher growth, low investment in human development is the major long-term constraint. Social indicators have shown progress for over a decade, reflected in a reduction of total fertility rate and infant mortality, increases in life expectancy at birth, primary, and secondary school enrollment rates, and in adult literacy. However, about half of the adult population remains illiterate. Government human development policies recognize education as a catalytic factor which will lead to alleviating capability poverty, better health and nutrition, improved socio-economic opportunities, and a more beneficial natural environment for all. Therefore, not surprisingly, an important goal of the Ninth Plan is the provision of universal primary education, although full literacy is targeted only for the next decade. Appropriate population policies will need to support these efforts. The Plan also targets comprehensive coverage of safe drinking water and primary health facilities in all urban and rural areas.

16. Under the Ninth Plan, about 21 percent of public sector expenditure are earmarked for the social sectors, up from about 17 percent under the Eighth Plan and second only to the allocation to the energy sector. Notwithstanding, the increased allocation is in large part a reflection of the surge in wage cost resulting from the recommendations of the centrally-constituted Fifth Pay Commission, rather than an increase in real resource transfer. Further, despite the increase from 2.7 percent of GDP in FY1997 to 3.1 percent of GDP in FY1999, public education expenditure is still inadequate in comparison with other countries at a similar stage of development and are also substantially below the Government's target of 6 percent of GDP by the end of the Ninth Plan period. Public health expenditure, at one percent of GDP (FY1999), is also below developing country average. Despite the stronger emphasis given to primary health care, public health expenditure is biased to curative services while primary health care and preventative services receive limited allocations. There is thus a clear need to both raise resource allocation to social sector and reorient these expenditures.

17. An important issue relating to poverty and human development is child labor that is generally employed in carpet making factories, and the brassware, glassware, clothing, footwear, and silk industries. The work environment of these industries is not very conducive to the child workers' health and development. The Government has initiated steps to address these issues.

18. In 1992, India signed the Memorandum of Understanding on the International Program for the Elimination of Child Labor with the International Labour Organisation (ILO) and is signatory to the 1989 Convention of the Rights of the Child. India has also expressed its support for ILO's proposed convention to ban the "worst forms" of child labor. India has enacted its own legislation, the 1986 Child Labor (Prohibition and Regulation) Act, and formulated a National Policy on Child Labor to address the major socio-economic factors influencing child labor and to develop a program of action. Interventions are envisaged in education, health, nutrition, integrated child development, and employment.

4. Environment

19. Reflecting the twin pressures of economic development and rapid population growth, India's environmental conditions, in terms of degradation of the natural resource base and industrial pollution, continue to deteriorate. Soil erosion, land degradation, deforestation,

agricultural land productivity decline, fisheries stock depletion, biodiversity losses, and water resource mismanagement are critical problems that are aggravated by the prevailing high incidence of poverty. At the same time, rapid industrialization and urbanization have generated severe air and water pollution, as well as problems of solid and liquid waste management.

20. The gravity of India's environmental problems has prompted the Government to adopt comprehensive policy, legislative, and regulatory frameworks. These cover, inter alia, environmental planning, guidelines for environmental impact assessment of major projects, pollution control standards, and waste management. The Supreme Court is also enforcing more strictly compliance with pertinent environmental norms and has issued several landmark judgments under public interest litigation. Against this, many economic policies, not least the continued provision of input subsidies such as those on energy and irrigation, encourage resource misallocation with adverse environmental effects. Moreover, the legal and regulatory frameworks, especially with respect to pollution control, are not conducive to encouraging environmentally friendly technological innovation, and use of market-based instruments for environmental control needs to be given greater emphasis.

21. There also remain significant gaps in the institutional capacities for environmental monitoring and management, particularly at the state and local levels. Although efforts at strengthening state and local governments are being undertaken to enable decentralization of public administration, additional efforts will need to be directed towards enhancing the environmental management capacity of these subnational units as well.

C. Governance: Sound Development Management

22. As an integral part of the Government's reform efforts since the early 1990s, progress has been made in improving development management. Along with the emphasis on macroeconomic stability and sustainability of policy reforms, an important component has been the recognition that the role of government needed to be both reduced and made more efficient. The process of economic reform is being depoliticized, with common support for key elements of the program and progress being maintained despite changes in government. There has been a reduction in discretionary interventions in favor of market forces for resource allocation, and efforts to enhance competition and encourage private investment are bearing fruit, albeit at a slower pace than envisioned. The consistency, predictability, and transparency of policy application in key economic sectors is being increased through independent regulatory commissions in telecommunications, insurance, gas, ports, and power. In view of the constitutional mandate for the delivery of economic and social services assigned to states, appropriate policy, institutional, and regulatory frameworks are also being evolved as part of comprehensive state level reforms. To improve public enterprise management and enhance accountability and efficiency, a commission was established to advise the Government on the restructuring and disinvestment of public sector undertakings (PSUs). Finally, the need to improve public sector management and the effectiveness of public administration including elimination of corruption has been widely recognized, and an Action Plan for Effective and Responsive Government was agreed by the Chief Ministers and Lieutenant Governors in 1997.

23. These initiatives are elements of comprehensive reforms at the national and state levels to reduce uncertainty, raise confidence in the economy, and enhance the opportunities for increased private sector participation. Enhanced transparency in economic decision

making and consistency and reliability of enabling policy environment are also fostering increased foreign capital inflows, particularly foreign direct investment. Moreover, the recent initiatives to open the insurance sector, repeal the ceiling on urban landholdings, strengthen the regulatory framework for the power sector, and delegate approval of all but the largest investment proposals to state governments are further positive developments. Nevertheless, administrative practices and procedures still contribute to higher than necessary transaction costs of doing business in India, and a substantial unfinished reform agenda remains. This includes continued liberalization of domestic industry and foreign trade, improvement in public enterprise reform and corporate governance, strengthening of financial institutions and their prudential framework, progress in tariff setting (particularly in the power, transport, and water/irrigation sectors), and further streamlining of administrative processes. Although progress has been made in maintaining support for key elements of reforms and for continuation of sound development management, particular emphasis will need to be given to ensure that the direction and pace of reforms are not detrimentally affected by political uncertainty.

D. Implementation Assessment

1. The Portfolio

24. Asian Development Bank's (ADB) lending operations to India, which began in 1986, totaled \$7.1 billion for 42 public sector loans (37 projects) by end-1998. Most of these have supported policy reforms and investments in the energy, transport and communications, and finance sectors. In the energy sector, the main thrust has been on providing assistance for new investment in power generation and transmission; development of oil and gas, including hydrocarbon sector deregulation and tariff setting; and improving energy efficiency. Lending operations in the transport and communications sector have included development of national and state highways; investment support for rehabilitation and extension of selected ports, as well as assistance for corporatization of Ports Trusts and establishment of Tariff Authority; expansion of the rail network, technology transfer, and procurement of equipment; and extension of the telecommunications network. Assistance for financial and capital markets reform included support for financial deregulation, development of prudential and supervisory framework, and establishment of capital markets infrastructure. In the last five years, ADB has been increasingly active in the urban sector in support of urban infrastructure development, including institutional and policy reforms and, more recently, has also initiated support for housing finance. Since 1996, ADB has supported comprehensive state-level reforms, focusing inter alia on improved resource mobilization, restructuring of state public sector enterprises, and creating an enabling environment for private sector involvement in infrastructure development.

25. In terms of ADB's private sector operations, India has the largest portfolio of unguaranteed loans and equity investments, amounting to \$274 million for 25 investments. Together, these loan and equity investments account for 17 percent of ADB's approved private sector investments. ADB's private sector operations have so far mainly focused on support for financial and capital market institutions and infrastructure investment funds.

26. ADB has also provided \$50 million for 103 technical assistance (TA) projects, of which 75 were advisory and 28 for project preparation. Advisory TAs have focused on policy, institutional, and regulatory issues in the port, hydrocarbon, and financial sectors; the

regulatory framework for the gas and electricity subsectors; capacity building for improved infrastructure development for local governments; institutional strengthening of public administration and financial institutions; industrial restructuring including social safety net; and environmental monitoring, pollution control, and environmental legislation. ADB has so far also provided 11 TAs (amounting to \$6.7 million) in support of its state-level operations in Gujarat and Madhya Pradesh.

2. Issues in Project Implementation

27. At the beginning of 1999, there were 26 ongoing public sector loans. Of these, four were rated highly satisfactory, seventeen were rated satisfactory, and only one was rated unsatisfactory (see Appendix 2). Key general causes of implementation delays in public sector projects have included complex and prolonged government internal procedures, lengthy procurement approval procedures, ineffective contract supervision, and weak project supervisory personnel. Some projects continue to suffer from delays due to weak management and supervision by the executing agencies and inexperience of domestic contractors. Such delays clearly impinge negatively upon the projects' developmental impact. In the case of the private sector portfolio, two thirds of the portfolio is rated as satisfactory or better, another 15 percent is rated as adequate, while the balance is rated as marginal or worse. The poorest performing elements of the private sector portfolio relate to ADB's early investments in the manufacturing sector, which are in difficulty for various reasons, including weak management, implementation delays, and adverse market trends. Such investments are no longer part of ADB's private sector strategy in India. Moreover, projects are increasingly being delegated to ADB's India Resident Mission (INRM). This has enabled closer monitoring, and more expeditious follow-up including on-site inspection of executing agencies' project management and supervision.

28. Disbursements for public sector operations were \$620 million in 1998 compared with \$645 million in 1997, \$592 million in 1996, and just \$215 million in 1993. Although the absolute level of disbursements fell slightly in 1998, the disbursement ratio (including program loans) rose to a record 32.9 percent, compared with a Bankwide average of about 29.3 percent. Excluding program loans, the disbursement ratio rose to 30.8 percent compared with a Bankwide average of 20 percent. The improvement in disbursements reflects inter alia better quality at entry (in terms of project design and readiness for initiating disbursement); simplification of internal procedures and the use of standardized bidding documents for tendering on aid-funded projects by ministries and agencies concerned; the creation of a central project monitoring unit in the Finance Ministry; and increasing disintermediation by the Central Government of new loans to public sector entities. The semiannual tripartite review meetings held between the Government's Department of Economic Affairs (DEA), executing agencies, and INRM have also contributed to the improvement in disbursement performance.

29. Compared with disbursements, commitments have fallen in the last two years. From \$763 million in 1996, fresh commitments fell to \$563 million in 1997 and to only \$250 million in 1998.³ The lower than expected level of ADB lending in 1997 was due to the slippage of the Gujarat Power Sector Development loan; for 1998, the low lending level primarily reflects the disruption in the implementation of ADB's operational program in India. In contrast, contract awards increased in 1998 to \$654 million compared with \$473 million in 1997. Improved

³ Lending by the World Bank for 1996-1998 was \$1.72 billion, \$2.09 billion, and \$1.54 billion, respectively.

implementation, together with portfolio cleaning (mainly cancellations of loan proceeds no longer required), have reduced the undisbursed balance of approved loans significantly from a high of \$2.7 billion at the beginning of 1994 to \$1.3 billion as of end-1998. The Government expressed concern at the low undisbursed balance, especially when set against the relatively low level of commitments in 1997 and 1998. Moreover, the Government stressed that even with the proposed approval of a number of new loans in 1999 and beyond, it may be difficult to maintain the recent disbursement performance since in the early years of a project's life, disbursements generally tend to be lower. The situation would clearly worsen further, and undisbursed balance decline even more, if the disruption in the implementation of the operational program were to lead to prolonged postponement in the approval of fully processed loans.

II. Country Operational Strategy

30. India faces two critical but interrelated, development challenges: the need to achieve higher sustainable economic growth, and the need to reduce poverty. The key to higher growth lies in the continuation and deepening of economic reforms that were started in 1991, with the aim of maintaining macroeconomic stability, improving public sector efficiency, and encouraging greater private sector investment, particularly as a complement to public sector investment in easing critical infrastructure constraints. While India has implemented the first stage of reforms and succeeded in establishing a policy framework enabling higher economic growth, important policy gaps as well as capacity gaps still remain. There is also an urgent need to extend the reform process to the state level, and to strengthen capacity at the local level for effective devolution of authority and increased participation in development management. While higher growth and the resulting increase in employment is a necessary condition for poverty reduction, an effective strategy for alleviating poverty will also require improved targeting of social sector expenditures and strengthening of anti-poverty programs, expanded investment in social sector projects, and strong support for agriculture and rural development.

31. To assist in meeting these challenges, ADB's current country operational strategy (COS) for India is designed to support efforts to achieve higher growth and employment generation by improving the supply-side efficiency of the economy. This is done mainly through support for efforts that reduce bottlenecks in key infrastructure sectors, including measures to improve the policy, institutional, and regulatory frameworks and through support for financial sector reform and capital market development. Apart from support for higher growth, in view of India's current inaccessibility to Asian Development Fund (ADF) resources and its preference not to use ordinary capital resources (OCR) financing for stand-alone social sector projects, ADB's contribution to poverty reduction comes through its state-level operations (in the form of support for measures to enhance resource mobilization, improved efficiency of resource use, and enhanced resource allocation for social sector expenditures) and urban development including environmental improvement and housing finance projects. Sectorally, ADB assistance is concentrated on energy, finance, transport, and urban development. To improve environmental sustainability of the development process, environmental concerns are increasingly being addressed as part of ADB's integrated urban sector programs, although ADB is also using its state-level operations to improve the respective policy and legal framework and strengthen institutional capacity. As part of its subnational lending program, ADB is currently focusing its support in Gujarat and Madhya Pradesh, and it is proposed that a third focal state be added during the 2000-2002 program

period. However, the disruption in the implementation of the operational program, particularly the implementation of physical infrastructure projects, could adversely affect the sectoral mix of projects that are being proposed in support of the COS objectives.

32. The current COS, prepared in 1996, will be reviewed and the strategic focus revised, as appropriate, in the year 2000. To this extent, ADB's sector strategies in infrastructure sectors, particularly energy and transport, will be reviewed as part of country economic and sector work so as to identify future priorities for ADB support (see Section VIII for more details). ADB will also continue to focus on support for financial sector reform and capital market development, to support sound development management through stable institutional framework, efficient financial intermediation, and prudential financial policies. ADB's expanding activities in the environment sector will be guided by the results of the ongoing environment profile and strategy for India. In support of ADB's overarching objective of poverty reduction, efforts will be made to complement present support through state-level operations and urban development and housing initiatives by more direct interventions. Collaboration with other multilateral and bilateral funding agencies will enable enhanced developmental impact through a comprehensive and multi-faceted approach of policy, financial, and technical support.

III. Sector Strategies

A. Infrastructure

33. Adequate infrastructure is critical to stimulate economic growth and improve competitiveness and internationalization of the economy. However, continued pressure on public finances and infrastructure constraints in India have underscored the need to attract private sector participation in infrastructure development. As most infrastructure sectors have traditionally been under public sector monopoly, the role of the public sector needed to be redefined and appropriate policy, legal, and regulatory frameworks for private sector participation evolved. For activities that are to remain in the public sector, service delivery needs to be improved and increasingly oriented towards commercial principles.

34. The Government has recognized the critical role that removal of infrastructure constraints and increased investment will play in enabling the country to achieve higher and sustainable growth, improvement in income levels, and reduction of poverty. To this end, an Expert Group on the Commercialization of Infrastructure Projects reviewed the sectoral issues and provided guidance on the policy initiatives and the required regulatory and institutional set-up. As a reflection, the Ninth Plan strongly emphasizes the need for a more commercial approach to the provision of infrastructure by PSUs and the importance of significantly boosting private sector participation. ADB will focus its operations on alleviating infrastructure bottlenecks and improving supply side efficiency by supporting priority public investments and catalyzing private investments in the energy, transport and communications, and urban and housing sectors. In its catalytic role, particular emphasis will be given to the creation of a conducive private sector environment, including the regulatory framework, competitive mechanisms, and appropriate tariff setting mechanisms, as well as risk sharing and risk mitigating measures. At the same time, ADB will foster further development of the financial sector and capital markets to widen and deepen the financial intermediation so that it can become an effective source of funding for infrastructure projects. These initiatives will be complemented by support for comprehensive public finance reform at the state level to

enhance resource mobilization, increase allocation for maintenance of existing infrastructure, and reverse compression of expenditure for new investment.

1. Energy

35. India's **power sector**, which is dominated by public utilities, suffers from inadequate investment and resulting shortage of power supply. Despite improved utilization of existing capacity through increase in the plant load factor (PLF) over the last few years, demand still exceeded supply by more than 11 percent of energy availability in 1996/97 (with shortage in peak demand reaching 18 percent). During the Ninth Plan period, electricity demand is projected to increase by a further 54 percent, necessitating an increase in generating capacity by about 65 percent to meet the requirements. While feasible capacity addition is likely to be below requirement, special emphasis will need to be given to reducing transmission and distribution losses, improving energy efficiency, and implementing other demand side management measures. Greater attention will also be directed towards early completion of ongoing projects, improvement in investment prioritization through development of power system master plans and, as one of the most crucial steps, the rationalization of electricity tariff structure. In addition, the possibility of regional energy exchange could be pursued further (see para. 79). Even so, peak power shortage is expected to exceed 10 percent by the end of the Plan period.

36. A key problem facing the power sector is the deteriorating financial performance of the state electricity boards (SEBs) due primarily to the failure of state governments to pay the cost of subsidies on power sold to farmers at well below production cost. In December 1996, the Central Government and state governments reached consensus on sector reforms under the Common Minimum National Action Plan for Power (CMNAPP). The CMNAPP recognizes the need for restructuring of the SEBs; the delegation of powers from central authorities to the states; establishment of independent regulatory commissions; rationalization of tariffs including upward revision of agricultural tariffs to enhance resource mobilization and limit cross-subsidization; and encouragement of private investment in all functional areas. Progress in implementing the CMNAPP, however, has been slow.

37. In July 1998, Parliament approved the Electricity Regulatory Commissions Act providing for the establishment of a Central Electricity Regulatory Commission (essentially for tariff rationalization of central utilities and inter-state power projects) and State Electricity Regulatory Commissions (SERCs), tariff reform, and transparent procedures with respect to the payment of subsidies. The Act has helped several states to constitute their own SERCs, which are now in the process of formulating codes and procedures for tariff reforms. However, since the Act has only enabling provisions for establishing SERCs, but does not contain provisions for power sector restructuring, states that are undertaking comprehensive sector reforms have introduced their own electricity reform acts (Orissa, Haryana, Andhra Pradesh, Uttar Pradesh) or are in the process of introducing such legislation (Gujarat, Madhya Pradesh).

38. Efforts have also been made to encourage increased private sector involvement in both power generation and distribution. These have included modification of the regulatory framework and the establishment of a Private Investment Cell in the Ministry of Power and a High Powered Board to monitor clearances. In March 1998, the Government delegated authority to states to clear investments in fully foreign-owned power plants up to a maximum value of Rs15 billion (\$347 million) without referral to the Foreign Investment Promotion Board.

However, the main impediment in fostering private sector participation in the power sector remains the SEBs' severe financial difficulties, which prevents them from assuring payments for power contracted from the independent power producers.

39. ADB's strategy in the power sector will be to leverage its assistance to support comprehensive reform of the institutional and regulatory frameworks at the state level, within an appropriate national power policy, by emphasizing restructuring and commercialization of the SEBs; rationalization of power tariffs; establishment of independent regulatory commissions; and improvement in demand management and efficiency. Further assistance will be provided for capacity building, focusing particularly on improving the capacity for undertaking power system least cost development planning and tariff studies; improving the public-private sector interface, including preparation of power purchase agreements between state agencies and independent power producers; and the commercialization of distribution operations.

40. Given the vital need to address the problems affecting SEBs, ADB will continue to focus its efforts on policy reforms and development at the state level through loan and TA operations in Gujarat and Madhya Pradesh, ADB's two focal states, and in a still to be determined third state. Recent experience has shown that the process of reform and restructuring will take time and require support over a longer period. To this end, the program also includes project preparatory technical assistance (PPTA) for follow-up loans in Gujarat and Madhya Pradesh. In addition to continued support for policy reforms, these projects are expected to support the upgrading and privatization of distribution including in rural areas, and, in the case of Madhya Pradesh, an extension of rural electrification. At the national level, ADB will also support power sector reforms in other selected states through its proposed loan to the Power Finance Corporation.

41. The **hydrocarbon (oil and gas) sector** is critical to India's economic growth as it meets direct energy needs, fuels power generation, and provides the raw material for downstream industries. India now depends on petroleum products and natural gas for over 50 percent of total final energy demand, compared with about 35 percent in the 1980s. The country is increasingly dependent on imported crude oil and petroleum products, accounting for 20-25 percent of total imports in the last few years. In keeping with the thrust of Government's overall deregulation and liberalization efforts, significant reforms were introduced in the hydrocarbon sector including deregulation of imports and marketing of certain petroleum products; greater marketing autonomy for gas distribution companies; private investment in development of oil and gas fields as well as in refining; development of a more transparent pricing structure for oil and gas producers; and creation of the Directorate General of Hydrocarbons (DGH), which has regulatory and supervisory responsibility over public and private sector exploration and production. Another significant development was the reform of the pricing of petroleum products and natural gas. At end-1997, the Government decided to dismantle the administered price mechanism for petroleum products in a phased manner by FY2002. The Government also revised the gas pricing by linking the consumer price for natural gas to a percentage of the prevailing prices of a basket of fuel oils, with further review of the pricing formula to be undertaken in 2000 with a view to bringing the price of gas on full parity with fuel oil. However, further structural reforms in the hydrocarbon sector, particularly within the natural gas subsector, are needed. These include the operationalization of the Gas Regulatory Authority; move to a market-based structure for gas pricing; development of an adequate domestic gas infrastructure such as a natural gas grid and LNG facilities to ease

transport and delivery bottlenecks; the opening of gas transmission to competition; and the adoption and enforcement of environmental regulations.

42. ADB has played the lead role in supporting policy and institutional reforms within the hydrocarbon sector, particularly through the Hydrocarbon Sector Program Loan, and in the institutional strengthening of the DGH through TA on Hydrocarbon Exploration and Production Database and Archive System. The program loan aimed at developing an efficient and competitive hydrocarbon sector in India through policy reforms and structural changes focusing on increased private sector participation; enhancement of the regulatory framework; removal of price distortions; and divestment of government equity in public sector enterprises. Most of the elements of the reform agenda were achieved, except the partial divestment of the Government's holding in the Oil and Natural Gas Company. Given the progress in policy and regulatory reforms, the private sector is expected to increasingly take the lead role in meeting investment requirements in the hydrocarbon sector. To this end, ADB support will focus on the catalytic role for private sector investment through its private sector window, and has identified a number of projects in the liquefied natural gas (LNG) sector. Nonetheless, particularly within the gas subsector, some public sector investment in selected areas, in the form of public-private partnerships, may still be needed over the medium term. The possibility of such ADB interventions will be assessed on the basis of evaluation of ADB-funded National Gas Development Master Plan, which was completed in April 1999.

43. Improvement in **energy efficiency** is another important area within the energy sector. While most ADB-supported interventions for policy and regulatory reforms and power sector restructuring including subsidy removal and tariff rationalization will contribute to increased energy efficiency, ADB has also been supporting improvements in energy efficiency more directly through the Industrial Energy Efficiency Project approved in 1994. This project, which provided a line of credit through the Industrial Development Bank of India to support investment contributing to energy efficiency, has progressed well and is due for completion by mid-2000. Building on the experience gained in this project and in line with Government's importance attached to further improvement in energy efficiency, a follow-up sector development project is proposed for the year 2002. An ADB-supported TA on coal beneficiation was completed in 1998. The TA clearly indicates the potentially important energy efficiency and environmental benefits and the likely commercial viability of such operations, enabling the private sector to play a key role in its development. The TA, however, also notes the need for the Government to rationalize coal pricing as part of the evolving framework. ADB will address this issue through policy dialogue, support for the envisaged sector development project, and its catalytic role in private sector investment.

2. Transport and Communications

a. Transport

44. The major modes of transport, i.e. road, rail, waterways, and airways, have witnessed rapid growth and contributed to the development process of the country. However, resource constraints for network expansion and maintenance of existing infrastructure, and the lack of transport sector planning in an integrated manner, have increasingly posed bottlenecks to further development. An integrated national transport policy is being formulated by the Planning Commission, focusing on the inter-modality of the various transport modes and their institutional and regulatory frameworks for enhanced private participation and effective public-

private partnerships. ADB will support the transport sector development objectives through assistance for national highway development and commercialization of operation through public-private interface; and restructuring and increased commercial orientation of Indian Railways. As catalyst for enhanced subnational economic cooperation, ADB will also support improved transport interconnectivity between the countries in the South Asian Growth Quadrangle (i.e., Bangladesh, Bhutan, India, and Nepal; see also paras. 78-79), particularly improved road and rail links, as well as the development of inland water transport systems.

45. **Road transport** has emerged as the dominant mode of transport in India, accounting for about 85 percent of passenger traffic and a substantial share of freight movement, particularly for transport of non-bulk items over short distances. However, the increased traffic volume has put mounting pressure on the transport infrastructure. The inadequacy of the existing road network is reflected in severe traffic congestion and deficiencies in road maintenance, resulting in low speed, high energy consumption, increased air and noise pollution, and a high rate of accidents. This has been compounded by limitations on the absorptive and implementation capacity of public sector agencies. To alleviate some of the constraints, the National Highways Authority of India (NHAI), established in 1988, became fully operational in 1995 with overall responsibility for the implementation of improvements to the national road network and increasing private participation in the roads sector. Moreover, a National Highways Policy was announced in 1997, inter alia addressing critical issues on private investment in this sector, and outlining the public-private sector focus in roads sector development. Under the policy, the Government will carry out all preparatory works for projects identified for private participation, including preparation of detailed feasibility studies, acquisition of rights-of-way, environmental clearances and resettlement. Private concessions will be determined by competitive bidding, with a concession period of 30 years and transfer to the Government thereafter. Government-acquired land will be made available on a long-term lease basis. In addition to establishing an enabling framework and improving transparency, resource mobilization has been improved through imposing a levy on motor spirit in the FY1999 budget and a one rupee per liter diesel tax in the FY2000 budget, yielding about Rs32 billion (\$740 million) of revenues this year. The proceeds will mainly be used for development and maintenance of state roads, national highways, and construction of railway-over-bridges and railway safety works at railroad crossings. The Government has also decided to toll all four-laned national highways, particularly the high-density corridor. Moreover, the ceiling on foreign investment in the road sector was raised from 51 to 74 percent, and private road ventures were enabled to raise up to 35 percent of the cost of highway projects in the form of external commercial borrowings.

46. Through TA and related policy dialogue, ADB has played an important role in the development of policy and institutional frameworks of the road sector. ADB assisted in establishing and capacity building of NHAI and its 1997 agreement with the Government on a new Road Sector Assistance Plan reflect essential features of the evolved National Highways Policy. In accordance with the COS, ADB assistance will focus on removal of bottlenecks and the rehabilitation of the existing road network within the high density corridor, particularly the western (i.e. Delhi-Mumbai-Chennai) transport corridor, and support for improvement in road safety; and policy reform to promote private sector participation and initiatives to attract private sector funds such as through build-operate-transfer (BOT) and public-private partnership (PPP) arrangements. To this end, two projects that seek to promote PPP in highway upgrading have been included in the program. As part of its efforts for greater subregional cooperation (see para. 44), ADB will also support the upgrading of the North-South Corridor in West

Bengal; a PPTA is at present being implemented. In addition, ADB is envisaging possible support for the secondary (state) highways network in its focal states, to foster further policy and institutional strengthening within the enabling framework established under ADB's public resource management program.

47. Although **rail transport** is the second most important transport mode and the primary (and most economical) mode for hauling bulk commodities such as coal, ores, and foodgrains, particularly over long distances, its share in the total movement of passengers and goods has declined over the years mainly due to Indian Railways' (IR) inability to expand capacity. Inadequacy of the existing institutional and regulatory setup of the railway sector, outdated technology and equipment, and a tariff policy of substantial cross-subsidization of passenger traffic by freight movement have led to diversion of traffic to roads. As a result, IR is unable to meet the increasing transport demand generated by higher economic growth and to mobilize sufficient funding for its expansion and modernization. Unless addressed, these factors will impose a high cost on India's transport sector, prevent full utilization of the comparative advantage of railways within a multi-modal system, and thereby affect regional development and constrain growth.

48. ADB's policy dialogue with the Government and IR has therefore focused on the restructuring of IR and commercialization of its operations. Initial assistance under ADB TA was completed in December 1997, recommending implementation of a sector development reform program comprising institutional and policy reforms together with priority investments. Further policy discussions are being undertaken as part of the envisaged Railway Sector Improvement Project, addressing inter alia organizational reform including hiving off of non-core activities through privatization and/or public-private partnerships; rationalization of the tariff structure; and technology upgrading and modernization. Progress in the conceptualization and implementation of the structural reforms of IR will benefit from an Expert Group on Railways that was constituted by the Government in December 1998. The long-term plan for comprehensive restructuring of the railway sector may require further ADB support. The need for such assistance in the context of satisfactory progress on reform implementation will be assessed through subsequent TA.

49. Reflecting the Government's shift towards a more outward-oriented strategy, India's increasing integration into the global economy has raised demand for international trade links through **port** facilities. However, prolonged and excessive government control, lack of inter-port competition, low performance in cargo operations, low labor productivity, and poor reliability of services have adversely affected the competitiveness of the sector and inhibited private investment. Related problems include insufficient replacement investment, lack of modernization of cargo handling facilities, and an inadequate institutional and regulatory framework. Responding to these weaknesses, steps have been taken to reform the sector. In 1996-1997, the Government issued guidelines for private sector participation, delegated increased financial and administrative power to Port Trusts for capital expenditure and staffing, and constituted a Tariff Authority through amendment of the Major Ports Act of 1963. The Government also introduced a corporatization policy as an intermediate step towards privatization of ports.

50. ADB has supported these initiatives through policy dialogue as well as financial and technical assistance. Ongoing support focuses on commercialization of Mumbai and Chennai Port Trust operations, corporatization of selected major ports, strengthening of private sector

participation in development of the port sector, and promulgation of guidelines on port tariffs for application by major port trusts for both common user port facilities and private sector operations. Complementing these initiatives, ADB is increasingly focusing on intermediate and small ports that are under state government responsibility. Such support would be linked to ADB's state-level operations. As an example, investments in the sector may come through the envisaged state-focused Private Sector Infrastructure Facility. ADB may also participate in the development of private sector ports through its private sector window. Assessment of possible future ADB interventions will be based on trade-transport links within a multi-modal transport structure.

51. The full potential of coastal shipping and **inland water transport** has not been realized although they are more energy efficient, environmentally cleaner, and more economical than the alternative modes of transportation presently used. In the case of coastal shipping, the development has been stymied by constraints of port capacity and customs procedure problems. Inland water transport has its spatial limitations. While direct ADB assistance for coastal shipping is not envisaged, reforms of the port sector and ADB support for ports system master planning at the state level are expected to have positive developmental effects. Meanwhile, there is potential for the development of inland water transport as part of ADB's assistance for enhanced subregional cooperation. A TA is planned for the year 2000 to assess this potential and to identify the scope for private sector involvement.

b. Communications

52. Although India has a large **telecommunications** network, under-investment coupled with the sector's rapid growth has resulted in a large unmet demand, limited coverage, and heavy concentration in the urban regions. The Government's telecommunications policy of 1994 enabled the granting of licenses to private operators for basic telephone services in direct competition with the Government's Department of Telecommunications (DOT), and private companies were allowed to provide services with value added, such as mobile phone and paging services. However, certain policy, regulatory, and institutional issues still need to be resolved, particularly as regards the restructuring of DOT, and the introduction of a new regulatory regime to manage multiple facility service providers especially in the areas of tariff regulation, revenue sharing, technical standards, and interconnection. A new telecommunications policy was announced in early 1999, opening national long distance services to competition, allowing multiple operators for basic services, and switching to an entry fee plus revenue-sharing arrangement for new entrants to basic, cellular, and paging services. The new policy has also reiterated the regulatory role of the Telecommunications Regulatory Authority of India (TRAI), which was established in 1997. Although the new policy progresses in enhancing competition in the sector, several structural issues remain to be addressed. In particular, licenses will continue to be granted only for compartmentalized services (e.g. cellular, cable, internet), rather than allowing multiple services. Moreover, structural reforms such as the corporatization of DOT and the dismantling of the state monopoly on international long-distance services were postponed and have now been targeted for the years 2001 and 2004, respectively.

53. In the past, ADB provided support for the extension of the telecommunications network through two telecommunications loans. However, efforts by ADB to directly support the expansion in rural telecommunications were unsuccessful, as the Government requested withdrawal of the Rural Telecommunications loan in view of DOT's preference for indigenous

technology. ADB has also provided a TA for capacity building of TRAI. Although additional TA support to TRAI was earlier envisaged, these TA resources have been reallocated to enhance ADB's developmental impact in other sectors due to substantial new commitment by the World Bank in support of TRAI's further capacity building. ADB's future involvement in the telecommunications sector will likely be limited to support through its private sector window.

3. Industry and Finance

54. The **industrial sector** has performed well under the more liberal economic policies adopted in the early 1990s. Delicensing industry and trade, and liberalizing the investment and exchange rate regimes have raised allocative efficiency, lowered production cost, and increased competitiveness as a prerequisite for enhanced integration into the global economy. Sustaining this performance will depend in large part on tackling India's serious infrastructure constraints and continued progress in financial sector and fiscal reforms, so as to ensure that adequate resources are available to service the demands of the corporate sector. On the other hand, the recent slowdown in the industrial sector is raising the risk of a worsening of loan portfolios of commercial banks and other financial institutions. Continued strengthening and further development of the financial and capital markets, complemented by reform of the public finances, is therefore important for maintaining macroeconomic stability and for raising the efficiency of domestic resource mobilization to meet the investment requirements of the corporate sector and the vast demands for infrastructure financing.

55. Although significant progress has already been made in reforming the **financial sector** and in developing the domestic capital market, there is a need to deepen existing reforms, notably in respect to the long-term debt market encompassing institutional sources of long-term funds such as insurance companies, pension and provident funds, mutual funds, and housing finance. In view of the Government's objective of gradually liberalizing the capital account, progress in strengthening the domestic financial system and the Reserve Bank of India's oversight capabilities will also be essential. To help guide future reforms, the Second Financial Sector Committee under the chairmanship of Mr. N. Narasimham prepared a report in April 1998. The Government has already started to implement its recommendations, including increasing the capital adequacy ratio above the international norm proposed by ADB for International Settlements, tightening prudential asset classification and income recognition norms, and reforming rural credit by strengthening regional rural banks and reforming cooperative institutions. Other important recommendations of the Committee included a complete review of banking laws, the integration of the lending activities of non-bank finance companies with commercial banks, and a clearer separation of ownership and management as well as reexamination of the issue of public ownership of the banking system.

56. ADB has played a lead role in supporting the Government's financial sector reforms through two loans, the Financial Sector and the Capital Market Development Program Loans, both of which were deemed to have been successful. Reform efforts included deregulation of interest rates, relaxation of credit controls, and adoption of international accounting and prudential regulations, as well as entry of private sector financial institutions and restructuring including recapitalization of public banks. ADB also supported reforms in the **capital market**, including strengthening of the Securities and Exchange Board of India as the principal market regulator, improving market access by private investors and institutions, liberalization of investments of insurance companies and provident and pension funds, and modernization of

market support facilities inter alia through the establishment of an automated national securities depository.

57. Given the importance of a well-functioning financial sector and capital market to India's economy, both in terms of its contribution to the growth of private sector activities and the development of infrastructure, ADB will continue to take a lead role in supporting policy, regulatory, and institutional reforms. Building on the success of ADB's earlier interventions, the main focus of ADB support will be the development of a long-term debt market. To this end, a PPTA is being processed in 1999. The PPTA will address, in particular, the development of India's debt securities market and reform of the legal and regulatory framework, particularly for debt recovery. A program loan in support of the development of the long-term debt market is planned for the year 2001.

B. Social Infrastructure and Environment

1. Urban Development

58. Rapid urbanization and under-investment in urban infrastructure and municipal services have resulted in serious environmental and health problems in India's cities. Urban households across India, particularly the poor, have limited access to potable water and adequate sewerage, drainage, sanitation, and waste disposal facilities. To ameliorate the incidence of urban poverty and to prevent further environmental degradation, the Government is giving high priority to the development of urban infrastructure and the provision of essential municipal services. The 74th Constitutional Amendment, passed in 1992, embodies a commitment to devolve greater authority and responsibility for urban management from the states to municipalities. To effect this devolution, municipal finances and management need to be strengthened to build adequate local capacity. Through two national assistance programs, the Mega City Project covering the five cities of Bangalore, Calcutta, Chennai, Hyderabad, and Mumbai, and the Integrated Development of Small and Medium Towns Scheme, the Government is evolving intergovernmental partnerships and is attempting to use its budgetary resources to leverage institutional finance and market funds. Moreover, under the Mega City Project, revolving funds linked to cost recovery from infrastructure investments have been established. In March 1999, the Parliament approved the repeal of the Urban Land (Ceiling and Regulation) Act. This will remove a major constraint on urban development and housing.

59. Consistent with the Government's strategy, ADB involvement in urban development through its lending (i.e. Karnataka Urban Infrastructure Development Project, Rajasthan Urban Infrastructure Development Project, and the proposed Karnataka Urban Development and Coastal Environmental Management Project) and TA (i.e., Urban Sector Profile and Capacity Building for Improved Infrastructure Development in Selected Municipalities in Karnataka) has been aimed at encouraging more balanced urban regional development through growth centers near already over-stretched metropolitan areas and reducing urban poverty and environmental concerns. Preventing further environmental degradation and alleviating pressure from rapid urbanization are becoming an increasingly important part of ADB's urban sector program. As indicated in ADB's Urban Sector Strategy for India, effective implementation of urban development projects requires appropriate policy and institutional reform measures to ensure sustainability. In this regard, support needs to be directed to implementing changes in land acquisition, strengthening municipal finances, and improving the technical and administrative capacity of urban sector agencies and state and local

governments. Sustainability also requires that urban infrastructure development projects focus greater attention on the need to adequately operate and maintain existing assets and to mobilize financial resources through user charges and the capital market. ADB TA on Resource Mobilization for Local Governments in Karnataka and on Strengthening Local Government in Madhya Pradesh have promoted a number of policy reform measures and initiatives aimed at improving the financial condition and autonomy of municipal bodies. ADB is also taking a lead role in developing innovative forms of financing for urban infrastructure by both the public and private sectors.

60. Building on the experience gained in designing the projects in Karnataka and Rajasthan, support for integrated urban development and environmental improvement projects will remain a key component of ADB's strategy in the urban sector. In 2000, an Environmental Improvement Project is proposed to address the significant drainage, wastewater, and solid waste problems facing the Calcutta metropolitan area. The program also includes the proposed Urban Infrastructure and Environmental Improvement Project in Gujarat in 2002. TA for the preparation of urban development projects in ADB's focal states are scheduled for the 2000-2002 period. Additional ADB support in the urban sector will be geared to maximizing private sector participation in urban development and highlighting the demonstration effect of successful partnerships. These projects could include public-private partnerships to support improvement of water supply, urban transport facilities, and solid waste management. The development of an Urban and Environmental Infrastructure Facility, initially scheduled for 2000 but now envisaged for full processing and approval in 1999, will complement these activities.

2. Housing

61. Rapid population growth, poverty, and relatively low investment in housing have created a serious shelter problem in India. The majority of the population, especially the urban poor living in slums, lack access to housing finance from the formal sector. There is an urgent need to expand the capacity of financing institutions, including community-based organizations, to respond to the overwhelming need for housing finance for poor families, especially by developing new approaches to financing low-income housing while maintaining reasonable levels of security. Under the National Housing Policy (1994), the Government aims to increase access of poorer households to housing and other basic services (water supply and sanitation), integrate poverty reduction and employment opportunities with improved housing, and mobilize additional financial resources by establishing linkages between the formal sector, non-government organizations, and community-based financing institutions. At the same time, the role of government has been changing from that of provider to one of facilitator and the Government is promoting increased private sector participation, including foreign investment, in the housing sector. To facilitate mobilization of funding for housing development, the Government has recently declared the housing sector as an infrastructure sector, thereby enabling access to tax benefits on investments.

62. Support for the housing sector through the Karnataka Urban Infrastructure Development Project (low-income housing finance component), approved in 1995, and the Housing Finance Project, approved in 1997, represents a new area for ADB. ADB's strategy is to support development of a more market-oriented approach for meeting housing demand and to promote a greater role for the private sector in housing finance. The strategy also focuses on the development of housing loan insurance funds for community-based housing finance institutions, general mortgage insurance, and the development of instruments for asset

securitization. Strengthening the policy and institutional framework for establishing sustainable financing mechanisms for housing finance is an important concern; ADB's TA for Strengthening Housing Finance Institutions, and for Restructuring State-Level Housing Institutions respond to the institutional strengthening requirements of India's rapidly changing housing sector. Implementation of the Housing Finance Project is progressing well. Given the substantial demand for housing finance and the scope for continued policy dialogue and reform, ADB will continue to be active in this sector. PPTAs for further housing finance projects are included in the TA program.

3. Environment

63. Recognizing that increasing pressure on India's environment poses a threat to sustainable economic development, the Government has formulated an Environment Action Plan outlining its environmental priorities and adopted measures to arrest further natural resource degradation. However, weak enforcement of environmental legislation, almost exclusive reliance on a command and control regime, and resource constraints has prevented effective policy implementation. While there is a need to further strengthen the capacity of the Ministry of Environment and Forestry and the Central Pollution Control Board at the national level as well as the capabilities of various line agencies to deal effectively with environmental issues, the capacity to implement environmental policies is particularly weak at the state and local levels.

64. Initially, ADB's support to environmental management and improvement focused on capacity building within line ministries and executing agencies to identify, prevent, and mitigate environmental impacts of infrastructure projects. More recently, ADB has also provided TA to strengthen environmental legislation and enforcement including environmental impact assessment and pollution control. Increasingly, direct support for the environment is becoming an important component of ADB's overall lending operations in India. While this is most obvious in ADB's urban development projects (such as the Rajasthan Urban Infrastructure Development Project, approved in 1998, and the Karnataka Urban Development and Coastal Environmental Management Project, proposed for 1999), most of the projects in the energy sector, as well as ADB's support for improvement in energy efficiency, also have significant environmental dimensions. To further strengthen environmental management, policies are now being addressed more directly through ADB's state level operations. The Madhya Pradesh Public Resource Management Program Loan, scheduled for Board consideration in 1999, comprises specific measures to support the environmental sustainability of economic growth and industrial development, for example, efficiency gains in natural resource utilization, and reduction of pollution and waste in various sectors. The state's environment policy will actively promote market-based instruments for natural resource and environmental management. Adoption of such policy will make Madhya Pradesh the first state in India to formulate an environment policy consistent with the overall national agenda for sustainable development.

65. Given the Government's commitment to addressing the environmental concerns, and its willingness to selectively utilize OCR financing, ADB lending for environment is expected to increase over the medium term to support energy conservation projects, the abatement of industrial pollution, as well as projects that address urban environmental problems. To help guide ADB's expanded operations in this field, an Environment Sector Strategy and Profile will be completed as part of ADB's country economic and sector work in 1999. In addition to

energy efficiency projects (para. 43) and projects within the urban development sector that address environmental issues (para. 60), ADB is taking a lead role in the project for Environmental Improvement and Sustainable Development of the Agra-Mathura-Ferozabad Trapezium, being prepared under ADB TA and expected to be approved in 2000. While efforts to strengthen the capacity of national institutions in the area of environmental management will continue, future ADB support will give priority to strengthening the capacity in environmental management and monitoring at the state level, particularly in Gujarat and Madhya Pradesh, ADB's two focal states, as well as Karnataka and Rajasthan, where ADB is already involved in comprehensive urban development projects. To this end, the TA program includes a cluster advisory technical assistance (ADTA) for Capacity Building for Environment Management at the State Level to be undertaken during 1999–2002. The TA, currently under processing, will comprise various capacity building components including (i) institutional strengthening for environmental impact assessment capacity at state level; (ii) strengthening environmental management planning, regulation, and investment in Gujarat and Madhya Pradesh; and (iii) capacity building for cleaner production and utilization of the clean development mechanisms.⁴

C. ADB's State-focused Interventions

66. States in India have considerable autonomy and play a crucial role in the delivery of social services (particularly public health, family welfare, social security, education, housing, and urban development) and the provision of infrastructure (particularly power, irrigation, flood control, and transport). The states are also responsible for executing Central Government policies and programs. While economic reforms introduced since 1991 have contributed substantively to enhanced efficiency, competition, and the potential for higher economic growth, the initiatives have been concentrated almost exclusively at the national level, with the pace and depth of reform lagging at the state level. The states' public finances have come under increasing pressure, resulted in compression of capital outlays, and contributed to the worsening of the consolidated fiscal deficit. Without concurrent measures at the state level, especially with regard to improved fiscal performance and sectoral policy reform, the effectiveness of Central Government reforms will be limited. The states therefore need to adjust to policy changes and the modified incentive structure at the center to facilitate center-state coordination and to fully benefit from the outward- and market-based orientation of the development process. The Government is encouraging states to undertake comprehensive reform programs, and to seek external assistance as “additionality” to normal transfers.

67. To support this policy, a key feature of ADB's COS is a shift in ADB activities towards support for comprehensive economic and structural reforms in selected states. The primary criteria for state selection are: an evident commitment to policy reforms; an urgent need for assistance as reflected inter alia in social and infrastructure indicators; a satisfactory record of project implementation; capacity to service the loan; and, in view of the holistic approach to reform, the absence of major assistance from other funding agencies. The focus of ADB assistance is on support for macroeconomic reform and fiscal consolidation to improve public saving and enhance resource mobilization; increased efficiency in resource use through rationalization of unproductive expenditure and restructuring and divestment of state-owned enterprises; and policy reforms in key physical infrastructure sectors, especially power, the

⁴ Clean Development Mechanisms (CDMs) are part of the new financing mechanisms for greenhouse gas abatement technology investments in developing countries introduced under the Kyoto Protocol (1997) of the United Nations Framework Convention on Climate Change.

major cause of fiscal hemorrhage in most states. The state-level operations also focus on fostering human development through support for reallocation of budgetary resources to social sectors, particularly health and education, and thereby enable addressing vital cross-cutting concerns on a sustainable basis. Moreover, the subnational focus of ADB's operations will enable it to maximize the developmental impact of its assistance, not only in terms of the direct impact on the participating states, but also in terms of the positive demonstrational effect on other states as well as on private investors.

68. In accordance with ADB's strategy, it is expected that over the medium term up to one half of the annual lending to India will be made available for state-level operations. The balance of ADB's lending to India will be made to national agencies with countrywide operations. However, to strengthen ADB's catalytic role, only those states with commitment to reform, particularly in the areas of fiscal consolidation and policy reform in infrastructure sectors, will be eligible for subprojects financed through the national agencies. In this way, ADB's assistance will be available to reforming states not included for state-level operations. Gujarat was the first state chosen for ADB's state-level operations and a loan and TA program was approved in 1996. ADB assistance so far has focused on improved public resource management, preparation of the Power Sector Reforms Law, and establishment of the Gujarat Infrastructure Development Board as the first infrastructure project development facility of its kind in India. In 1997, Madhya Pradesh was selected as the second state on the basis of the selection criteria mentioned earlier. TA has been provided to the state in support of public finance reform, including taxation and expenditure management, and for strengthening the financial and administrative capacity of local governments. The Madhya Pradesh Public Resource Management Program Loan is scheduled for approval in 1999. ADB's future lending program includes further loans for both states including Madhya Pradesh Power Sector Development, state-focused Private Sector Infrastructure Facility, and Gujarat Urban Infrastructure Development and Environmental Improvement. Possible support for Madhya Pradesh in the area of improved maintenance and extension of the state highways network are being discussed in close coordination with the World Bank (which is providing a TA). ADB is also holding discussions with the Central Government on the possible selection of a third state, and appropriate interventions following ADB's approach adopted in Gujarat and Madhya Pradesh have been included in the loan and TA programs.

D. Governance Dimensions of ADB Operations

69. While India has implemented the first stage of reforms and succeeded in establishing a policy framework enabling higher economic growth, important policy gaps remain in this framework together with capacity gaps in the regulatory and other institutions required for its implementation. ADB's efforts involving governance issues in India have initially been focused on project-related interventions in the key infrastructure sectors, particularly energy (power and hydrocarbon), transport (roads and ports), and telecommunications, as well as in establishing the policy and institutional frameworks of the financial and capital market sectors. The major thrusts of ADB's governance-related interventions in these sectors include the strengthening of the policy, regulatory, and institutional frameworks to promote greater transparency, competition, and efficiency; creating an enabling environment for private sector participation in infrastructure projects; and capacity building of key agencies.

70. In accordance with the widening focus of ADB, on the basis of its operational strategy in India to address social concerns and poverty reduction more directly, governance aspects

have been incorporated in social infrastructure projects involving mainly urban infrastructure and housing, and in ADB's state-level operations to improve public resource management, beginning in the state of Gujarat. Support along these lines includes improvement in budgeting and tax administration, public enterprise reform, promotion of private sector participation through establishing a level playing field between public and private entities, and capacity building of key local government bodies. ADB's second state-level operation, covering the state of Madhya Pradesh, is being proposed for approval in 1999. In addition to improving public sector management and the public finances, and establishing an enabling environment including depolitization of tariff setting and regulatory framework, the program for Madhya Pradesh supports measures for improving corporate governance, comprising institutional and management aspects such as appropriate procedures for selection of management, enhanced accountability, and performance-based incentives; and financial aspects such as enhanced autonomy of PSUs from government for investment decisions, and objective criteria for return on investment and dividend payment.

71. ADB assistance will continue to incorporate governance dimensions as an important building block of ADB's operational program in India. Loan assistance, TA, economic and sector work, and policy dialogue will be used in combination to pursue governance objectives at both the national and state levels, with support at the central level being integrated with ADB's assistance to specific sectors and subsectors. ADB is also planning to assist in capacity building of the Department of Administrative Reforms and Public Grievances, which has a lead oversight role on governance in India. The operational program of ADB will further address procurement issues through a TA on Capacity Building on Contract Supervision and Management, and financial transparency and accountability through a TA on Institutional Strengthening of Controller of Aid Accounts and Audit. Moreover, ADB is supporting enhanced participatory development processes through assistance for Strengthening Participation in Urban Development and Social and Environmental Development in Project Design and Implementation, and the fostering of closer public-private sector interface.

E. Gender Dimensions of ADB Operations

72. ADB's Gender and Development (GAD) Policy approved in 1998 calls for gender mainstreaming, with emphasis on economic and sector work and policy dialogue on gender issues. Through policy dialogue, ADB can ascertain the policies and programs of the developing member countries (DMCs) on GAD and assess the respective areas of concern. The Government of India accords increasing importance to gender dimension, and has made the empowerment of women as one of the nine primary objectives of its Ninth Plan. The 73rd and 74th Amendments to the Constitution have also created a third tier of governance comprising elected bodies in rural and urban areas as a starting point for effective decentralization of development, and contain specific provisions to ensure increased participation of women in decision making.

73. There are several venues through which ADB is directing its efforts to support the Government's policies and to assist in mainstreaming gender issues. First, as part of ADB's state-level operations, for the proposed Madhya Pradesh Public Resource Management Program Loan a detailed socio-economic analysis of public sector employees was undertaken as a basis for the design of the social safety net. The analysis covered gender, age distribution, educational background, professional experience, and profile of dependents, enabling suitably targeted intervention particularly on education and training support. This loan

also fosters expenditure reallocation to social services, particularly health and education. These focused social interventions will mainly benefit women in rural areas, through enhanced access to rural health facilities, and primary school children (particularly girls and ethnic groups which are disadvantaged by severe gender disparity in literacy) due to improved sustainability of the primary education program. ADB is also providing support through the 1999 TA on Social and Environmental Development in Project Design and Implementation, which inter alia strengthens the Government's capacity to undertake gender analysis during the crucial project preparatory stage. In preparation for the planned review of ADB's COS, a country briefing paper on women will be prepared during 1999-2000.

F. Private Sector Operations

74. Support for private sector development is an integral part of ADB's operational strategy in India. The main emphasis has been on establishing the policy, regulatory, and institutional frameworks for private sector participation in economic development, particularly in the hydrocarbon, port, and communications sectors and, at the state level, in the power sector. This strategy also includes facilitating private sector investment in physical infrastructure; improving the commercial framework through support for developing alternate dispute settlement mechanisms (conciliation, mediation, and arbitration); and providing direct financial assistance for strategic private sector initiatives.

75. ADB's direct private sector financing operations through its Private Sector Group (PSG) have so far mainly supported financial and capital market institutions, but future operations will attempt to increase forms of direct support for infrastructure financing in the oil and gas, power, railways, telecommunications, water supply/waste management, and port sectors. Pursuing new infrastructure initiatives, however, will be a challenging exercise. A properly defined legal and regulatory environment is still lacking in most Indian infrastructure subsectors. Often, infrastructure initiatives rely, directly or indirectly, on financial support from both the state and central governments, a burden that the private sector has difficulty in mitigating. The reluctance of the political establishment to define infrastructure tariff schemes that are commensurate with infrastructure project costs makes the financing of these projects extremely difficult. The uncertain political environment also negatively impacts on the degree of private sector participation in the infrastructure sector. Despite assurances for facilitation of private participation, political support is still deemed insufficient by most private sector developers. There is thus urgent need to expand and strengthen the enabling environment.

76. In recognizing the developmental challenges in this area, ADB is focusing its catalytic support for private sector projects to those sectors where appropriate policy, institutional, and regulatory frameworks are being evolved, and is fostering the establishment of such frameworks through policy dialogue as part of public sector intervention. For the period 1999-2000, the private sector pipeline includes, among others, one LNG import terminal project in Gujarat (\$50 million loan and/or equity), and possibly one combined power and LNG terminal project in Tamil Nadu (\$50 million loan and/or equity). Oil transmission, telecommunications, and environment-related initiatives are also under review. Some of these projects, for example the LNG import terminal initiative in Gujarat and coal beneficiation projects, were formerly identified for public sector financing, but have been removed from the pipeline due to their potential for private sector financing.

77. The key to developing the private sector within a suitable policy and regulatory environment are well functioning financial and capital markets. A competitive and healthy financial and capital market could expand financial resources for private sector investments. ADB's focus will be to make selective investments to help create and build institutions that mobilize resources for infrastructure, reduce the Government's shareholding in state-owned banks, and enhance financial sector competition, and strengthen financial supervision. ADB will also consider investments in new licensees once the insurance industry is fully opened to private investment. Private sector operations will seek to leverage ADB assistance by cofinancing through the complementary financing scheme and guarantee facilities. Opportunities will continue to be explored for leveraging ADB's unique public-private financing modalities, especially in infrastructure sectors such as energy, roads and ports, and in urban development, where ADB's PSG and its public sector operations can fund complementary investments.

IV. Regional Cooperation

78. The globalization of world economies has greatly intensified international competition and has, at the same time, given rise to a new wave of regionalism. Geographical proximity, economic complementarity, political commitment, policy coordination, and infrastructure development are factors conducive to formation of such groupings. Regional economic cooperation, as one form of coordination, could offer the South Asian countries significant potential benefits. In 1997, Bangladesh, Bhutan, Nepal and India agreed to establish the South Asian Growth Quadrangle (SAGQ), which will operate within the South Asian Association for Regional Cooperation (SAARC) framework. Given their development potential, focus was to be given to six sectors, including energy, multi-modal transport and communication, trade and investment facilitation and promotion, tourism, and natural resource utilization and environment. It was further agreed to proceed on a project-by-project building-block approach, covering bilateral as well as multilateral cooperation. India also has a trade agreement with Sri Lanka, which will gradually phase out customs duties on a wide range of goods traded bilaterally.

79. Examples of regional cooperation include the ongoing regional technical assistance (RETA) for power exchange between Bangladesh and India and a proposed RETA designed to boost rail traffic between these two countries. Initiatives in the gas sector can build on an earlier RETA for the Regional Gas Conference on Natural Gas Supplies to South Asia and on TA for gas sector masterplans (including imports) for Bangladesh and India. Further initiatives, such as electricity exchange between India and Pakistan, are being evolved within SAARC but outside SAGQ. ADB is also working with the Indian Government, as well as the governments in the other three countries, to identify high priority projects that lie within national boundaries but which offer potential subregional benefits. As an example, ADB has approved at end-1998 a TA providing support for the upgrading of the north-south transport corridor in West Bengal. Further support is being envisaged through a TA for inland waterway in West Bengal to strengthen the transport system. A further RETA is also being planned to examine the potential of the non-tradable and service sectors for the subregional initiatives among SAARC countries.

V. Donor Activities and Aid Coordination

80. ADB maintains close coordination with major multilateral and bilateral donors through regular contacts of its India Resident Mission (INRM), through ADB programming and processing missions, and through the annual India Development Forum (IDF).⁵ This process facilitates coordination and agreement on technical and policy issues, avoids unnecessary duplication of effort, and enables donor agencies to learn from each other's experience. Although ADB, in line with its operational strategy, does not provide direct assistance to all sectors, through this shared approach ADB keeps informed about key constraints and problems that other donors are addressing. As part of its increasing state level focus, ADB, through INRM, organized an aid coordination meeting in Madhya Pradesh—the first such coordination meeting held at state level in India—to assist in initiating and coordinating funding agency efforts in parallel with ADB's development assistance. This has further provided impetus for bilateral donors' efforts to reorient their developmental strategy and for strengthening their geographical and sectoral focus of assistance.

81. In addition to ADB, the World Bank, Germany, Japan, Netherlands, United Kingdom, and United States, as well as the European Union are India's major sources of aid. ADB, the World Bank and Japan's Overseas Economic Cooperation Fund (OECF) provide the bulk of India's official loans. The World Bank, which lends from both International Bank for Reconstruction and Development (IBRD) and International Development Agency (IDA) resources, provides support mainly to agriculture, social sectors (family welfare, health, nutrition and primary education), power, coal, and roads. In response to a decision by the World Bank's management to increase IBRD lending to India to about \$3 billion per year and to achieve an IBRD:IDA ratio of 2:1, the World Bank is substantially increasing its assistance to the power and road sectors and also envisages possible support for urban development as well as for the railway sector. While there is complementarity between ADB and World Bank in several key sectors (especially power and transport), ADB has taken the lead in holistic state level support. To increase the developmental impact of its assistance, the World Bank has also begun channeling a portion of its lending operations to more focused state-level operations. In discussion with the Government, ADB and the World Bank are coordinating on an appropriate geographical focus for each institution's state-level operations. ADB has commenced state-level operations in both Gujarat and Madhya Pradesh, and is assessing the suitability of Kerala as a further focal state. The World Bank has so far concentrated its subnational operations in Andhra Pradesh, Haryana, and Orissa, and is envisaging further comprehensive support for Rajasthan and Uttar Pradesh. In other sectors too, activities are coordinated to ensure an appropriate division of labor and geographic spread. As a result of such efforts, in recent years ADB has taken the lead in capital market development, policy reform in the hydrocarbon sector, support for investment in gas infrastructure, and in state-level reforms of resource management. Over the current programming cycle, ADB is expected to play a lead role in policy development for railways, urban development, and housing finance. Regular consultations between ADB and the World Bank at the headquarters level have also been institutionalized.

82. Support for economic infrastructure (power, transport and communications, urban sector) as well as the environment and agriculture have traditionally been the priority areas of

⁵ The 1998 IDF was cancelled due to prevailing economic sanctions in the wake of India's nuclear test. Although initially scheduled for July 1999, this year's IDF has been postponed until after the general elections.

attention of OECF. OECF also assists in poverty reduction through support for improved farm productivity, agroprocessing, and small-scale industries. The planned merger of OECF with the Export-Import Bank of Japan (JEXIM), and reassessment of lending priorities in the context of the current international environment are expected to shift the focus of Japan's development assistance to India and may also affect its future lending volume. The United States Agency for International Development (USAID) has focused its program inter alia on population stabilization; provision of health care, including HIV/AIDS control; environmental protection and pollution control, particularly in urban areas; and support for energy conservation and demand side management. USAID also provides extensive food aid. The priorities of Germany's assistance are the infrastructure (power and transport) and social sectors, including water supply, urban waste management, housing, and health. The United Kingdom aid program to India focuses on poverty reduction primarily through support for social sector initiatives. However, the program also seeks to support sustainable economic growth through support for economic reforms, particularly in fiscal policy and the power sector. The European Union has become a major source of grant aid to India. Its program has a focus on rural development, primary education and natural resource management.

83. External assistance has substantially increased from the low levels in the early 1980s, and averaged about \$4 billion annually during FY1991-FY1998 (Appendix 3), or almost \$5 in per capita terms. The terms of the ODA to India have considerably hardened over time, with the grant element declining from 19 percent during 1975-1980 to 8 percent during 1990-1995; the grant element is further declining with the recent World Bank decision to target an IBRD:IDA ratio of 2:1 compared to 1:1 in future years. This implies an increase in the cost of long-term funds as the portion of concessional lending in total lending diminishes over time. Following India's nuclear test in May 1998, and the subsequent imposition of economic sanctions, most bilateral donors put a freeze on new aid to India and in addition indicated their unwillingness to support new lending from multilateral agencies for other than humanitarian purposes. As a result, Board consideration for several World Bank loans were postponed in May/June 1998, the end of its fiscal year. Similarly, ADB lending to India were substantially affected and only one loan, the Rajasthan Urban Infrastructure Development Project, was submitted for Board consideration and approved in late 1998. Together with the freeze on bilateral assistance, the drastic decline in multilateral lending to India has lowered foreign aid to \$1.8 billion in FY1999 compared to \$3.7 billion in FY1998 and about \$4 billion on average since the early 1990s. In view of the ongoing political uncertainty and the prevailing international environment, foreign aid to India may likely continue to be severely constrained. Moreover, the non-approval of infrastructure projects by multilateral institutions and the freeze on bilateral lending could severely hamper the medium to long term growth potential of the Indian economy by preventing removal of infrastructure bottlenecks.

VI. Cofinancing and Catalyzing External Resources

84. India has been a major recipient of cofinancing among ADB's DMCs, receiving about \$3.8 billion from multilateral and bilateral sources, export credit, and commercial cofinancing since the inception in 1986 of ADB's lending program for India, thereby mobilizing additional resources of about \$1.2 for each dollar from ADB. Reflecting the importance of official cofinancing in the past, the country has received about 11 percent of all ADB official loan cofinancing, but only some 6 percent of commercial cofinancing. Efforts are being strengthened to raise the level of commercial cofinancing, including from export credit agencies. ADB is also putting greater emphasis on cofinancing and credit enhancement

through its guarantee facility, and there appears to be scope particularly for partial credit guarantees in view of the limited availability of long-term financing in the Indian financial and capital markets.

85. ADB's lending pipeline offers considerable opportunity for cofinancing. The Railway Sector Improvement Project, scheduled for 1999, has attracted interest from a large number of cofinanciers, including commercial sources. There is also considerable interest among PSUs, especially those at the national level in the energy sector, in making use of ADB's Guarantee Facility and this is being actively discussed in the context of the Power Transmission Improvement (Sector) Project (1999) and the Power Finance Corporation Loan (2000). However, despite the significant potential that use of the Guarantee Facility will provide for further leveraging ADB assistance to India, issues still being addressed include the need for government counterguarantee and the pricing of such counterguarantees. Moreover, efforts to mobilize cofinancing are at present also constrained by the economic sanctions. These affect both the availability of commercial cofinancing as well as official cofinancing for non-basic human needs loans, and will continue to be reflected in the low level of foreign aid to India.

86. Potential cofinancing partners include: OECF (road sector, power sector, urban development, and environment); JEXIM (power and port sectors); the Netherlands (ports sector, urban development, and environment), and United Kingdom (power sector). Both being important sources of official cofinancing for ADB projects in the past, the forthcoming merger of OECF and JEXIM in October 1999 to form the Japan International Cooperation is expected not to substantially affect the scope and level of cofinancing opportunities with ADB, or the sectoral focus of future assistance.

VII. ADB's Operational Program

87. The proposed loan and TA program for the period 1998-2002, summarized in the table below, reflects ADB's prevailing operational strategy and is consistent with the Government's development objectives. In view of the disruption in the implementation of the operational program, with almost the entire 1998 Program slipping to 1999, the 2000-2002 Program is similar to the 1999-2001 Program set out in the 1998 Country Assistance Plan. Adjustments to the proposed 2000-2002 Program may be required depending on further developments affecting the 1999 Program, as well as any change in priorities that may be agreed between the Government and ADB. The medium-term program may also be further revised in the context of revisions to the COS, envisaged for the year 2000.

88. A detailed breakdown of the program, including the sector distribution and project mix, is given in Appendixes 4 and 5. Against an indicative planning figure of \$1,200 million, ADB's firm lending program over this period averages about \$1.3 billion per year, reflecting some degree of overprogramming to mitigate the possible effect of unexpected delays in loan processing in view of the increasing emphasis of policy reform at national and subnational levels, as well as the large average size of projects in India. The TA program is expected to play a critical role in determining ADB's policy and capacity building agenda, facilitate the implementation of projects and programs at the national and state levels, and contribute to mobilizing funding agency support and cofinancing possibilities. For 1999-2000, the TA program comprises 21 projects for a total amount of \$19.6 million in support of the project pipeline and to address capacity building issues including at the state level.

Table 1: Lending and Technical Assistance Program, 1998-2002

A. Public Sector Lending Program										
	1998 (Actual)		1999		2000		2001		2002	
	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)
Lending Program ^a										
ADF	0	0.0	0	0	0	0.0	0	0.0	0	0.0
OCR	1	250.0	6	1,355.0	4	1,150.0	6	1,400.0	5	1,100.0
Lending Pipeline ^b										
ADF			0	0.0	0	0.0	0	0.0	0	0.0
OCR			6	1,355.0	5	1,400.0	6	1,400.0	5	1,100.0

B. Technical Assistance Program										
	1998 (Actual)		1999		2000		2001		2002	
	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)
TA Program ^a	5	4,500.0	14 ^c	11,950.0	8 ^c	7,650.0	6 ^c	5,150.0	4	3,400.0
TA Pipeline ^b			14 ^c	11,950.0	8 ^c	7,650.0	6 ^c	5,150.0	4	3,400.0

^a The Program is comprised of the firm projects.

^b The Pipeline consists of the Program (firm projects) and standby projects. In 2001 and 2002, there is no distinction between firm and standby projects.

^c Including multi-year cluster TA.

VIII. Economic and Sector Work Program

89. ADB is undertaking comprehensive and detailed economic and sector work to support its operational strategy and the key policy issues, focusing on the strengthening of capacity to undertake policy dialogue on reforms towards the establishment of a market-based institutional and incentive framework and policies conducive to private sector participation; facilitating provision of assistance in capacity building; and revising or developing sector strategies.

90. Economic and sector work will include updating of ADB's in-house macroeconomic model of the Indian economy that will be used, inter alia, for the *Country Economic Review* and the *Asian Development Outlook*. The macroeconomic model will also allow evaluation of the developmental impact of policies on efficiency and the sustainability of economic growth, a prerequisite for progress in reducing widespread poverty. In analyzing alternative scenarios of future development, policy consistencies will be assessed and country risk analyzed. This could also give feedback on the absorptive capacity of external assistance and thus provide further guidance on the scope of ADB's future lending operations.

91. The macroeconomic analysis will be complemented by detailed sector studies, closely linked to ADB's proposed lending operations over the next few years, including the development of a financial sector strategy; the design and implementation of further policy reforms in the power sector, focusing inter alia on the restructuring and privatization of transmission and distribution while also addressing the vexed issue of power subsidies; and capacity building for efficient public sector management at the national and state levels and for local government resource mobilization. ADB's state-level operations are expected to expand to include a third focal state. A state economic profile for Kerala will be prepared in 1999 to assess its suitability for selection as a focal state.

92. To guide ADB's expanding operations in urban development and the environment sector, work on an environment profile has been initiated and will be completed in 1999. In relation to governance issues involving the public sector reform agenda, a TA on Capacity Building for Development Management has been included in the 1999 program. To further strengthen ADB's support for social sector development and poverty reduction, a social sector

profile as well as a gender study will be undertaken during 1999-2000 to monitor and review India's progress in these areas and to ascertain if ADB's proposed lending and TA activities can be designed and targeted in such a way as to enhance ADB's contribution and thus more effectively complement the activities of other donors. To this end, ADB's 1999 TA program also includes support for capacity building in the identification and mitigation of social impacts of infrastructure projects. Although ADB is already well established in both the energy and transport sectors, ADB's strategy in both sectors will be reviewed with the aim of identifying future priorities in terms of both policy dialogue and lending. Work will also be undertaken on the preparation of a gender paper and the formulation of a social sector strategy. The work on sector strategies will feed into a review of the COS for India, which is expected to be concluded in 2000.

IX. Local Cost Financing

93. The investment requirements to redress existing bottlenecks and to meet prospective future demand in support of sustainable economic and social development in India are enormous. Although the Government's reform program has improved domestic resource mobilization, strengthened fiscal consolidation and lowered budget reliance on the financial system, and improved India's access to foreign financing, the competing demands on resources and the ongoing adjustment costs continue to strain the availability of local funds.

94. Consistent with ADB's operational strategy to support infrastructure needs and promote the Government's reform process, ADB support of local cost financing was provided in 1998 in the amount of \$123 million for the Rajasthan Urban Infrastructure Development Project (loan size \$250 million). This was considered justified in view of the high demonstration and catalytic value in decentralizing urban services and improving local urban governance in the context of constrained resource availability for urban infrastructure, particularly for improvements targeted to benefit the poorest. Sizable local cost financing has also been provided under the Housing Finance Project (approved in 1997) for reforming the housing finance sector and its resource allocation to low income households. In addition, under the ongoing Private Sector Infrastructure Facility Project, loan funds can be used to finance local cost of up to 20 percent of ADB financing of subprojects in power and telecommunications and up to 70 percent of ADB financing of subprojects in roads and ports. With the exception of ADB's urban development and housing projects, the provision of local cost financing for Bank-supported projects has been low and, in the case of energy sector projects, has been non-existent. ADB will continue to determine the actual sharing of project costs and the level of local cost financing on a case-by-case basis in accordance with applicable ADB policy.

INDIA
COUNTRY PERFORMANCE INDICATORS

Item	FY1995	FY1996	FY1997	FY1998	FY1999 ^a
ECONOMIC INDICATORS					
A. Income and Growth					
1. GDP per Capita (dollars,current)	336	357	384	400	396
2. GDP Growth (% , in constant prices of 1993/94)	7.8	7.6	7.8	5.0	6.0
Agriculture	5.4	0.2	9.4	-1.0	7.6
Industry	9.3	12.2	6.0	5.9	4.1
Services	8.5	9.8	8.0	8.2	6.2
B. Saving and Investment (current market prices)					
	(percent of GDP)				
1. Gross Domestic Investment	25.4	25.8	25.7	24.8	n.a.
2. Gross Domestic Savings	24.2	24.1	24.4	23.1	n.a.
C. Money and Inflation					
	(annual percent change)				
1. Consumer Prices (annual average)	10.1	10.2	9.3	6.9	12.9
2. Wholesale Price Index (annual average)	10.9	7.7	6.4	4.8	6.8
3. Money Supply (M3)	22.3	13.7	16.2	17.9	17.8
D. Government Finance					
	(percent of GDP)				
1. Total Revenue	17.9	17.3	16.8	17.4	18.2
2. Total Expenditure and Net Lending	24.6	23.7	22.9	24.7	25.5
3. Overall Surplus (+)/Deficit (-) ^c	-6.8	-6.4	-6.1	-7.5	-7.3
Central Government ^d	-5.6	-4.9	-4.7	-5.5	-5.1 ^b
State governments	-2.6	-2.6	-2.6	-3.2	-3.3 ^b
E. Balance of Payments					
1. Merchandise Trade Balance (% of GDP)	-2.7	-3.1	-3.7	-3.7	-3.1
2. Current Account Balance (% of GDP) ^e	-1.0	-1.6	-1.2	-1.3	-1.0
3. Export (\$) growth (annual percentage change, f.o.b.)	18.4	20.3	5.6	4.5	-3.9
4. Import (\$) growth (annual percentage change, c.i.f.)	34.3	21.6	12.1	4.6	-7.1
F. External Payments Indicators					
1. International Reserves (million dollars, end-of-period)	20,809	17,044	22,367	25,975	29,522
- months of imports (excluding gold and SDR)	7.0	4.7	5.5	6.1	7.5
2. External Debt Service (% of goods and services)	25.9	26.2	22.9	19.8	19.4 (as of Dec. 1998)
3. External Debt (% of GDP)	30.0	26.3	23.8	23.8	23.0 (as of Dec. 1998)
Memorandum Items:					
GDP (current prices, billion, Rs)	10,378	12,180	14,098	15,636	17,700
Exchange Rate (Rs per US\$, annual average)	31.40	33.45	35.50	37.20	42.07
Population (million)	904	920	936	952	968

n.a.=not available

^a Preliminary data based on *Economic Survey 1998-99*.

^u Revised estimate.

^c Consolidated, based on latest available data on the revised estimate of central government budget and states' budget estimate.

^d The Government has changed the definition of its fiscal deficit, excluding liability on small savings it passes on to the states.

^e Includes official transfers.

Note: India's fiscal year is from 1 April to 31 March, e.g. FY1998 figures cover the period 1 April 1997 to 31 March 1998.

Sources: Ministry of Finance, *Economic Survey 1998-99*.

Reserve Bank of India, *Annual Report 1997-98; Monthly Bulletin*, May 1999.

International Monetary Fund.

COUNTRY PERFORMANCE INDICATORS

	1985	1990	Latest Year
POPULATION INDICATORS			
Total Population (millions)	755 (1985)	839 (1990)	846 (1991)
Annual Population Growth Rate (% change)	2.18 (1985)	2.11 (1990)	2.14 (1991)
SOCIAL INDICATORS			
Total Fertility Rate (births per woman)	4.5 (1985)	3.6 (1991)	3.5 (1993)
Maternal Mortality Rate (per hundred thousand live births)	460 (1980-85)	437 (1989-94)	437(1990-96)
Infant Mortality Rate (below 1 year; per '000 live births)	110 (1981)	80 (1991)	71 (1997)
Life Expectancy at Birth (years)	55 (1988)	58.7 (1990)	62 (1993)
Female	56 (1980-85)	58 (1990)	63 (1996)
Male	57 (1980-85)	60 (1990)	62 (1996)
Adult Literacy (%)	41 (1981)	48 (1990)	52 (1995)
Primary School Enrollment (% of school age population)	96 (1985)	98 (1990)	90 (1997)
Female	80 (1985)	84 (1990)	81 (1997)
Secondary School Enrollment (% of school age population)	37 (1985)	44 (1990)	59 (1997)
Female	26 (1985)	33 (1990)	50 (1997)
Child Malnutrition (% of under age 5)	n.a.	n.a.	66 (1990-96)
Population Below Poverty Line (%)	44.5 (1983)	38.9 (1987-88)	36.0 (1993-94)
Income Ratio of Highest 20% to Lowest 20%	5.1 (1980-85)	5.4 (1989-94)	4.3 (1994)
Population with Access to Safe Water (%)			
Rural	56.3 (1985)	73.9 (1990)	86.7 (1997)
Urban	72.9 (1985)	83.8 (1990)	90.6 (1997)
Population with Access to Sanitation (%)			
Rural	0.7 (1985)	2.4 (1990)	6.4 (1997)
Urban	28.4 (1985)	45.9 (1990)	49.3 (1997)
Public Education Expenditure as % of GNP	3.4 (1985)	4.0 (1990)	3.5 (1995)
Public Health Expenditure as % of GDP	n.a.	1.3 (1990)	n.a.
Human Development Index	n.a.	0.309 (1990)	0.545 (1997)
Human Development Ranking	n.a.	134 (1990)	132 (1997)

Sources:

UNESCO, *World Education Report 1998*.

WB, *World Development Indicators*, various issues.

WB, *World Development Report 1998/99*.

WB, *Social Indicators of Development 1996*.

UNDP, *Human Development Report 1998*.

Central Statistical Organization, Official Communication.

Ministry of Health and Department of Family Welfare, *1995-96 Yearbook*.

Department of Economic Affairs (DEA), Official Communication.

INDIA
COUNTRY PERFORMANCE INDICATORS

	1980	1995
ENVIRONMENTAL INDICATORS		
Energy Efficiency Emissions		
GDP per unit of energy use (1987 \$ per kg equivalent)	1.9	1.7
Traditional fuel use (% of total energy use)	34.7	23.3
Carbon dioxide emissions (total metric tons)	347.3	908.7
per capita	0.5	1.0
Air Pollution		
Total suspended particulates (mg/cu.m.)		
Bombay		240
Calcutta		375
Delhi		415
Sulfur dioxide (mg/cu.m.)		
Bombay		33
Calcutta		49
Delhi		24
Nitrogen dioxide		
Bombay		39
Calcutta		34
Delhi		41
Water Pollution		
Emissions of organic water pollutants (kg/day)	1,457,000	1,441,000 (1993)
Industry share of emissions of organic water pollutants		
Wood	0.3 (1993)	
Primary Metals	15.6 (1993)	
Pulp and Paper	8.1 (1993)	
Chemical	7.3 (1993)	
Food and Beverages	50.9 (1993)	
Textiles	12.9 (1993)	
Land Use		
Cropland (% of land Area)	57.0	57.0
Permanent pasture (% of land area)	4.0	4.0
Forest area (thousand sq. km.)	-	650.0
Annual deforestation (sq. km.)	-	72.0 (1990-95)
Annual deforestation (Average % change)		0.0 (1990-95)
Nationally protected area (% of total land area)		4.8 (1994)
Threatened species		
Mammals		40.0 (1994)
Birds		71.0 (1994)
Higher Plants		1256.0 (1994)
Freshwater		
Access to safe water (Urban % of population)	72.0	85.0
Access to safe water (Rural % of population)	-	79.0
Urbanization		
Access to sanitation in urban areas (% of urban population)	25.0	70.0

Sources:

World Resources Institute, *World Resources: A Guide to the Global Environment*, various issues.
World Bank, *World Development Indicators 1998*.

INDIA
PORTFOLIO PERFORMANCE

Table 1 : Implementation, Disbursement Performance and Postevaluation Results
Public Sector Projects only
(as of 31 December 1998)

A. Project Portfolio	Net Loan Amount \$ million %		Rating (No.) ^a											
			Total		Implementation Progress				Development Objectives					
			No.	%	HS	S	PS	U	HS	S	PS	U		
Agriculture and Natural Resources	0.0	0.0	0	0.0	0	0	0	0	0	0	0	0	0	0
Energy	983.0	24.9	6	23.1	1	3	2	0	1	5	0	0	0	0
Finance and Industry	700.0	17.8	5	19.2	2	2	0	1	0	4	0	0	1	0
Social Infrastructure	655.0	16.6	6	23.1	1	5	0	0	1	5	0	0	0	0
Transport and Communications	1,355.3	34.4	8	30.8	0	7	1	0	0	7	1	0	0	0
Others/Multisector	250.0	6.3	1	3.8	0	0	1	0	0	1	0	0	0	0
Total	3,943.3	100.0	26	100.0	4	17	4	1	2	22	1	1	1	1
B. Disbursements			OCR		ADF				Total					
(1) Total funds available for withdrawal (\$ mn, active loans only)			3,943.3		0.0				3,943.3					
(2) Disbursed amount (\$ mn, cumulative, active loans only)			2,117.0		0.0				2,117.0					
(3) Percentage disbursed [(2)/(1)] (%)			53.7		0.0				53.7					
(4) Disbursements (\$mn, active loans only, latest year)			620.4		0.0				620.4					
(5) Disbursement ratio (%) ^b			32.9		0.0				32.9					
C. Net Transfer of Resources (\$ million)			OCR		ADF				Total					
Net transfer in 1995			202.3		0.0				202.3					
Net transfer in 1996			279.8		0.0				279.8					
Net transfer in 1997			342.1		0.0				342.1					
Net transfer in 1998			277.8		0.0				277.8					
D. Post-Evaluated Projects (By year of approval)			1968 - 1977		1978 - 1987		1988 - 1998		1968 - 1998					
1. Postevaluation Rating (as of 31 December 1998)			No.	%	No.	%	No.	%	No.	%				
Rated Generally Successful (GS)			0	0.0	1	50.0	0	0.0	1	50.0				
Rated Partly Successful (PS)			0	0.0	1	50.0	0	0.0	1	50.0				
Rated Unsuccessful (US)			0	0.0	0	0.0	0	0.0	0	0.0				
No Rating (NR)			0	0.0	0	0.0	0	0.0	0	0.0				
Total			0	0.0	2	100.0	0	0.0	2	100.0				
2. Postevaluation Rating by Sector 1968-98 (as of 31 December 1998)			GS		PS		US		NR		Total			
			No.	%	No.	%	No.	%	No.	%	No.	%		
Agriculture and Natural Resources			0	0.0	0	0.0	0	0.0	0	0.0	0	0.0		
Energy			0	0.0	0	0.0	0	0.0	0	0.0	0	0.0		
Finance and Industry			1	100.0	0	0.0	0	0.0	0	0.0	1	50.0		
Social Infrastructure			0	0.0	0	0.0	0	0.0	0	0.0	0	0.0		
Transport and Communications			0	0.0	1	100.0	0	0.0	0	0.0	1	50.0		
Others/Multisector			0	0.0	0	0.0	0	0.0	0	0.0	0	0.0		
Total			1	100.0	1	100.0	0	0.0	0	0.0	2	100.0		

^a HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory

^b Ratio of disbursement during the year over the undisbursed net loan balance less cancellations at the beginning of the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans.

Source : Programs (A), CTD (B & C), OEO (D)

INDIA
PORTFOLIO PERFORMANCE

**Table 2: Status of Project Implementation
Public Sector Projects Only
(As of 31 December 1998)**

Sector ^a	Project Title	Net Loan Amount		Approval Date (mm/yy)	Effectivity Date (mm/yy)	Closing Date		Physical Progress (% complete)	Cum Contract Awards (\$ million)	Cummulative Disbursement (\$ million)	Project Performance Rating ^b	
		OCR (\$ million)	ADF			Original (mm/yy)	Revised (mm/yy)				Implementation Progress	Development Objective
ENE	North Madras Thermal Power	113.0	0.0	Nov-86	Apr-87	Jun-92	Jan-99	100	112.6	112.3	PS	S
ENE	Unchahar Thermal Power Extension	145.0	0.0	Sep-88	Apr-89	Sep-95	Mar-99	80	123.2	111.9	HS	HS
ENE	Second North Madras Thermal Power	200.0	0.0	Aug-90	Feb-91	Dec-95	Jun-00	85	150.1	139.8	PS	S
ENE	Power Transmission Sector	275.0	0.0	Nov-95	Oct-96	Mar-01	-	70	175.8	136.5	S	S
ENE	Renewable Energy Development	100.0	0.0	Sep-96	Jul-97	Jul-02	-	-	12.3	20.0	S	S
ENE	LPG Pipeline	150.0	0.0	Dec-97	-	Nov-01	-	0	0.0	0.0	S	S
F&I	Industrial Energy Efficiency	150.0	0.0	Dec-94	Jul-95	Jul-00	-	-	149.7	108.5	S	S
F&I	Capital Market Development Program	250.0	0.0	Nov-95	Dec-95	Jun-97	Mar-99	-	250.0	250.0	S	S
F&I	Private Sector Infrastructure Facility:ICICI	150.0	0.0	Nov-96	Sep-97	Sep-02	-	-	133.3	64.6	HS	S
F&I	Private Sector Infrastructure Facility:IFCI	100.0	0.0	Nov-96	Sep-97	Sep-02	-	-	69.5	36.4	HS	S
F&I	Private Sector Infrastructure Facility:SCICI Ltd.	50.0	0.0	Nov-96	-	-	-	-	0.0	0.0	U	U
T&C	Railways	181.4	0.0	Nov-87	Mar-88	Jan-93	Mar-04	97	158.4	174.3	S	S
T&C	Road Improvement	173.2	0.0	Nov-88	Apr-89	Dec-94	Mar-98	100	147.8	173.2	S	S
T&C	Second Road	250.0	0.0	Oct-90	Jul-91	Dec-96	Dec-99	96	193.2	236.9	PS	PS
T&C	Second Railways	107.7	0.0	Dec-91	Jun-92	Dec-96	Jun-99	79	88.4	95.7	S	S
T&C	Coal Ports	285.0	0.0	Oct-92	Jul-93	Jun-98	May-00	60	204.4	114.3	S	S
T&C	National Highways	245.0	0.0	Nov-93	May-95	Dec-99	-	19	154.0	51.2	S	S
T&C	Mumbai Port	97.8	0.0	Sep-97	Jan-99	Sep-03	-	3	0.0	0.0	S	S
T&C	Chennai Ports	15.2	0.0	Sep-97	-	Mar-03	-	-	0.0	0.0	S	S
SOC	Karnataka Urban Infrastructure Devt.	85.0	0.0	Dec-95	Jul-96	Jun-02	Jun-02	30	32.3	11.2	S	S
SOC	Karnataka Urban Infrastructure Devt.	20.0	0.0	Dec-95	Dec-96	Jun-02	Jun-02	-	14.1	20.0	HS	HS
SOC	Housing Finance (NHB)	100.0	0.0	Sep-97	Dec-97	Jun-03	Jun-02	-	20.1	50.0	S	S
SOC	Housing Finance (HUDCO)	100.0	0.0	Sep-97	Dec-97	Jun-03	Jun-03	-	20.5	50.0	S	S
SOC	Housing Finance (HDFC)	100.0	0.0	Sep-97	Dec-97	Jun-03	Jun-03	-	20.0	60.0	S	S
SOC	Rajasthan Urban Infrastructure Devt.	250.0	0.0	Dec-98	-	Jun-05	Jun-05	-	0.0	0.0	S	S
OTH	Gujarat Public Sector Resource Mgmt Program	250.0	0.0	Dec-96	Dec-96	Dec-98	Dec-99	-	100.0	100.0	PS	S
	Total	3,943.3	0.0						2,329.5	2,117.0		

^a Sector:

ENE: Energy
F&I: Finance & Industry
T&C: Transport and Communications
SOC: Social Infrastructure
OTH: Others/Multisector

^b HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory

INDIA
OVERALL EXTERNAL ASSISTANCE
(in US\$ million)

External Source	Past 3-5 Years (annual average)		1998 Approvals	
	Loan/Credit	TA	Loan/Credit	TA
A. Multilateral Assistance				
Asian Development Bank	496.4		213.0	
European Union	108.8		1.1	
World Bank	1,734.3		1,537.3	
Subtotal	2,339.5		1,751.3	
B. Bilateral Assistance				
Germany	235.8		64.7	
Japan	1,283.5		101.9	
Netherlands	92.1		5.3	
Sweden	120.3		3.2	
United Kingdom	145.0		59.6	
Others	128.6		64.9	
Subtotal	2,005.4		299.7	
Total	4,344.9		2,051.0	
Memo Items:				
External Assistance as % of Current Expenditures	10.3		4.0	
External Assistance as % of Capital Expenditures	35.9		13.6	

Source: Government of India, *Economic Survey*, various issues.

INDIA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Strategic Dev't Objectives ^a		Responsible Division	Year of PPTA	PROJECT COST (\$ million)					
	Primary	Secondary			TOTAL	Bank		Gov't	Cofinancing (Others)	
						OCR	ADF			Total
2000 FIRM LOANS										
Energy										
1. Gujarat Power Sector Development Program	ECO	ENV	IWEN	1997	tbd	300.0	0.0	300.0	tbd	tbd
<i>Subtotal</i>					tbd	300.0	0.0	300.0	tbd	tbd
Social Infrastructure										
2. Housing Finance II	HD	POV	AWWU	1999	tbd	300.0	0.0	300.0	tbd	tbd
3. Calcutta Environmental Improvement	ENV	POV	AWWU	1998	tbd	250.0	0.0	250.0	tbd	tbd
<i>Subtotal</i>					tbd	550.0	0.0	550.0	tbd	tbd
Multisector										
4. Env'l. Improvement & Sustainable Development for Agra-Mathura-Ferozabad Trapezium	ENV	POV	IWEN	1995	tbd	300.0	0.0	300.0	tbd	tbd
<i>Subtotal</i>					tbd	300.0	0.0	300.0	tbd	tbd
Total					tbd	1,150.0	0.0	1,150.0	tbd	tbd
2000 STANDBY LOAN										
Energy										
1. Power Finance Corporation	ECO	ENV	IWEN	-	tbd	250.0	0.0	250.0	tbd	tbd
<i>Subtotal</i>					tbd	250.0	0.0	250.0	tbd	tbd
Total					tbd	250.0	0.0	250.0	tbd	tbd
2001 LOAN PIPELINE										
Energy										
1. Madhya Pradesh Power Sector Dev. Program	ECO	ENV	IWEN	1998	tbd	300.0	0.0	300.0	tbd	tbd
2. Power Finance Corporation	ECO	ENV	IWEN	-	tbd	250.0	0.0	250.0	tbd	tbd
<i>Subtotal</i>					tbd	550.0	0.0	550.0	tbd	tbd
Finance and Industry										
3. Long-Term Debt Market Dev. Program	ECO	-	IWFI	1999	tbd	250.0	0.0	250.0	tbd	tbd
4. Gujarat Infrastructure Facility	ECO	-	IWFI	1996	tbd	250.0	0.0	250.0	tbd	tbd
<i>Subtotal</i>					tbd	500.0	0.0	500.0	tbd	tbd
Transport and Communications										
5. National Highway Public-Private Partnership	ECO	-	IWTC	1998	tbd	150.0	0.0	150.0	tbd	tbd
6. West Bengal Transport Development	ECO	-	IWTC	1998	tbd	200.0	0.0	200.0	tbd	tbd
<i>Subtotal</i>					tbd	350.0	0.0	350.0	tbd	tbd
Total					tbd	1,400.0	0.0	1,400.0	tbd	tbd
2002 LOAN PIPELINE										
Energy										
1. Energy Efficiency Enhancement SDP	ECO	ENV	IWEN	-	tbd	200.0	0.0	200.0	tbd	tbd
<i>Subtotal</i>					tbd	200.0	0.0	200.0	tbd	tbd
Transport and Communications										
2. National Highway Public-Private Partnership II	ECO	-	IWTC	2000	tbd	250.0	0.0	250.0	tbd	tbd
3. West Bengal Inland Waterways Development	ECO	-	IWTC	2000	tbd	200.0	0.0	200.0	tbd	tbd
<i>Subtotal</i>					tbd	450.0	0.0	450.0	tbd	tbd
Social Infrastructure										
4. Urban Infrastructure Development and Environmental Improvement (Gujarat)	HD	ENV	AWWU	2000	tbd	250.0	0.0	250.0	tbd	tbd
<i>Subtotal</i>					tbd	250.0	0.0	250.0	tbd	tbd
Others										
5. State Public Resource Mgmt. Program III	ECO	HD	PW2/IWFI	2000	tbd	200.0	0.0	200.0	tbd	tbd
<i>Subtotal</i>					tbd	200.0	0.0	200.0	tbd	tbd
Total					tbd	1,100.0	0.0	1,100.0	tbd	tbd

^a ECO = Economic Growth; HD = Human Development; POV = Poverty Reduction; and ENV = Environmental Protection.

tbd = to be determined.

INDIA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Responsible Division	Type of TA	Amount (\$'000)		
			Bank	Others	Total
2000 TECHNICAL ASSISTANCE PROGRAM					
Energy					
1 . State Power Sector Development Program III	IWEN	PPTA	600.0	0.0	600.0
	Subtotal		<u>600.0</u>	<u>0.0</u>	<u>600.0</u>
Transport and Communications					
2 . West Bengal Inland Waterways Development	IWTC	PPTA	800.0	0.0	800.0
3 . National Highway Development	IWTC	PPTA	750.0	0.0	750.0
	Subtotal		<u>1,550.0</u>	<u>0.0</u>	<u>1,550.0</u>
Social Infrastructure					
4 . Urban Infrastructure Development and Environmental Improvement (Gujarat)	AWWU	PPTA	1,000.0	0.0	1,000.0
5 . Capacity Building in the Urban Sector	AWWU	ADTA	1,000.0	0.0	1,000.0
	Subtotal		<u>2,000.0</u>	<u>0.0</u>	<u>2,000.0</u>
Others					
6 . State Public Resource Management III (Cluster)	PW2	ADTA	1,500.0	0.0	1,500.0
7 . Institutional Strengthening of Controller of Aid Accounts and Audit	INRM	ADTA	600.0	0.0	600.0
8 . Capacity Building for Environment Management at State Level (Multi-year Cluster)	ENVD/PWOD	ADTA	1,400.0	0.0	1,400.0 ^a
	Subtotal		<u>3,500.0</u>	<u>0.0</u>	<u>3,500.0</u>
Total			7,650.0	0.0	7,650.0
2001 TECHNICAL ASSISTANCE PROGRAM					
Energy					
1 . Gujarat Power Sector Development II	IWEN	PPTA	800.0	0.0	800.0
	Subtotal		<u>800.0</u>	<u>0.0</u>	<u>800.0</u>
Transport and Communications					
2 . West Bengal North-South Corridor Development II	IWTC	PPTA	750.0	0.0	750.0
3 . Railway Sector Improvement II	IWTC	PPTA	800.0	0.0	800.0
4 . National Highway Public-Private Partnership	IWTC	PPTA	800.0	0.0	800.0
	Subtotal		<u>2,350.0</u>	<u>0.0</u>	<u>2,350.0</u>
Social Infrastructure					
5 . Urban Infrastructure Development and Environmental Improvement (M.P.)	AWWU	PPTA	1,200.0	0.0	1,200.0
	Subtotal		<u>1,200.0</u>	<u>0.0</u>	<u>1,200.0</u>
Others					
6 . Capacity Building for Environment Management at State Level (Multi-year Cluster)	ENVD/PWOD	ADTA	800.0	0.0	800.0 ^a
	Subtotal		<u>800.0</u>	<u>0.0</u>	<u>800.0</u>
Total			5,150.0	0.0	5,150.0
2002 TECHNICAL ASSISTANCE PROGRAM					
Energy					
1 . Madhya Pradesh Power Sector Development II	IWEN	PPTA	800.0	0.0	800.0
	Subtotal		<u>800.0</u>	<u>0.0</u>	<u>800.0</u>
Social Infrastructure					
2 . Urban Infrastructure Dev. and Environmental Improvement (3rd State)	AWWU	PPTA	1,200.0	0.0	1,200.0
3 . Housing Finance III	AWWU	PPTA	600.0	0.0	600.0
4 . Urban and Environmental Infrastructure Facility II	AWWU	PPTA	800.0	0.0	800.0
	Subtotal		<u>2,600.0</u>	<u>0.0</u>	<u>2,600.0</u>
Total			3,400.0	0.0	3,400.0

^a Part of the multi-year cluster TA in an amount totaling \$4.2 million, expected to be approved in 1999.

INDIA
LENDING PROGRAM BY TYPE AND SECTOR, 2000-2002

Classification	2000 (Firm)		2001-2002	
	No.	%	No.	%
I. By Type				
A. Economic Growth	0	0.0	6	54.5
B. Projects Directly Aimed at Social Concerns	1	25.0	1	9.1
C. Projects Directly Aimed at Environmental Concerns	2	50.0	0	0.0
D. Economic Growth-oriented Projects with Social and/or Environmental Concerns	1	25.0	4	36.4
Total	4	100.0	11	100.0
II. By Sector				
A. Agriculture and Natural Resources	0	0.0	0	0.0
B. Energy	1	25.0	3	27.3
C. Finance and Industry	0	0.0	2	18.2
D. Transport and Communications	0	0.0	4	36.4
E. Social Infrastructure	2	50.0	1	9.1
F. Others/Multisector	1	25.0	1	9.1
Total	4	100.0	11	100.0

INDIA

PROJECT PROFILE					
1. Project Name: Gujarat Power Sector Development			2. Sector/Subsector: Energy/Electric Power		
3. Dev. Objective: Primary: ECO Secondary: ENV					
4. Rationale: Enhancing the efficiency of the power sector in Gujarat through restructuring of the sector to improve commercialization and foster competition.			5. Beneficiary Participation in Formulation: Wide-ranging discussions were held with the Confederation of Indian Industry, the State Government, State Electricity Board, labor unions, and the farming community.		
6. Objectives and Scope: Part A: Transmission lines and substations linked with Independent Power Producer (IPP) Power Projects. Part B: Transmission lines and substations associated with Distribution Profit Centers. Part C: Upgrading of distribution systems especially in Kheda, Rajkot and Mahesana distribution circles. Part D: Environmental upgradation, renovation and modernization of GEB's Dhuvaran and Ukai power stations. Part E: Replacement of existing open cycle gas turbine units with an efficient combined gas-fired system at Dhuvaran. Part F: A pilot scheme for energy and water conservation through conversion of existing flood irrigation system to drip irrigation systems in Mahesana district.					
7. Estimated Cost & Financing Plan (\$):			8. Remarks		
Loan Project Cost (\$m)			Cofinancing being under discussion.		
Financing (Source)	FC	LC			Total
Bank	300.0	0.0			300.0
Cofinancing	tbd	tbd			tbd
Borrower	tbd	tbd			tbd
Total	tbd	tbd	tbd		
9. Estimated Benefits and Beneficiary Groups: The State of Gujarat will benefit from a more efficient power sector. Improvements in the efficiency of fuel use will reduce emissions and benefit the environment, while rural electrification will improve employment opportunities and increase access to various services for the poor.					
10. Executing Agency: 1. Government of Gujarat 2. Gujarat Electricity Board 3. Gujarat Sate Electricity Corporation Ltd.			11. Project Implementation Period: Start: 2000 End: 2004		
12. Environment Category: NA			13. Processing Year: 2000		

INDIA

PROJECT PROFILE				
1. Project Name: Housing Finance II		2. Sector/Subsector: Social Infrastructure/Urban Development and Housing		
3. Dev. Objective: Primary: HD Secondary: POV		5. Beneficiary Participation in Formulation: Beneficiary participation will be through community-based finance institutions and NGOs which will serve as financial intermediaries to the lowest income groups.		
4. Rationale: To support policy reforms in the housing finance sector, including mortgage securitization; and to further strengthen the linkage between community-based housing finance institutions and commercial banks.				
6. Objectives and Scope: A Development Finance Institution-type loan for housing finance.				
7. Estimated Cost & Financing Plan (\$):			8. Remarks	
Loan Project Cost (\$m)				
Financing (Source)	FC	LC		Total
Bank	300.0	0.0		300.0
Cofinancing	tbd	tbd		tbd
Total	tbd	tbd		tbd
9. Estimated Benefits and Beneficiary Groups: The loan will be leveraged to yield over \$1 billion of the housing finance requirements and thereby contribute to the reduction in the housing shortfall.				
10. Executing Agency: Tbd		11. Project Implementation Period: Start: 2000 End: 2004		
12. Environment Category: tbd		13. Processing Year: 2000		

INDIA

PROJECT PROFILE					
1. Project Name: Calcutta Environmental Improvement			2. Sector/Subsector: Social Infrastructure/Urban Development and Housing		
3. Dev. Objective: Primary: ENV Secondary: POV			5. Beneficiary Participation in Formulation: Beneficiary consultations will be made through surveys, NGO coordination, and workshops.		
4. Rationale: The Project will assist the Government in providing for the highest priority environmental improvements in Calcutta in the context of the Municipal Calcutta Environmental Improvement Program prepared under Bank PPTA.					
6. Objectives and Scope: The scope will include improvements in drainage, wastewater management, and solid waste management as well as other investments such as air pollution and cleaner industrial production necessary for improving environmental quality over the next 20 years.					
7. Estimated Cost & Financing Plan (\$):			8. Remarks		
Loan Project Cost (\$m)					
Financing (Source)	FC	LC			Total
Bank	250.0	0.0			250.0
Cofinancing	tbd	tbd			tbd
Borrower	tbd	tbd			tbd
Total	tbd	tbd	tbd		
9. Estimated Benefits and Beneficiary Groups: An estimated current population of 4.5 million will be benefited by the improvements in wastewater, solid waste, and hospital waste management, and in drainage and flood control.					
10. Executing Agency: Calcutta Municipal Corporation			11. Project Implementation Period: Start: 2001 End: 2006		
12. Environment Category: B			13. Processing Year: 2000		

INDIA

PROJECT PROFILE				
1. Project Name: Environmental Improvement and Sustainable Development for the Agra-Mathura-Ferozabad Trapezium			2. Sector/Subsector: Multisector	
3. Dev. Objective: Primary: ENV Secondary: POV				
4. Rationale: The severe environmental problems in the Trapezium, as in other urban industrial areas of India, are caused primarily by resource-intensive, inefficient, and outdated industrial processes; reliance on coal for energy supply; low-quality coke for foundry use; inefficient energy use; inadequate measures to mitigate environmental impacts; weak institutional capabilities; and inappropriate economic policies. For the past quarter century or so, various national and international agencies have voiced their concerns about the deterioration in the quality of life and the degradation of monuments by air pollution, whose appearance and structure have been adversely affected. The Project will focus on sustainable development in the Trapezium and address three strategic issues: environmental protection, energy conservation, and economic and social impact. The main objective is to formulate a sustainable integrated project to improve the quality of life in the Trapezium.			5. Beneficiary Participation in Formulation: Close consultation will be required with residents at and near the project area.	
6. Objectives and Scope: For the sustainable development and to achieve the objectives of the Project, the scope will include: (i) Government Policies, Objectives, and Plans (Federal, State, and Local), (ii) Environmental Aspects (Agra/Mathura/Ferozabad), (iii) Preservation of Monuments (Agra/Mathura/Fatehpur, Sikri), (iv) Sociological Aspects, (v) Industrial Restructuring (Environmentally friendly industrial processes for industries at Agra, Mathura, Ferozabad, and Fatehpur Sikri), (vi) Energy Aspects (fuel substitution provision for the supply of natural gas, establishment of Power Plant, (vii) Education/Training (Women/children, vocational training, etc.), (viii) Water Supply/Augmentation (Agra Barrage System), (ix) Water and Sewage Treatment (industrial/domestic), (x) Infrastructure (Roads, Highway Diversion, etc.), (xi) Mathura Refinery (Input/Output), (xii) Greenification (Green Belting around Agra/Mathura/Ferozabad), and (xiii) Tourism.				
7. Estimated Cost & Financing Plan (\$): Loan Project Cost (\$m)			8. Remarks The sources of cofinancing will be assessed during loan processing	
Financing (Source)			FC	
			LC	
			Total	
Bank			300.0	
Cofinancing			0.0	
Borrower			tbd	
Total			tbd	
9. Estimated Benefits and Beneficiary Groups: The Project will help improve the environment situation in the trapezium; restore world renowned cultural and heritage monuments such as the Taj Mahal in Agra and temples at Mathura, the birthplace of Lord Krishna; generate employment opportunities; and improve the quality of life.				
10. Executing Agency: tbd			11. Project Implementation Period: Start: 2000 End: 2005	
12. Environment Category: A/B			13. Processing Year: 2000	

INDIA

PROJECT PROFILE					
1. Project Name: Power Finance Corporation			2. Sector/Subsector: Energy/Electric Power		
3. Dev. Objective: Primary: ECO Secondary: ENV					
4. Rationale: The Project will support restructuring and development of the power sectors in the states of Punjab, West Bengal and Assam.			5. Beneficiary Participation in Formulation: Some beneficiary states have been consulted. Beneficiary participation consultation to continue.		
6. Objectives and Scope: This project will assist in the preliminary restructuring of the power sectors in the states of Punjab, West Bengal and Assam.					
7. Estimated Cost & Financing Plan (\$):			8. Remarks		
Loan Project Cost (\$m)					
Financing (Source)	FC	LC			Total
Bank	250.0	0.0			250.0
Cofinancing	tbd	tbd			tbd
Borrower	tbd	tbd			tbd
Total	tbd	tbd	tbd		
8. Estimated Benefits and Beneficiary Groups: Electricity consumers in selected states. Benefits include improved quality of supply.					
10. Executing Agency: Power Finance Corporation			11. Project Implementation Period: Start: 2000 End: 2003		
12. Environment Category: tbd			13. Processing Year: 2000		

ASIAN DEVELOPMENT BANK

**COUNTRY ASSISTANCE PLAN
(2000-2002)
PIPELINE UPDATE**

INDIA

June 2000

INDIA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Strategic Dev't Objectives ^a		Responsible Division	Year of PPTA	PROJECT COST (\$ million)					
	Primary	Secondary			TOTAL	Bank		Gov't	Cofinancing (Others)	
						OCR	ADF			Total
2000 FIRM LOANS										
Energy										
1 . Gujarat Power Sector Development Program	ECO	ENV	IWEN	1997	tbd	300.0	-	300.0	tbd	tbd
2 . Power Transmission Improvement (Sector)	ECO		IWEN		tbd	250.0	-	250.0	tbd	tbd
Subtotal					tbd	550.0	-	550.0	tbd	tbd
Transport and Communications										
3 . Surat Manor Tollway	ECO	-	IWTC		tbd	180.0	-	180.0	tbd	tbd
4 . Railways Sector Improvement	ECO	-	IWTC		tbd	300.0	-	300.0	tbd	tbd
Subtotal					tbd	480.0	-	480.0	tbd	tbd
Social Infrastructure										
5 . Housing Finance II	HD	POV	AWWU	1999	tbd	300.0	-	300.0	tbd	tbd
Subtotal					tbd	300.0	-	300.0	tbd	tbd
Total					tbd	1,330.0	-	1,330.0	tbd	tbd
2000 STANDBY LOAN										
Social Infrastructure										
1 . Calcutta Environmental Improvement	ENV	POV	AWWU	1998	tbd	250.0	-	250.0	tbd	tbd
Total					tbd	250.0	-	250.0	tbd	tbd
2001 LOAN PIPELINE										
Energy										
1 . Madhya Pradesh Power Sector Dev. Program	ECO	ENV	IWEN	1998	tbd	300.0	-	300.0	tbd	tbd
2 . Power Finance Corporation	ECO	ENV	IWEN	-	tbd	250.0	-	250.0	tbd	tbd
Subtotal					tbd	550.0	-	550.0	tbd	tbd
Finance and Industry										
3 . Long-Term Debt Market Dev. Program	ECO	-	IWFI	1999	tbd	250.0	-	250.0	tbd	tbd
4 . Gujarat Infrastructure Facility	ECO	-	IWFI	1996	tbd	250.0	-	250.0	tbd	tbd
Subtotal					tbd	500.0	-	500.0	tbd	tbd
Transport and Communications										
5 . National Highway Public-Private Partnership	ECO	-	IWTC	1998	tbd	150.0	-	150.0	tbd	tbd
6 . West Bengal Transport Development	ECO	-	IWTC	1998	tbd	200.0	-	200.0	tbd	tbd
Subtotal					tbd	350.0	-	350.0	tbd	tbd
Multisector										
7 . Env'l. Improvement & Sustainable Development for Agra-Mathura-Ferozabad Trapezium	ENV	POV	IWEN	1995	tbd	300.0	-	300.0	tbd	tbd
Subtotal					tbd	300.0	-	300.0	tbd	tbd
Total					tbd	1,700.0	-	1,700.0	tbd	tbd
2002 LOAN PIPELINE										
Energy										
1 . Energy Efficiency Enhancement SDP	ECO	ENV	IWEN	-	tbd	200.0	-	200.0	tbd	tbd
Subtotal					tbd	200.0	-	200.0	tbd	tbd
Transport and Communications										
2 . National Highway Public-Private Partnership II	ECO	-	IWTC	2000	tbd	250.0	-	250.0	tbd	tbd
3 . West Bengal Inland Waterways Development	ECO	-	IWTC	2000	tbd	200.0	-	200.0	tbd	tbd
Subtotal					tbd	450.0	-	450.0	tbd	tbd
Social Infrastructure										
4 . Urban Infrastructure Development and Environmental Improvement (Gujarat)	HD	ENV	AWWU	2000	tbd	250.0	-	250.0	tbd	tbd
Subtotal					tbd	250.0	-	250.0	tbd	tbd
Others										
5 . State Public Resource Mgmt. Program III	ECO		PW2/IWFI	2000	tbd	200.0	-	200.0	tbd	tbd
Subtotal					tbd	200.0	-	200.0	tbd	tbd
Total					tbd	1,100.0	-	1,100.0	tbd	tbd

^a ECO = Economic Growth; HD = Human Development; POV = Poverty Reduction; and ENV = Environmental Protection.
tbd = to be determined.

INDIA
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Responsible Division	Type of TA	Amount (\$'000)		
			Bank	Others	Total
2000 TECHNICAL ASSISTANCE PROGRAM					
Energy					
1 . State Power Sector Development Program III	IWEN	PPTA	800.0	-	800.0
2 . Increasing Private Sector Participation in Electricity Distribution	IWEN	ADTA	1,000.0	-	1,000.0
Subtotal			<u>1,800.0</u>	<u>-</u>	<u>1,800.0</u>
Finance and Industry					
3 . Policy and Operational Support and Capacity Building of IRDA	IWFI	ADTA	800.0	-	800.0
4 . Development of Secondary Market in Securities	IWFI	ADTA	600.0	-	600.0
Subtotal			<u>1,400.0</u>	<u>-</u>	<u>1,400.0</u>
Transport and Communications					
5 . Corporatization of Haldia Dock	IWFI	ADTA	500.0	-	500.0
6 . National Highway Development	IWTC	PPTA	750.0	-	750.0
Subtotal			<u>1,250.0</u>	<u>-</u>	<u>1,250.0</u>
Social Infrastructure					
7 . Urban Infrastructure Development and Environmental Improvement (Gujarat)	AWWU	PPTA	1,000.0	-	1,000.0
8 . Reducing Poverty in Urban India	AWWU	ADTA	300.0	-	300.0
Subtotal			<u>1,300.0</u>	<u>-</u>	<u>1,300.0</u>
Others					
9 . State Public Resource Management III (Cluster)	PW2	PPTA	1,600.0	-	1,600.0
10 . Capacity Building in Poverty Analysis at the State Level	PW2	ADTA	600.0	-	600.0
11 . Institutional Strengthening of Controller of Aid Accounts and Audit	INRM	ADTA	600.0	-	600.0
12 . Capacity Building for Development Management	PW2	ADTA	800.0	-	800.0
13 . Capacity Building for Project Implementation	PW2	ADTA	800.0	-	800.0
14 . Capacity Building for Environment Management at State Level (Multi-year Cluster) *	ENVD/PWOD	ADTA	3,620.0	-	3,620.0
15 . Strengthening Resource Mobilization and Revenue Administration at the Central and State Levels (cluster)	PW2	ADTA	1,000.0	-	1,000.0
Subtotal			<u>9,020.0</u>	<u>-</u>	<u>9,020.0</u>
Total			14,770.0	-	14,770.0
2001 TECHNICAL ASSISTANCE PROGRAM					
Energy					
1 . Gujarat Power Sector Development II	IWEN	PPTA	800.0	-	800.0
Subtotal			<u>800.0</u>	<u>-</u>	<u>800.0</u>
Transport and Communications					
2 . West Bengal North-South Corridor Development II	IWTC	PPTA	750.0	-	750.0
3 . Railway Sector Improvement II	IWTC	PPTA	800.0	-	800.0
4 . National Highway Public-Private Partnership	IWTC	PPTA	800.0	-	800.0
Subtotal			<u>2,350.0</u>	<u>-</u>	<u>2,350.0</u>
Social Infrastructure					
5 . Urban Infrastructure Development and Environmental Improvement	AWWU	PPTA	1,200.0	-	1,200.0
Subtotal			<u>1,200.0</u>	<u>-</u>	<u>1,200.0</u>
Total			4,350.0	-	4,350.0
2002 TECHNICAL ASSISTANCE PROGRAM					
Energy					
1 . Madhya Pradesh Power Sector Development II	IWEN	PPTA	800.0	-	800.0
Subtotal			<u>800.0</u>	<u>-</u>	<u>800.0</u>
Social Infrastructure					
2 . Urban Infrastructure Dev. and Environmental Improvement (3rd St: AWWU		PPTA	1,200.0	-	1,200.0
3 . Housing Finance III	AWWU	PPTA	600.0	-	600.0
4 . Urban and Environmental Infrastructure Facility II	AWWU	PPTA	800.0	-	800.0
Subtotal			<u>2,600.0</u>	<u>-</u>	<u>2,600.0</u>
Total			3,400.0	-	3,400.0

* Approved.