

## Asian Development Bank (ADB)

### I. MEMBERSHIP OF ADB

India became a member of the Asian Development Bank (ADB) as a founding member in 1966. The Bank is engaged in promoting economic and social progress of its developing member countries (DMCs) in the Asia Pacific Region. The main instruments that it uses to do this are making loans and equity investments, providing technical assistance for the preparation and execution of development projects and programs and other advisory services, guarantees, grants and policy dialogues.

2. ADB has 67 members (including 48 regional and 19 non-regional members), with its headquarters at Manila, Philippines. India is holding 6.357% of shares, totalling 672,030 shares in ADB as on 31<sup>st</sup> December, 2013, with 5.384% voting rights. **Japan and the US represent the largest shareholders with 15.67% each of shares. China and India are the third (6.47%) and fourth (6.357%) largest shareholders, respectively.**

### II. ORGANIZATION & MANAGEMENT OF ADB

3. Asian Development Bank is having a **Board of Governors (BoG)**, a **Board of Directors (BoD)**, a President, six Vice Presidents and other necessary officers & staff. Like other members, India is also represented on the BoG. **The Finance Minister of India is the designated Governor for India.** All the powers of the Bank vest in the BoG, which decides on issues like admission of new members; increase or decrease authorized capital stock; elect Directors and President; determine remuneration of Directors, their alternates and that of President; authorize conclusion of agreements for cooperation with other international organizations; allocation of income and profits; etc.

4. The Board of Governors exercises its powers and functions with the assistance of the BoD, to whom powers are delegated for specific functions. BoD is responsible for the directions of the general operations of the Bank w.r.t. the work of the BoG, loans, guarantees, investments in equity capital, borrowing, furnishing of technical assistance, submission of accounts for each financial year, approving budget of the Bank etc. India is also represented in the BoD by a nominee of the GOI as **Executive Director (ED)**. ED is supported by Officers from India by way of **two Advisers and one Executive Assistant**.

5. **Office of ED** acts as a vital link between the Capital and the Bank, through **providing updates** on important events & discussions in the Bank; **and sharing** (i) **scheduling document** of issues coming up for discussion in the Board/ Committees; (ii) **Board & Committee papers** with a **brief analysis** flagging issues/aspects on which DEA's views are required or having implications for India; (iii) **important reports/publications** that the Bank brings out periodically; (iv) Approach Paper for a purposeful participation in **Annual Meetings**, etc.

6. **Annual Meetings** of BoG is held in a member country in late April or early May every year. Annual meetings are statutory occasions for Governors of ADB members to provide guidance on ADB administrative, financial, and operational directions. The meetings provide opportunities for member governments to interact with ADB staff, nongovernment organizations (NGOs), media, and representatives of observer countries, international organizations, academe and the private sector. **46<sup>th</sup> Annual Meeting of ADB was hosted by India during 2-5 May, 2013 in New Delhi.**

## IV. TERMS & CONDITIONS OF ADB LOANS

7. India borrows from ADB within overall external debt management policy pursued by the Government which focuses on raising funds on concessional terms from less expensive sources with longer maturities. India started borrowing from ADB {Ordinary Capital Resources (OCR) only} in 1986. Although India is eligible to draw partly from the Asian Development Fund (ADF) which provides concessional funding, India has consciously opted out of this facility to allow the Least Developed Countries (LDCs) to avail of this facility.

8. The **ADB follows the calendar year** for all its programs and projects.

9. **Graduation Policy** - Under the Graduation Policy approved by ADB in Dec 1998, developing countries are classified on the basis of (i) per capita GNP and (ii) Debt repayment capacity. Modification to this policy was approved by the Board in April, 2008. DMCs are categorized into three groups:

**Group A** - DMCs with access to only Asia Development Fund (ADF)

**Group B** - Access to a blend of ADF and OCR

**Group C** - Access to OCR only

India is placed in **Category B**, i.e., it has to contribute more than 20% of total cost of the Loans drawn (usually in the form of counterpart Staff and Infrastructure costs). As stated earlier, although India is eligible for ADF, it does not access the facility in order to avoid crowding out other eligible countries.

### **Ordinary Capital Resources (OCR) Charges**

10. ***Rate of Interest*** - India has been accessing ADB's OCR which is LIBOR-based loan (LBL) product since its introduction on 1<sup>st</sup> July 2001. Prior to that from 1986, India had accessed Pool based Multicurrency loans. Until June 30, 2001 interest on the earlier loans was 6.70% (US \$ loan), but under the LBL, the interest rate is floating and current applicable rate was LIBOR + 20 bps for loans negotiated on or after 1<sup>st</sup> October 2007, rate was revised to LIBOR + 30 bps for loans negotiated on or after 1<sup>st</sup> July, 2010 and further revised to **LIBOR + 40 bps for loans negotiated on or after 1<sup>st</sup> July, 2011**. Recently ADB Board has decided to **raise the loan charges by 10 bps effective for loans negotiated on or after 1<sup>st</sup> January 2014**.

11. ***Commitment charges*** - For project loans negotiated prior to Dec 31, 2006 commitment charges are levied @ 0.75% on: (i) 15% of undisbursed loan balances for the first year; (ii) 45% of undisbursed loan balances for the second year; (iii) 85% of undisbursed loan balances for the third year; and (iv) 100% of undisbursed loan balances from the fourth year onwards. For project loans negotiated on or after 1<sup>st</sup> Jan 2007, commitment charges are levied on a flat rate of 0.35% on the un-disbursed loan balances. This has been further reduced to **0.15% for both Program and Project Loans for loans negotiated on or after 1<sup>st</sup> October 2007**.

12. ***Front-end Fee*** - ADB Board in its meeting on 7<sup>th</sup> December 2007 announced the **elimination of the front-end-fee** for all loans negotiated on or after 1<sup>st</sup> October 2007. Earlier, it was one-time payment of 0.5% of total loan amount.

13. ***Maturity Premium*** - The ADB Board in its meeting in December, 2011 announced the introduction of the following maturity premiums for all the loans negotiated on or after 1<sup>st</sup> April, 2012:

- A maturity premium of 10 basis points per annum on loans with an average loan maturity of greater than 13 years and up to 16 years;
- A maturity premium of 20 basis points per annum on loans with an average loan maturity of greater than 16 years and up to 19 years; and
- That the average loan maturity of loans shall not exceed 19 years.

14. ***Normal Repayment period*** - The normal repayment period for a **Project Loan is 20 years plus a grace period of 5 years** and for the **Program Loan it is 15 years including a grace period of 3 years**.

#### IV. Procedure for posing projects for ADB Financing

15. The following procedure is followed:

- Concept paper for the Project is to be prepared as per "**Guidelines for posing, implementation and monitoring externally aided projects** issued by DEA *vide* letter dated May 9, 2005
- The proposed project should **include Finance Plus** elements as per DEA letter dated September 1, 2011 **and conform** to the guidelines on minimum **counterpart funding** as per DEA letter dated 14 December, 2011.
- As per the above stated Guidelines, a **proposal from a Central Sectoral Ministry should have "in principle" approval of Planning Commission.**
- In case of **proposals by the State Government, the aforesaid Concept paper be routed through the concerned Line Ministry** to MI Division in DEA **and FRBM clearance from the Department of Expenditure**, Ministry of Finance should also be obtained.
- A **Screening Committee**, headed by Joint Secretary (MI), DEA would then **scrutinize the proposal for posing to ADB.**
- The proposal to the Screening Committee is to be put in the prescribed format ***Preliminary Project Proposal Report Format***

#### V. ADB'S INTERFACE WITH INDIA

##### A. COUNTRY PARTNERSHIP STRATEGY (CPS)

16. CPS defines ADB's medium-term development strategy for its operations in the Country. CPS for India covering five year period (2013 to 2017) has been approved by ADB Board in October 2013. CPS 2013-2017 aims to support government's vision of *faster, more inclusive, and sustainable growth* envisaged under 12<sup>th</sup> Plan by **emphasizing on** (i) robust **infrastructure** development (ii) **job creation and access to jobs**—through investments in infrastructure, logistics, urban services, and skills etc. (iii) **regional connectivity**—through investments anchored on the South Asia Sub-regional Economic Cooperation (SASEC) program, with emphasis on lagging states; (iv) **environmental sustainability**—through investments in water resources management, introduction of new technologies and low-carbon solutions; and (v) **synergies** in infrastructure development, urbanization, and Regional Cooperation & Integration (RCI)—by supporting the government's efforts in development of economic corridors as well as multimodal regional connectivity.

17. The indicative resource **envelope for sovereign operations is around US\$ 2 billion per annum. The TA program will amount to around \$ 8 million a year.** Additional resources over and above the India country allocation—for example, from ADB's Results Delivery Scheme—will be prioritized for projects that promote RCI. Around 75% of the Program will be devoted to energy, transport and urban services, while balance 25% will be spread out amongst Finance, Agriculture and Skill Development sectors. State's share of program will be around 75%, and 40-50% of the total lending will be for lagging states. ADB's **non-sovereign operations** will be in line with the CPS priority areas. ADB's non-sovereign operations will continue to support the infrastructure and finance sectors.

##### B. Trend in Lending Program:

18. ADB assistance to India commenced in 1986. **Average annual lending** increased from \$586 million between 1986-96 to \$905 million between 1997-2002, \$1.094 billion between 2003-07 and **\$1.9 billion** between 2008-12. As of 30<sup>th</sup> November 2014, there are **72 ongoing loans amounting to \$ 9343.92 million.**

19. The sector-wise break-up is as under:

| Sector                                       | No. of Loans | US \$ Million  | %            |
|--|--------------|----------------|--------------|
| Agriculture, Environment & Natural Resources | 5            | 164.26         | 1.76         |
| Education                                    | 1            | 100.0          | 1.07         |
| Energy                                       | 25           | 3677.02        | 39.35        |
| Finance and Public Sector Management         | 5            | 700.0          | 7.49         |
| Transport and Communications                 | 15           | 3085.64        | 33.02        |
| Urban Development & Multi Sector             | 21           | 1617.00        | 17.31        |
| <b>Total</b>                                 | <b>72</b>    | <b>9343.92</b> | <b>100.0</b> |

20. **PROJECTS DELIVERED in 2013** – Following new loans for developmental project were negotiated during 2013:

| No. | Project Name   | Regular /MFF Amount (\$Million) | Amount (\$Million) |
|-----|--|---------------------------------|--------------------|
| 1   | Rajasthan Renewable Energy Transmission Investment Program               | 300.0                           | 62.0               |
| 2   | Madhya Pradesh Transmission and Distribution System Improvement Project  | 350.0                           | 350.0              |
| 3   | Supporting Human Capital Development in Meghalaya                        | 100.0                           | 100.0              |
| 4   | Accelerated Infrastructure Investment Facility                           | 700.0                           | 400.0              |
| 5   | Jaipur Metro Rail Line 1-Phase B Project                                 | 176.0                           | 176.0              |
| 6   | Kolkata Environmental Improvement Investment Program                     | 400.0                           | 100.0              |
| 7   | Himachal Pradesh Clean Energy Transmission Investment Program –Tranche 2 |                                 | 110.0              |
| 8   | North Eastern State Roads Investment Program –Tranche 2                  |                                 | 125.2              |
| 9   | Rural Connectivity Investment Program –Tranche 2                         |                                 | 275.0              |
| 10  | North Karnataka Urban Sector Investment Program – Tranche 4              |                                 | 63.3               |
| 11  | Uttarakhand State Road Investment Program –Tranche 3                     |                                 | 150.0              |
| 12  | Railway Sector Investment Program –Tranche 2                             |                                 | 130.0              |
| 13  | Uttarakhand Emergency Assistance Project                                 | 200.0                           | 200.0              |
|     | <b>TOTAL</b>   | <b>2,226.0</b>                  | <b>2,241.5</b>     |

### C. Lending by Sector

21. Between 1986 and 1996, ADB provided assistance mainly for national programs through central public utilities in the transport and energy sectors. Credit lines were also provided through national development finance institutions. Following the 1996 Country Operations Strategy, ADB began to shift focus to state level operations in the transport, power, and urban sectors. Public sector reform management programs were also undertaken to assist some states to pursue fiscal consolidation. ADB's India program has matured and expanded significantly under the Country Partnership Strategy (CPS) which is aligned with the Five Year Plans of India.

22. Over the past decade, ADB has expanded operations beyond the power, transport, and urban sectors into areas focusing on financial inclusion and generation of sustainable livelihoods (e.g. support for reform of the Rural Cooperatives sector, Khadi and Village Industries sector, and Micro-Small and Medium Enterprises); Skill development, Integrated Water Resources Management with a focus on Climate Change Adaptation (including support for Irrigation, Coastal Zone Management, and Flood Control); Agribusiness Infrastructure Development; and Tourism.

23. A Sector wise breakup of cumulative ADB's assistance to India as on 30<sup>th</sup> November 2014 is as under:

| Sector                                       | No. of Loans | US \$ Million   | %            |
|--|--------------|-----------------|--------------|
| Agriculture, Environment & Natural Resources | 7            | 294.00          | 0.9          |
| Education                                    | 2            | 200.0           | 0.6          |
| Energy                                       | 55           | 9169.40         | 29.4         |
| Finance and Public Sector Management         | 38           | 6740.00         | 21.6         |
| Transport and Communications                 | 50           | 10522.10        | 33.8         |
| Urban Development & Multi Sector             | 36           | 4235.00         | 13.7         |
| <b>Total</b>                                 | <b>188</b>   | <b>31160.50</b> | <b>100.0</b> |

#### D. Lending by States

24. Over the last decade, ADB assistance has extended to States such as Assam, Bihar, Chhattisgarh, Jammu & Kashmir, Jharkhand, Orissa, Uttarakhand, and the North Eastern region (Tripura, Mizoram, Nagaland, Sikkim, and Meghalaya), which are experiencing constraints of high poverty, low levels of social development, weak capacity, and inadequate infrastructure. The **state-wise allocation of loan during 1986 – 2013** is as under:

| State   | Approved Loans (1986-2013) |            |                     |                       |                     |
|---|----------------------------|------------|---------------------|-----------------------|---------------------|
|   | Sectors                    | Number     | % age (number wise) | Amount (US\$ Million) | % age (amount wise) |
| Andhra Pradesh  | E                          | 1          | 0.6                 | 230.0                 | 0.8                 |
| Assam   | A, E, F, U                 | 10         | 5.6                 | 837.9                 | 2.9                 |
| Bihar   | A, E, T, U                 | 6          | 3.3                 | 1,284.8               | 4.4                 |
| Chhattisgarh  | A, T                       | 3          | 1.7                 | 526.1                 | 1.8                 |
| Gujarat   | E, F, U                    | 5          | 2.8                 | 1,200.0               | 4.1                 |
| Himachal Pradesh  | E                          | 6          | 3.3                 | 955.1                 | 3.3                 |
| Jammu & Kashmir   | U                          | 3          | 1.7                 | 402.2                 | 1.4                 |
| Jharkhand   | T                          | 1          | 0.6                 | 200.0                 | 0.7                 |
| Karnataka   | T, U                       | 8          | 4.4                 | 874.3                 | 3.0                 |
| Kerala  | F, U                       | 2          | 1.1                 | 421.2                 | 1.4                 |
| Madhya Pradesh  | E, F, T, U                 | 18         | 10.0                | 3,022.0               | 10.3                |
| Maharashtra   | A                          | 1          | 0.6                 | 24.3                  | 0.1                 |
| Meghalaya   | Ed                         | 1          | 0.6                 | 100.0                 | 0.3                 |
| Mizoram   | F                          | 2          | 1.1                 | 100.0                 | 0.3                 |
| Multi-State*  | A, T, U                    | 8          | 4.4                 | 540.8                 | 1.8                 |
| Orissa  | A                          | 1          | 0.6                 | 16.5                  | 0.1                 |
| Rajasthan   | E, T, U                    | 6          | 3.3                 | 761.0                 | 2.6                 |
| Sikkim  | U                          | 1          | 0.6                 | 20.0                  | 0.1                 |
| Tamil Nadu  | E                          | 2          | 1.1                 | 350.0                 | 1.2                 |
| Uttarakhand   | E, T, U                    | 10         | 5.6                 | 984.9                 | 3.4                 |
| West Bengal   | F, T, U                    | 5          | 2.8                 | 1,040.0               | 3.5                 |
| National  | E, F, T, U                 | 80         | 44.4                | 15,452.1              | 52.7                |
| <b>Total</b>  |                            | <b>180</b> | <b>100.0</b>        | <b>29,343.2</b>       | <b>100.0</b>        |
| Note:* Operations in more than one state  |                            |            |                     |                       |                     |
| A= Agriculture and Water Resource, E = Energy, Ed = Education, F = Finance, T = Transport, U= Urban |                            |            |                     |                       |                     |

## E. Projects in North Eastern Region

25. As stated in para-10, ADB Portfolio in India has been extended to the North Eastern States through projects in sectors like Urban, Roads & Rural connectivity, Power, Public Resource Management, and Skill Development. Besides building up the institutional capacity, the projects are aiming for development and improvement of water supply, solid water management, sewerage systems, wastewater treatment, drainage; priority state roads, bus rapid transit corridor, connectivity to habitation of 500 persons with all-weather roads; transmissions lines, sub-stations, power distribution systems; reliability of flood & riverbank erosion risk management systems; fiscal space; tourism related infrastructure; etc.

26. The details of projects in NER are given below:

| SN | Project Name  | Date of Signing | Date of Closing | Net Loan Amount [US\$ million] | Disbursement [US\$ million] as on 30.11.2014 |
|----|---|-----------------|-----------------|--------------------------------|--|
| 1  | LN-2528-North Eastern Regional Capital Cities Development Investment Program (Project-1) (covering Meghalaya, Mizoram, Nagaland, Sikkim, & Tripura) | 04/08/2009      | 30/04/2016      | 25.54                          | 16.92  |
| 2  | LN-2834-North Eastern Regional Capital Cities Development Investment Program (Project-2) (Meghalaya, Mizoram, Nagaland, Sikkim, & Tripura)          | 19/11/2012      | 30/06/2016      | 60                             | 10.32  |
| 3  | LN-2770-North Eastern State Roads Investment Program (Project-1) (Assam, Meghalaya, & Sikkim)   | 09/07/2012      | 31/12/2016      | 74.8                           | 3.42   |
| 4  | LN-3073-North Eastern State Roads Investment Program (Project-1) (covering Assam, Manipur, Mizoram & Tripura)                                       | 17/02/2014      | 31/03/2020      | 125.20                         | 0.0  |
| 5  | LN-2592-Assam Power Sector Enhancement Investment Program (Project-1)   | 15/02/2010      | 31/12/2014      | 49.6                           | 33.49  |
| 6  | LN-2677-Assam Power Sector Enhancement Investment Program (Project-2)   | 17/01/2011      | 30/06/2015      | 66.9                           | 36.58  |
| 7  | LN-2800-Assam Power Sector Enhancement Investment Program (Project-3)   | 27/02/2012      | 30/06/2015      | 33.3                           | 20.98  |
| 8  | LN-2684-Assam Integrated Flood & Riverbank Erosion Risk Management Program (Project-1)  | 10/05/2011      | 30/09/2014      | 56.9                           | 16.58  |
| 9  | LN-2806-Assam Urban Infrastructure Investment Program (Project-1)   | 09/03/2012      | 30/06/2018      | 61                             | 3.75   |
| 10 | LN-2536-Mizoram Public Resource Management Program  | 17/09/2009      | 31/01/2015      | 94                             | 87.0   |
| 11 | LN-2537-Developing Public Resource Management in Mizoram Project (TA Loan)  | 17/09/2009      | 31/01/2015      | 6                              | 0.63   |
| 12 | LN-2578-South Asia Tourism Infrastructure Development Project (Sikkim)  | 04/10/2010      | 15/03/2015      | 12                             | 1.75   |
| 13 | LN-2881-Rural Connectivity Investment Program (Project-1) (covering Assam, Chhattisgarh, Odisha, Madhya Pradesh & West Bengal)                      | 02/04/2013      | 30/06/2015      | 252                            | 104.62                                       |
| 14 | LN-3065-Rural Connectivity Investment Program (Project-2) (covering Assam, Chhattisgarh, Odisha, Madhya Pradesh & West Bengal)                      | 11/02/2014      | 31/12/2017      | 275                            | 25.86  |
| 15 | LN-3033-Human Capital Development in Meghalaya Project  | 23/01/2014      | 31/03/2019      | 100                            | 5.5  |
| 16 | Second Assam Power Sector Investment Program – Project-1  | Negotiated      | 12-13 May 2014  | 50                             | 0.0  |
| 17 | Assam Power Sector Investment Program – Project-4   | Negotiated      | 28 Oct 2014     | 50                             | 0.0  |

## F. Non-lending (TA) Program

27. The India technical assistance (TA) program has also evolved in line with the loan program. TA support is being used to build capacity, improve project preparedness and implementation, assist the Government's PPP initiative, and undertake scoping studies and knowledge products. TA support received through co-financing from the Government of United Kingdom's Department for International Development (DFID) has helped immensely in strengthening the poverty focus of ADB's India operations and facilitating expansion to weaker states and new sectors.

28. A Sector wise breakup of cumulative TAs to India as on 30<sup>th</sup> November is as under:

| Sector                                       | No. of TA  | US \$ Thousand  | %            |
|--|------------|-----------------|--------------|
| Agriculture, Environment & Natural Resources | 26         | 26471.00        | 9.3          |
| Education                                    | 8          | 8100.00         | 2.9          |
| Energy                                       | 87         | 52160.50        | 18.3         |
| Finance                                      | 33         | 20248.4         | 7.1          |
| Industry & Trade                             | 4          | 1547.00         | 0.5          |
| Multi-sector                                 | 21         | 34405.0         | 12.1         |
| PPP  | 7          | 15800.00        | 5.6          |
| Public Sector Management                     | 39         | 18858.7         | 6.6          |
| Transport                                    | 94         | 67746.0         | 23.8         |
| Urban  | 50         | 39120.4         | 13.8         |
| <b>Total</b>                                 | <b>369</b> | <b>284457.0</b> | <b>100.0</b> |

29. A Sector wise breakup of ongoing TAs as on 30<sup>th</sup> November 2014 is as under:

| Sector                                       | No. of TA | US \$ Thousand | %            |
|--|-----------|----------------|--------------|
| Agriculture, Environment & Natural Resources | 5         | 6361.0         | 9.4          |
| Education                                    | 7         | 7875.0         | 11.7         |
| Energy                                       | 14        | 10110.0        | 15.0         |
| Finance                                      | 4         | 4575.0         | 6.8          |
| Multi-sector                                 | 5         | 8700.0         | 12.9         |
| PPP  | 3         | 4800.0         | 7.1          |
| Public Sector Management                     | 2         | 1100.0         | 1.6          |
| Transport                                    | 16        | 16875.0        | 25.1         |
| Urban  | 7         | 6950.0         | 10.4         |
| <b>Total</b>                                 | <b>63</b> | <b>67346.0</b> | <b>100.0</b> |

## G. Private Sector Operations (Non-sovereign Operations)

30. ADB's **non-sovereign operations** in the country are coordinated by its Private Sector Operations Division. With India's increased pace towards infrastructure development through the PPP mode, ADB's non-sovereign operations need to be stepped up through financing private infrastructure projects without in anyway diminishing its engagement with the public sector. It has been emphasized that while India support increase in non-sovereign lending, it cannot be at the cost of Public sector projects. Both must grow apace, with non-sovereign lending taking a major share of additional resources that are mobilized.

31. ADB offers following Products under its non-sovereign operations:

- **Loans** - ADB offers senior and subordinated debt, as well as mezzanine financing. In India, ADB also offers local currency loans on a case to case basis. Interest rates and other terms vary, depending on a company or project's needs and risks.

- **Equity investments** - ADB offers financing through equity investments, including direct equity investments in the form of common shares, preferred stock, or convertibles. Once its objectives have been achieved, ADB will divest its shares at a fair market price. ADB also invests indirectly in projects in its priority areas through private equity funds, up to certain exposure limits and ordinarily stays invested through the life of the fund.
- **Guarantees** - ADB provides guarantees that can be used to cover political risks, and more comprehensively, both political and credit risks.
- **B-loan/Lender of record** - ADB can mobilize additional debt resources for a financing through an arrangement in the form of a B-loan/Lender of Record structure. Since the withdrawal of the exemption from withholding tax benefit for the B-Loan co-financiers, this product has not been used in India.

### 32. Local Currency Lending –

In order to widen the funding of resources for infrastructure projects, ADB has been seeking Government of India's (GoI) approval for raising resources through the local currency loan (LCL) route. In 2004, ADB made their first representation for LCL by raising Rupee Bonds in the India market on terms and conditions prescribed by RBI. GoI approved issuance of Rupee Bonds for an amount of **Rs.5 billion** with a maturity of at least 10 years subject to stipulated conditions. In 2005, GoI again approved raising of Rupee Bonds for an amount not exceeding **Rs.15 billion** for a minimum maturity of 05 years for lending to infrastructure projects. In 2007, GoI has accorded approval for Rupee financing of **Rs.29.75 billion** to ADB to fund domestic infrastructure through the currency swap route for a maturity of more than 10 years subject to some conditions. RBI has also allowed 25% of the funds raised to be used for lending through select intermediary FIs involved in financing infrastructure projects. RBI has also issued **revised definition of 'infrastructure projects'** in November 2012. ADB has also been allowed in May 2014 to raise INR-denominated Offshore bonds upto US\$500 million.

33. As on 30<sup>th</sup> November 2014, ADB local currency lending is as follows:

#### Local Currency Approval, Use and Balance

| Approvals        |                  |                         |                                  |                     |                    |   |                         |                                     |
|------------------|------------------|-------------------------|----------------------------------|---------------------|--------------------|---|-------------------------|-------------------------------------|
| Year of Approval | Type             | Amount (in INR billion) | Amount Utilized (in INR billion) | Year of Utilization | Type               | Borrower  | Amount (in INR billion) | Remaining Approval (in billion INR) |
| 2004             | Bond             | 5.00                    | 5.00                             | 2004                | Bond               | Tala-Delhi Transmission<br>Dewan Housing Finance Corporation<br>Tata Power Wind Energy Financing Facility | 2.90<br>1.00<br>1.10    |                                     |
| 2005             | Bond<br>CC Swaps | 15.00<br>5.00           | Nil<br>0.90<br>4.10              |                     |                    | Tata Power Wind Energy Financing Facility<br>Petronet LNG Limited Loan                                    | -<br>0.90<br>4.10       | 15 cancelled                        |
| 2007             | Bond/<br>CCS     | 29.75                   | 2.64<br>0.71                     | 2009<br>2013        | CC Swap<br>CC Swap | Petronet LNG Limited Loan<br>Grid Connected Solar PV  | 2.64<br>0.71            | 26.40                               |

#### Local Currency Use by Project

| Project                                   | Mode of Local Currency |                                   |      | Total Local Currency Financing<br>Billion INR |
|---|------------------------|-----------------------------------|------|---|
|   | Bond<br>Billion INR    | Cross<br>Currency<br>Swap Billion |      |   |
|   |                        | INR                               | INR  |   |
| Tala-Delhi Transmission                   | 2.90                   |                                   |      | 2.90  |
| Dewan Housing Finance Corp.               | 1.00                   |                                   |      | 1.00  |
| Tata Power Wind Energy Financing Facility | 1.10                   | 0.90                              |      | 2.00  |
| Petronet LNG Limited                      |                        |                                   | 6.74 | 6.74  |
| Grid Connected Solar PV                   |                        |                                   | 0.71 | 0.71  |
| <b>Total</b>                              | <b>5.00</b>            | <b>8.35</b>                       |      | <b>13.35</b>                                  |



## H. Portfolio Performance

34. Portfolio performance has improved since 2005, largely as a result of (a) **regular tripartite portfolio review meetings** (TPRMs) organized jointly by GOI and ADB and attended by staff from DEA, ADB, and EAs of ADB projects across all states; (b) increased **focus on project readiness** at the time of project approval through use of a 'project readiness checklist', and (c) **incorporation of implementation lessons into the design of new projects**. Contract awards have increased from \$550.5 million in 2004 to **\$2 billion in 2014**, while loan **disbursements** have risen from \$381 million to **\$1.4 billion** over the same period. India's **disbursement ratio** (which is the **ratio of disbursement achieved** in the year to the **total net effective undisbursed loan funds**) has shown a marked improvement since 2005 and has been higher than the ADB-wide average.

## I. MONITORING OF THE PROJECTS

35. The projects are monitored through the following mechanism:

- a. **Tripartite Review Meetings (TPRM)** - In order to streamline issues and closely monitor the disbursements as also provide advice and for troubleshooting difficult and ticklish problems, a system of Tripartite Portfolio Review Meetings had been initiated at the level of Joint Secretary in which the executing agencies and the ADB participate. These Tripartite Portfolio Review Meetings are held thrice a year. Nodal officers have been appointed in each of the States who cater to all ADB Projects and are in regular correspondence with DEA. ADB have lauded the efforts of the GoI and have included this in the list of International Best Practices.
- b. **State Level Reviews** under chairmanship of **Chief Secretary** of the State with JS(MI) on all EAPs.
- c. Sector level review with **Secretary of Line Ministry** and JS(MI).
- d. **Project Readiness Checklist** - DEA and ADB have formalised a 'Project Readiness Checklist' which is being adhered to. This ensures adequate preparedness of projects before implementation.
- e. **Visit to Project sites by DEA officers** - DEA officers would be visiting the project sites for monitoring and evaluation of the progress of the implementation of the projects. Parameters for appraisal of Project Implementation Progress (**Annexure-B**) have been devised to get the status of the projects.
- f. **Regular Wrap-up meetings of project review missions**, in which line Ministries are invited and in some cases Executing Agencies are also called. This is done at the level of Director. During these meetings **detailed review of procurement related issues, issues related to relief & resettlement, project monitoring units, audit & accounting and other miscellaneous factors impacting the project are done**. Follow up with EAs is done through confirmation of **Aide Memoire** submitted of the mission.

## VI. E-GOVERNANCE

36. ADB Branch of DEA has successfully developed, implemented and operationalized a **web-based application, EAPDEA** to meet project preparatory and implementation requirements under externally funded projects to meet project and mission cycle requirements. The EAPDEA website has **five key modules**, Document log, Performance monitoring, Feedback module, Nominations management and Business Opportunities. The website has is hosted on National Informatics Centre servers. DEA, ADB and over 100 executing agencies across India are currently using EAPDEA application, which aimed to be the front end for all loan agencies.

37. The EAPDEA website has **five key modules**, Document log, Performance monitoring, Feedback module, Nominations management and Business Opportunities.

- (i) The **Document log module** is project tracking system designed to improve workflow, document management, decision support and coordination between stakeholders such as the donor agencies, DEA and executing agencies.
- (ii) The **Performance monitoring module** assesses the performance of projects and helps in identifying poorly performing projects. It maintains the data of active loans, enables evidence based project assessment and monitoring, and supports better project planning and management.
- (iii) The **Feedback module** facilitates sharing of feedback on various consultants across executing agencies.
- (iv) **Nominations management module** enables donor agencies and DEA to invite nominations online for trainings, seminars, meetings, forums and other capacity building programs.
- (v) **Business Opportunities module** serves as a notification to vendors about the new opportunities in various projects. The module ensures wider participation leading to greater competition and higher value for investment.

## V. ASIAN DEVELOPMENT BANK INSTITUTE (ADBI)

38. **ADBI was established in 1997** to respond to development management training needs of developing member countries of ADB and for exchange of ideas on policy issues. ADBI's **vision** is to be recognized as the leading knowledge center in Asia and the Pacific, known for its excellence, originality and professionalism. The financial regulations, rules and procedures of the ADB apply to the operations of the Institute. However, the **budget is independent from that of the Bank. ADBI is currently funded by the Government of host country, i.e. Japan.** The main role of ADBI is to help build capacity, skills and knowledge related to poverty reduction and other areas that support long term growth and competitiveness in developing countries in the Asia Pacific Region. ADBI is governed by the Statute of the ADB Institute, which provides for a **Dean, who** is responsible for the management of ADBI, supported by an independent **Advisory Council, which met twice in a year** (once at ADB HQ in Manila and once in Tokyo).

### ADVISORY COUNCIL OF ADBI

39. **Advisory Council** consists of **seven members – six from member countries** (2 from Developing Members Countries, 2 from Regional Non-borrowing members and 2 from Non-regional members) and **one from ADB's senior staff**. The members are appointed on the recommendations of the President, ADB for a **period of two years**. The **Chairperson** of the Advisory Council is selected by the members **from amongst themselves**.

40. Advisory Council provides **advice & recommendations** on the strategic directions of the ADBI and **review & comment** on the Strategy and Work Program of ADBI. ADBI's **strategic priority themes** are (a) inclusive & environmentally sustainable growth, (b) regional cooperation & integration, and (c) governance for policies & institutions.

41. **India has been represented in the Advisory Council since 2000** when **Mr. Y.V. Reddy** was appointed for the period 2000-2002. The **present Cabinet Secretary – Mr. Ajit Kumar Seth** is currently representing India since 10<sup>th</sup> Sep 2012 and his term is for two years.

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