

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Focus and Key Activities

1. The Asian Development Bank (ADB) has a long-standing relationship with the Power Grid Corporation of India (POWERGRID) through five sovereign guaranteed loan facilities totaling \$1.52 billion, including three sector loans and one two-tranche multitranche financing facility (MFF). Performance of these facilities has been satisfactory and warrants ADB's continued engagement with POWERGRID.

2. The major development partner for POWERGRID has been the World Bank. ADB and the World Bank coordinate the overall complementary nature of actions for POWERGRID. The World Bank has provided POWERGRID with six loan facilities totaling \$3.2 billion since 1993. In response to the global financial downturn, the World Bank extended a loan of \$1.0 billion to POWERGRID in September 2009 to help it strengthen five transmission systems in the northern, western, and southern grid regions.

3. ADB and the World Bank aim to facilitate the transfer of power among the regions and states, resulting in increased system reliability and efficiency. The two multilateral development banks have helped integrate the national grid system network. ADB also supported the first public-private partnership project for transmission between POWERGRID and the Tata Power Company on a build-own-operate-transfer basis.¹

Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
Electricity Transmission			
ADB	Loan: Power Transmission (Sector) Project	1995–2003	275.0
	Loan: Power Transmission Improvement (Sector) Project	2000–2007	250.0
	Loan: Tala–Delhi Transmission Project	2003–2006	62.3 ^a
	Loan: Power Grid Transmission (Sector) Project	2004–Ongoing	400.0
	Loan: National Power Grid Development Investment Program, MFF Tranche 1	2008–Ongoing	400.0
	Loan: National Power Grid Development Investment Program, MFF Tranche 2	2009–Ongoing	200.0
	CDTA: Innovative Financing Instruments for Power Grid	2010–Ongoing	0.2
World Bank	Loan: Power System Development Project I	1993–2000	350.0
	Loan: Power System Development Project II	2001–2006	450.0
	Loan: Power System Development Project III	2006–2011	400.0
	Loan: Power System Development Project IV	2008–Ongoing	600.0
	Loan: Power System Development Project IV (additional)	2008–Ongoing	400.0
	Loan: Power System Development Project V	2009–Ongoing	1,000.0

ADB = Asian Development Bank, CDTA = capacity development technical assistance, MFF = multitranche financing facility.

^a ADB provided a loan denominated in Indian rupees (Rs3.05 billion).

Source: Asian Development Bank.

¹ POWERGRID initiated the process of inviting private sector participation in the transmission project. The joint venture company was established between POWERGRID (49% of total stake) the Tata Power Company (51%) to construct a 1,113 km transmission system from the Bhutan-Indian border to Delhi to evacuate power generated in the Tala hydropower station in Bhutan.

B. Institutional Arrangements and Processes for Development Coordination

4. ADB and the World Bank have supported the power sector development of the central and state utilities in India. ADB has supported the states of Assam, Bihar, Gujarat, Himachal Pradesh, Madhya Pradesh, and Uttarakhand while the World Bank has assisted Andhra Pradesh, Haryana, Orissa, Rajasthan, and Uttar Pradesh. ADB has thus coordinated with the World Bank on the geographic demarcation of state operations and ensured the overall complementary nature of actions at both the central and state levels.

C. Achievements and Issues

5. In 1998, POWERGRID developed its environmental and social policy and procedures (ESPP) as a corporate environmental and social management system in consultation with the government and its relevant agencies, nongovernment organizations, civil society, ADB, and the World Bank. The World Bank took a leading role to guide the revision of ESPP. Based on the World Bank's safeguard diagnostic review report in 2008 and public consultations, the revisions were incorporated in the ESPP to comply with the World Bank's safeguard policy statement and the World Bank accepted the revised ESPP in 2009. Based on ADB's current and prior reviews of the ESPP, the ESPP is also considered to be in line with ADB's Safeguard Policy Statement (2009).

D. Summary and Recommendations

6. During loan processing, ADB discussed the project and financing plan with the World Bank, the Japan Bank for International Cooperation, the European Investment Bank, the Nordic Investment Bank, and some commercial financial institutions. Coordination between these potential development partners will leverage development impacts and improve operational sustainability for each of the project components. Aid coordination will be continued during project implementation.