

# ASIAN DEVELOPMENT BANK & INDIA

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## A FACT SHEET

India is fast emerging as the next global economic success story. The long-term trend rate of growth has increased from 5.4% in the 1980s, to around 7–8% in recent years. As a result of steady growth, poverty fell to 26.1% in 1999–2000, from 36% in 1993–1994. The Tenth Five-Year Plan, which lays out India's poverty reduction strategy and its development priorities, aims to reduce income poverty by 15 percentage points by 2012.

The current Government (a coalition led by the Indian National Congress) is focusing on policies and investment plans that support inclusive growth, with particular emphasis on agriculture and rural development, and raising investment in infrastructure. Improvement in the quality and delivery of public services, creation of investment and employment opportunities, especially in rural areas, and strengthening of infrastructure are key development challenges.

### Relationship with ADB

India is a founding member of the Asian Development Bank (ADB) and its fourth largest shareholder. Since the beginning of ADB assistance to India in 1986, 81 public sector loans amounting to \$14.9 billion have been approved. A total of 212 technical assistance (TA) projects amounting to \$115.789 million have been approved to date.

The current framework of ADB assistance to India is laid down in the India Country Strategy and Program (CSP) 2003, with updates of 2004 and 2005. The program is closely aligned with the Government's evolving development priorities and its core focus on reducing poverty through infrastructure-led growth. The three key pillars of ADB assistance strategy in India are inclusive and broad-based growth, social development, and good governance.

Annual ADB lending to India averaged around \$600 million through the 1990s. This increased to an annual average of around \$1.1 billion between 2000 and 2005. In volume terms, infrastructure projects constitute the bulk of ADB's operations. About 89% of ADB's ongoing India portfolio as of 31 December 2005 focuses on the three core areas of transport, urban development, and energy.

**Table 1. India: Development Indicators**

• Population	1,107 million (2005) 1.90% growth per annum (1990–2005)
• National poverty rate	26.1% (1999–2000)
• Population living on less than \$1 a day	30.7% (2003) 42.1% (1990)
• Under-5 mortality rate per 1,000 live births	85 (2004) 123 (1990)
• Adult literacy rate	61% (2000–2004)* 48% (1990)
• Population in urban areas	28.5% (2004) 25.6% (1990)
• Population with access to improved drinking water sources	86% (2002) 68% (1990)

\* No single-year data is available. Data of absolute number of illiterates taken from UNESCO Institute for Statistics questionnaire.

Sources: ADB, 2006. *Basic Statistics 2006*. Manila. ADB Statistical Database System.

**Table 2. India: Economic Indicators, 2001–2005**

Economic Indicator	2001	2002	2003	2004	2005
Per capita GNI (\$)	460	470	540	620	...
GDP growth (% change per year)	5.8	3.8	8.5	7.5	8.1
CPI (% change per year)	3.7	3.4	5.5	6.5	4.5
Unemployment rate (%)	...	...	...	...	...
Fiscal balance (% of GDP)	-9.9	-9.6	-8.4	-8.3	-7.6
Export growth (% change per year)	-1.6	20.3	23.3	23.9	15.8
Import growth (% change per year)	-2.8	14.5	24.1	48.5	30.0
Current account (% of GDP)	0.7	1.3	2.3	-0.8	-2.5
External debt (% of GNI)	20.5	20.7	18.9	...	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB, 2006. *Asian Development Outlook 2006*. Manila. ADB Statistical Database System.

Figure 1. India: Loans and Disbursements, 1995–2005 (\$ million)



**Cumulative Lending (as of Dec 2005) \$14,936.2 million**      **Cumulative Disbursements (as of Dec 2005) \$7,945.7 million**

Figure 2. India: Equity and Guarantees, Grants, Technical Assistance, and Loans, 1966–2005 (\$ million)



Table 3. India: Cumulative ADB Lending as of 31 December 2005

Sector	Loans (no.)	Amount (\$ million)	% <sup>a</sup>
Energy	27	4,900.8	32.8
Transport and Communications	23	4,799.2	32.1
Multisector	15	2,280.0	15.3
Finance	13	1,433.0	9.6
Law, Economic Management, and Public Policy	5	850.0	5.7
Water Supply, Sanitation, and Waste Management	2	421.2	2.8
Industry and Trade	8	185.9	1.2
Agriculture and Natural Resources	1	46.1	0.3
Health, Nutrition, and Social Protection	1	20.0	0.1
<b>TOTAL<sup>a</sup></b>	<b>95</b>	<b>14,936.2</b>	<b>100.0</b>

<sup>a</sup> Total may not add due to rounding.

Figure 3. India: Project Success Rates<sup>a</sup>



<sup>a</sup> Includes highly successful and successful projects.

**Cumulative Assistance: \$15,377.02 million\***

\* Includes loans, technical assistance, grants, and equities (as of 31 December 2005).

## Impact of Assistance

Poor roads are among the main underlying causes of poverty in India, and an impediment to realizing the economic potential of rural areas. The Government's Rural Roads Program (or Pradhan Mantri Gram Sadak Yojna, PMGSY) aims to provide all-weather roads to poor rural areas, where nearly 70% of the population lives. In 2003, ADB approved a loan assistance of \$400 million for the program, and made \$750 million available in 2005 (as a multi-tranche loan).

PMGSY is in its fifth year of implementation and has successfully improved nearly 66,000 kilometers (km) of rural roads with an additional 47,000 km nearing completion, connecting 34,000 villages nationwide. ADB's assistance to the program is expected to encourage growth in agricultural incomes and employment by improving marketing of farm inputs and outputs, and enhancing access to health and educational facilities.

The \$85 million Karnataka Urban Infrastructure Development Project (KUIDP, Loan 1415-IND, December 1995 to June 2004), has met its objective of improving basic urban services and infrastructure (water supply, sewerage, drainage, solid waste, urban roads and capacity building of the municipal corporations) in the four main towns surrounding Bangalore.

More than 1.5 million people—mainly the urban poor and low income—benefited from the improved services

constructed under the project. More than 17,500 low-income homes were fitted with personal toilets and water connections. More than 20 local nongovernment organizations were engaged to undertake a number of community-based interventions in public health. This was ADB's first effort at urban development in India and the lessons learned have been incorporated into subsequent urban development projects in Karnataka and elsewhere.

The Madhya Pradesh Power sector Development loan (December 2001 to December 2006) has helped to separate the generation, transmission, and distribution companies of the State Electricity Board, improving the viability of the state power sector through rationalization of tariffs, financial restructuring, and improved cost recovery through expanded metering. The loan has also helped establish the legal and regulatory framework for encouraging private sector participation. Power sector reforms will help to spur economic growth in Madhya Pradesh and indirectly lower poverty.

In 2005, ADB assistance to India included

- the Chhattisgarh Irrigation Development project (for \$46.1 million),
- the Kerala Sustainable Urban Development project (for \$221.2), and
- the Tsunami Emergency Assistance Project consisting of a \$100 million loan and an Asian Tsunami Fund grant of \$100 million.

In addition, assistance also included \$750 million for the Rural Roads II Investment Program. The Rural Roads II project offers multi-tranche financing under the Innovation and Efficiency Initiative (IEI) of ADB, and would support the Government of India's rural roads program.

Two private sector loans, for a total of \$73 million, and two private sector equity investments amounting to \$20.6 million were also approved in 2005.

## Future Directions

Annual lending to India is projected to increase from \$2.25 billion in 2006, to \$2.45 billion in 2007, and to \$2.65 billion in 2008. The continued relevance of ADB's core operational strategy, which is aimed at combating poverty through infrastructure-led growth, is borne out by the high priority being given by the Government to infrastructure development programs such as Bharat Nirman and the National Highway Development Program (NHDP). Infrastructure (transport, urban, and energy) projects account for 77% of the 2006–2008 pipeline. ADB has also initiated operations in agriculture and water resource management in line with the Government's renewed focus on rural development.

Since 2000, ADB has provided five loans to assist with the first two phases of the NHDP. It is now working with the National Highway Authority of India (NHAI) to see how best it can help with the subsequent phases of the highway development program while attracting private participation and investment on a build-operate-transfer basis. ADB's first Rural Roads Project covering the states of Chhattisgarh and Madhya Pradesh was approved in 2003. The second Rural Roads Project covering Assam, Orissa, and West Bengal was approved recently.

In the energy sector, ADB has focused on working with the Power Grid Corporation to strengthen the national transmission grid, and with states, such as Assam, Gujarat, and Madhya Pradesh to upgrade transmission and distribution, facilitate reforms, and undertake capacity

**Table 4. India: Improvement in Portfolio Quality Indicators, 2004 and 2005**

Portfolio Quality Indicator	2004	2005
Disbursement ratio (%)		
All loans	12.4	16.5
Project loans	10.5	12.0
Implied average implementation period for project loans (years) <sup>a</sup>	5.6	5.7
Undisbursed loan balance (\$ million)	4,993.1	4,301.0
Active loans (no.)	32	33
Projects at risk—(no.) <sup>b</sup>	8	8
% of loans in portfolio	25.0	24.2

<sup>a</sup> Based on approval to revised closing date. Excludes program loans only.

<sup>b</sup> Refers to the number of loans.

building of power sector institutions as required by the Electricity Act 2003.

ADB's ongoing urban sector operations in Gujarat, Karnataka, Madhya Pradesh, Rajasthan, and West Bengal combine infrastructure development (primarily water, sanitation, and waste management) with targeted poverty reduction components and a strong focus on municipal reforms and capacity building. The 2006–2008 program will continue with similar projects in the states of the north east, Jammu and Kashmir, Rajasthan, and Uttaranchal. ADB will also assist the Government in implementing the National Urban Renewal Mission.

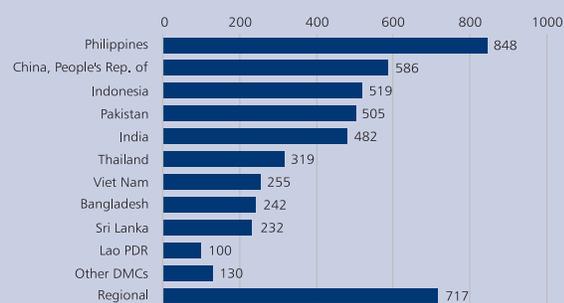
The selection of ADB interventions is guided by the performance of the portfolio, the activities of other development partners, and the institutional framework. A new project will be included only if it is fully supported by ADB and the oversight and executing agencies, and is socially acceptable to the community.

## Operational Challenges

Improving project implementation, attempting to broadly harmonize ADB's safeguard requirements with those of India in selected sectors, enhancing capacity for effective project implementation and providing development finances at competitive rates remain the major operational challenges. Several measures have been undertaken jointly by the Government and ADB to address these issues. The Government, executing agencies and ADB have been holding periodic tripartite project review meetings to resolve specific issues hindering timely project implementation. These efforts improved disbursement ratios in 2005. Efforts are also being made to develop project implementation expertise and to ensure sustainability of investments, especially in states with limited implementation capacities. In addition, ADB's IEI initiatives now offer more flexible modes of project financing.

**Figure 4. Private Sector Operations Portfolio Distribution by Top Countries, 1983–2005**

(\$ million)



Total: \$4.9 billion

## Partnership

ADB collaborates closely with multilateral and bilateral development partners, such as the World Bank, United Kingdom's Department for International Development, Japan Bank for International Cooperation, and the European Union, in India. Consultations with the development partners are conducted regularly at the project level as well as during country programming. Modalities for such cooperation include joint sector strategies, cofinancing, and knowledge sharing through joint assessments and consultations.

ADB cooperates extensively with civil society organizations (CSOs) to strengthen the effectiveness, quality, and sustainability of the services it provides. In India, for example, CSOs have contributed to the implementation of the Calcutta Environment Improvement Project and the Rajasthan Urban Infrastructure Development Project. ADB is financing more than 20 CSO-run initiatives targeting the disadvantaged.

## Cofinancing and Procurement

ADB's cofinancing operations enable its development partners—governments or their agencies, multilateral financing institutions, commercial organizations, and export credit agencies—to join ADB in financing its lending to developing members. For every US dollar lent by ADB in 2005, cofinancing brought in an additional \$1.27. Such additional funds are provided in varying forms of grants, guarantees, or loans.

A summary of loan projects with cofinancing is available at [www.adb.org/Documents/Fact\\_Sheets/India/cofinancing.asp](http://www.adb.org/Documents/Fact_Sheets/India/cofinancing.asp).

A summary of procurement contracts awarded to companies and consultants from India for goods and related services, civil works, and consulting services can be found at [www.adb.org/Documents/Fact\\_Sheets/India/procurement.asp](http://www.adb.org/Documents/Fact_Sheets/India/procurement.asp).

### About India and ADB

India is the third largest shareholder among regional members and the fourth largest overall.

#### ADB Membership

Joined	1966
Shares held	224,010 (6.338%)
Votes	237,397 (5.374%)

**Ashok Saikia** is the Executive Director and **Nima Wangdi** is the Alternate Executive Director representing India on the ADB Board of Directors.

**Tadashi Kondo** is the ADB Country Director for India. The India Resident Mission (INRM) was opened in 1992 and provides the primary operational link between ADB and the government, private-sector, and civil-society stakeholders in its activities. INRM engages in policy dialogue and acts as a knowledge base on development issues in India.

The India government agency handling ADB affairs is the Ministry of Finance.

### About the Asian Development Bank

ADB is dedicated to reducing poverty in the Asia and Pacific region through pro-poor sustainable economic growth, social development, and good governance. Established in 1966, it is owned by 66 members—47 from the region. In 2005, ADB operations totaled \$7.4 billion in loans, equities, guarantees, grants, and technical assistance. With headquarters in Manila, ADB has 26 offices around the world and more than 2,000 staff from over 50 countries.

### Contacts

#### India Resident Mission

Plot 4, San Martin Marg, Chanakyapuri  
New Delhi 110021, India  
P.O. Box 5331, Chanakyapuri HPO  
Tel +91 11 2410 7200  
Fax +91 11 2687 0955/2419 4273  
[adbinrm@adb.org](mailto:adbinrm@adb.org)  
[www.adb.org/INRM](http://www.adb.org/INRM)

#### ADB Headquarters

6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines  
Tel +63 2 632 4444  
Fax +63 2 636 2444  
[information@adb.org](mailto:information@adb.org)

#### Ministry of Finance

New Delhi, India  
Tel +91 11 2309 2810/2309 2510  
Fax +91 11 2309 3289/2309 2830/2309 2511

#### Useful ADB websites

Asian Development Bank  
[www.adb.org](http://www.adb.org)

Country website  
[www.adb.org/india](http://www.adb.org/india)

Asian Development Outlook  
[www.adb.org/Documents/Books/ADO/2006/documents/ind.pdf](http://www.adb.org/Documents/Books/ADO/2006/documents/ind.pdf)

Annual Report  
[www.adb.org/Documents/reports/annual\\_report/2005/](http://www.adb.org/Documents/reports/annual_report/2005/)

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