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INDIA CAE w/SHOP
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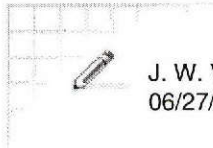
ENERGY

NO - ONE-PAGE POSTER, INSTEAD EXEC. SUMMARY OF THE ENERGY REPORT WAS USED.

NO - SUMMARY - MISSING

• Chitra will follow-up of Mandakini (5/03/00). ✓ attached

NO - attendance list - MISSING. ~~attached~~



J. W. Van Holst Pellekaan
06/27/2000 08:51 PM

Subject: India CAE - Energy

Mr Berney

I apologize for my message yesterday because it was based on my inadequate review of my E Mail messages.

Indeed I could not get it out of my mind that I had seen a message from you to Gianni, in addition to the one which referred to para 6 in Annex J.

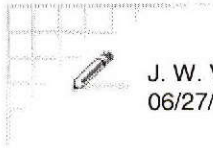
I have had some technical problems with my dial up account and have not been able to transfer all my messages to my lap top here at home. This morning I sat down and checked all my many messages that I had received during a recent mission but had not adequately digested and found a message from Gianni to you copied to me dated June 22 which had attached to it your previous messages to Gianni.

Therefore, please ignore my message to you yesterday. If I have any further questions I hope you will not mind if I contact you then.

Thank you

Jack van Holst Pellekaan

To: Rberney@Kreative.Net
cc: Gianni Zanini
RoZIAH Baba



J. W. Van Holst Pellekaan
06/27/2000 02:57 AM

Subject: India CAE - Energy

Mr Berney

I

As you will have noticed from Gianni Zanini's message of June 20, I am helping him complete the work associated with winding up the CAE for India.

I am not familiar with the exchanges you may have had with Gianni. I did, however, see your recent message to Gianni commenting on paragraph 6 in Annex J of the CAE.

Are there any other issues on which you wish to comment? For example, in Part I of Annex A of the CAE there is a paragraph (number 16) intended to summarize all the wisdom we have on the power sector. If you have not already done so, could I ask you to have a look at it and make any changes/improvements you feel it needs.

I would also appreciate a similar scrutiny of Part II of Annex A where you will find a matrix devoted to the energy sector.

If you could respond to this message before the end of next week I would appreciate it.

Many thanks

Jack van Holst Pellekaan

To: Rberney@Kreative.Net
cc: Gianni Zanini
Roziyah Baba

Country Assistance Evaluation Consultations

The session began with Kari Nyman presenting his CAE Consultation Paper on “Energy Sector”, followed by a discussion among the participants on the paper. The salient points that emerged were the following:

All participants complimented Mr Nyman for presenting so informative a paper. The participants praised the Bank for its efforts and support in developing the energy sector in India.

The discussants supported the Bank’s perception that the Indian energy sector needed reforms for accelerating the development process. The participants suggested that the Bank should try to formulate different reform models for different states, because both the problems and needs are diverse. The participants asked for some flexibility in the Bank’s reform package. The Bank should leave to the states themselves to decide on what models to adopt. Restructuring the State Electricity Boards (SEBs) and unbundling generation, transmission and distribution should be done as the vertically integrated model had achieved little success, but after careful examination. Suggestions were made to the effect synergies between the Government of India (GoI), the World Bank and IFCs to work out the best option. One participant suggested that the model followed in Bangladesh would be useful for India. Another participant remarked that to draw any conclusion on failure or success of any model at this stage was premature; rather every option has to be scrutinized carefully. Some of the reform-related issues discussed were as follows:

- Gradual process of energy sector reform could create more problems
- Corporatization creates more problems than it solves because it gives only a legal status and has numerous functional problems
- Proposed reforms are visionary but neglect the difficulties in implementing measures of improving efficiency
- Risks in distribution system must be properly identified

The participants felt that the CAE Paper did not give much emphasis on people’s participation in this reform process and its methodology. They suggested that the Bank should try to weave social and environmental aspects in its reform package.

The discussants agreed with the Bank’s view that India’s power sector is the biggest single drain on the states’ budgets. Through reform, this drain would, over time, be converted into a net inflow of funds. Together with complementary economic/fiscal restructuring and reforms in governance, the funds would be made available for the social sectors. They also agreed that by improving power supply, a severe constraint to economic growth would be eliminated, which in turn would generate employment. Viable utilities emerging from these reforms would be able to connect additional consumers including urban and rural poor.

The participants opined that the Bank’s emphasis on power distribution in place of power generation would be helpful for the power sector in India. However, there were differences among the participants on the issue of privatizing all distribution entities, because they felt any monopoly, whether private or public, would not help increase efficiency. There was also disagreement with the Bank’s view of unbundling and privatizing all generation and transmission facilities, as privatizing the power sector would mean higher power tariff and hence not feasible in the present social and political context of India.

The participants supported the Bank’s view of the need to develop an independent regulatory agency for the power sector with adequate control over tariff structuring reforms.

They also agreed that subsidies in the power sector is very high but felt that given the political and social compulsions, it would not be easy for the government to cut it down.

The participants agreed on some general points, which are as follows:

- A large number of states are outside the scope of the Bank's support. There should be some lending facilities by IFCs to support reforms in these states not covered by the Bank.
- The Bank should try to support the rural power projects and work for decentralizing power supply at the village level.
- Power to the consumer should be at affordable rates. The gap between supply and demand should be narrowed down.
- There is a need for a National Transmission Grid.
- The Bank should play a positive role in the power sector and help to acquire technical assistance.

A representative from the Ministry of Power, GoI, said that his ministry is giving high priority to the reforms. Cooperation between GoI and the Bank in the power sector's development and reform was thus urgently needed. He further informed about the Ministry's efforts to bring in more financially viable companies in operating the central generating stations. The ministry had also started dialogs with the SEBs for effecting these reforms. He suggested that the thermal power sector, NTPC and hydropower sector need more support from the Bank. The Ministry is trying to formulate pragmatic and viable policies for the country.

The NTPC representative thanked the Bank for its past support but also pointed out that the recent withdrawal of support to NTPC was a "blunder" on the Bank's part, especially when NTPC's brilliant track-record in implementing reforms and generating power from environment-friendly coal-based TPPs is taken into consideration and sought renewed cooperation.

The representative from the Department of Coal, GoI, said his department is not against the reforms but that they should be implemented gradually. The Department had started its own reforms much earlier that provided for private mining and hard-coke plants to operate and that the Department needed the Bank's cooperation and partnership in areas like restructuring, privatization, social mitigation, etc.

The IREDA representative, while praising the Bank's strategy for renewable energy, also asked for the Bank's support in exploring second line of credit options and US technical assistance for hydro projects.

The Haryana SEB representative said that it was unfortunate that while Haryana state was the first example in the world where the APL-1 was approved, its reforms were now being dubbed as "unsatisfactory". Actually, Haryana had done quite well in its reforms as the "Bijli Adalats" had started to functioning and the Government was trying to solve the consumers' problems and tackling the menace of electricity theft and subsidy management. The Bank should see the political compulsions and review its stance, he felt.

In his final response, Mr Nyman said that the Bank cannot go by commitments alone; their translation into practice was necessary. In the Bank's view, this was not happening in either IREDA, in the Department of Coal, or in Haryana SEB. However, the second line of credit for IREDA is on the agenda of the Bank. He finally stressed that consumer interests cannot be protected in the absence of commercially viable companies.

Note: There was no discussion on OED Sectoral Strategy as it had already been finalized.

F_NAME	L_NAME	DESIGNATION	COMPANY NAME
J.L.	Bajaj	Chairman	UP Electricity Regulatory Commission
Ramesh	Chandra	Member	Haryana Electricity Regulatory Commission
Devdas	Chhotray	Jt. Secretary	Ministry of Mines and Minerals, GoI
R.K.	Chadha		BSES Ltd.
N.	Gokulram	CMD	Karnataka Power Transmission Corpn. Ltd.
Arun	Gupta	CMD	Naptha Jhakri Power Corpn.
Sujata	Gupta	Dean, Policy Analysis Div.	TERI
K.S.	Janakiraman	GM	IREDA
S.L.	Kapur		NTPC
Uddesh	Kumar		
Murari	Lal		National Hydroelectric Authority of India
A.K.	Mangotra	Jt. Secretary	Ministry of Non-conventional Energy Source
Samir	Mathur	MD	Haryana Vidyut Prasaran Nigam Ltd.
C.S.	Rajan	Secretary (Energy)	Govt. of Rajasthan
K.	Ramanathan	Sr. Fellow	
Anil	Razdan	Jt. Secretary	Ministry of Power
Dhirendra	Roy	Member	Orissa Electricity Regulatory Commission
R.V.	Shahi	CMD	BSES Ltd.
Ajay	Shankar	Jt. Secretary (Reform)	
R.D.	Singh	Researcher	
R.P.	Singh	CMD	Power Grid Corpn.
A.K.	Sharma		
K.N.	Sinha		
Prem P.	Srivastava	DGM (Corporate Planning)	Naptha Jhakri Power Corpn.