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BERNARD R. BELL FILES

Bell 1964/65 Mission Report
1964-1966

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Bernard R. Bell Files: Bell 1964-65 Mission Report - Correspondence

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COPY

Mr. K. S. Sundara Rajan

December 1, 1966

Alexander Stevenson

Request from DAC for Agricultural Section of Bell Mission Report

As I told you over the phone, Mr. Willard L. Thorp, Chairman of the Development Assistance Committee of OECD, has asked Mr. Woods if he could have a copy of the agricultural part of the Bell Mission Report. He wishes to have it exclusively for limited staff use in connection with work DAC is doing on problems of food requirements and supply in less developed countries. Mr. Woods would like to make this material available for DAC. The matter is quite urgent as the DAC program calls for discussion of these problems early next year. Since this would require considerable staff work this month, I would be glad if you would get in touch with Delhi by cable and seek their agreement as soon as possible.

You mentioned that the Government of India might also wish to make available recent documents on agricultural policy, and I am sure that this would be extremely helpful to DAC, who would also benefit in due course from the supplement on recent agricultural developments in India which is now being prepared by the second Bell Mission.

cc: Messrs. Woods, Bell, Demuth

AStevenson:os
IBRD

Mr. Woods

November 29, 1966

Richard H. Demuth

Request from DAC for Agricultural Section of Bell Mission Report

I have discussed the attached letter with Messrs Stevenson and Bell. They both agree that we should send the agricultural portion of the Bell mission report to Willard Thorp, subject to (a) the agreement of the Indians and (b) following it with a supplement on recent agricultural developments in India, which is now being prepared by the second Bell mission. Bell says there is nothing confidential in the document that Thorp wants and he is confident that the Indians will not object to our sending it to DAC.

If you agree with the foregoing recommendation, I will ask Stevenson to get the Indian Government's agreement through Mr. Rajan.

Attach.

cc: Messrs. Stevenson and Bell ✓

RHD:tf

November 23, 1966

Dear Willard:

Just a line to acknowledge your letter of November 16 concerning your plans for further DAC work on the problems of increasing food production in the developing countries.

Your request for copies of the agricultural part of the Bell mission report raises a policy issue which I want to discuss with several of my associates in the Bank, including Peter Cargill, Director of the Asia Department, who is now overseas and will not return to Washington for some days. I appreciate your need to start preparing promptly for the meetings which you are planning to hold late in February and will therefore communicate to you as soon as possible our decision on the availability of the report.

With kind regards,

Sincerely yours,

George D. Woods

Mr. Willard L. Thorp, Chairman
Development Assistance Committee
Organisation for Economic Co-operation
and Development
2, rue Andre-Pascal
Paris XVI^e, France

RHDemuth:tf

cc: Messrs. Stevenson and Bell ✓

COPY

ROUTING SLIP

Date

Nov. 21, 1966

OFFICE OF THE PRESIDENT

NAME

ROOM NO.

Mr. Demuth

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

REMARKS

I should like advice from you, Peter Cargill and Bernie Bell on this request. Please discuss with Cargill and Bell and let me have your recommendations.

If you wish to hold this up until Cargill returns, perhaps we should send an interim reply to Willard Thorp.

From

G. D. Woods

Form No. 75
(2-60)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

INTERNATIONAL DEVELOPMENT
ASSOCIATION

ROUTING SLIP

Date

November 23, 1966

NAME

ROOM NO.

Mr. Stevenson

606

Mr. Bell

345

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

REMARKS

Perhaps the three of us could
have a talk about this matter even
before Peter Cargill's return.

From Richard H. Demuth

NOV 21 REC'D

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OECD

ORGANISATION DE COOPÉRATION
ET DE DÉVELOPPEMENT ÉCONOMIQUES

ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

Téléphone : TROcadéro 76-00

Télégrammes : DEVELOPECONOMIE

2, rue André-Pascal, PARIS-XVI^e

Comité d'Aide au Développement

Development Assistance Committee

WLT/1028

November 16, 1966

Dear George,

As you know, the Washington meeting of the Development Assistance Committee last July approved a resolution which called for further work on certain problems of food requirements and food supply in less-developed countries. Since then, we have been trying to block out more clearly what we can usefully do. For the time being, we are not planning to attempt any comprehensive review of the food aid problem, since that may be affected by the Kennedy Round, and also we will have a clearer picture of the prospects when the F.A.O. forecasts are completed.

We therefore plan to concentrate on the problems of increasing production, including related supplies and services in the less-developed countries. We have already begun to assemble a much more complete and detailed record than now exists of assistance for this purpose presently being given by D.A.C. Members. When we see more clearly what is being done, we may be able to have a useful exchange of information among the governments as to what works and what doesn't.

However, as you well know, not only is a global view likely to be limited in usefulness, but the donors' view may also be incomplete. Therefore, we hope to parallel the study of donors' experiences with a look at several less-developed countries, again to see what obstacles stand in the way, and which forms of assistance seem to have been productive and which have not. We

Mr. George D. Woods
President
International Bank for Reconstruction
and Development
Washington, D.C. 20433

will concentrate our efforts on a few countries where the food problem is most severe, and inevitably this brings us to the Indian situation.

As usual, we are counting on the co-operation of the Bank in these various meetings. In the case of India, I have heard the most glowing reports concerning the agricultural part of the Bell mission report. I understand that you have given a limited number of copies of this report to members of the Consortium, but that it has not had wider distribution, and I realize that it is a rather sensitive document.

Many of our Members are members of the Consortium, but I hardly think it would be right to ask any of them to lift the veil, so I am writing you directly. It would be of great help if our secretariat could have the benefit of your analysis as background information - the agricultural part at least, though they would of course benefit from seeing any other parts of the report that you might think fit to release to them. The use of this report would be limited to those who need it for their work, as is done with the more routine country economic reports which you distribute to the Executive Directors.

We would hope that it would be possible to hold a meeting for several days late in February to discuss the agricultural problems as they appear in a few key less-developed countries. Such meetings require considerable preparation and the secretariat hopes to make considerable progress before the end of the year. I hope that there will be no difficulty in arranging for us to benefit from your intensive work on this subject.

Best wishes,

Sincerely,

A handwritten signature in cursive script, appearing to read "Willard", followed by a long horizontal flourish line.

Willard L. Thorp
Chairman

November 28, 1966

Mr. Arthur Karasz
International Bank for
Reconstruction & Development
European Office
4, Avenue d'Iena
Paris 16^e, France

Dear Arthur:

This is a somewhat belated answer to your letter of November 8 transmitting the inquiry of Lachman on the Bell report on India.

I have talked with Bernie Bell about this and we agree that it would do no harm and would be useful if he did have access to the report. Consequently, we would appreciate it if you would let him read the report in the Paris office. I assume you have copies.

Yours sincerely,

Andrew M. Kamarek
Director
Economics Department

cc: Mr. Bell

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Mrs. Georgia O'Donnell

WBG ARCHIVES

November 28, 1966

Edna H. McCrindle (Secretary to Bernard R. Bell)

(CONFIDENTIAL)

Bell Mission Report

In compliance with your telephone request, I enclose herewith a complete set of the Bell Mission Report, Vols. I - XIV inclusive, Copy No. 86. Also enclosed are two copies of Volume VI, "Manufacturing Industry with Special Reference to Public Sector Enterprise", Copy Nos. 30 and 52 which you also requested. I understand these are required for the exclusive use of the members of the Bell Mission.

Edna -

11/28

Please get for us:

- 1 complete set of the
Bell Mission Rpt.
- 2 - copies of Vol. 6.

Geo.

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AUG 21 2012

WBG ARCHIVES

Miss Helen May

November 16, 1966

Edna H. McCrindle (Mr. Bell's secretary)

Bell Mission Report - Volume VI

CONFIDENTIAL

In compliance with your telephone request, I enclose herewith Volume VI of the Bell Mission Report "Manufacturing Industry with Special Reference to Public Sector Enterprise" Copy No. 53. This is for the use of Mr. Bhatia and it would be appreciated if you would return it to this office when Mr. Bhatia has finished with it.

November 15, 1966

Mr. Bell:

Mr. Bhatia of the Industrialization section of the Economics Department would like Mr. Bohr's volume of the Report. He is particularly interested in the contribution of Dr. I.M.D. Little. May he have a copy on a "please return when finished" basis?

Edna

OKAY

OFFICE MEMORANDUM

TO: Mr. Bernard R. Bell (On return)

DATE: November 1, 1966

FROM: Gregory Votaw *W*SUBJECT: INDIA - Distribution of your report on "India's Economic
Development Effort": The Austrian Case

Mr. Mendels asked me to pass the following information to you. Two copies of your report which were addressed to Mr. van Campenhout for delivery to Austria apparently reached their destination only after very considerable delay. As I mentioned to you in August, Mr. van Campenhout does not normally handle consortium distributions for Austria. Unfortunately, his office did not return the Austrian copies to the Bank immediately, and the Secretary's office learned that the Austrians had not received any copies only after an agenda for the November 7 meeting was circulated.

Mr. Mendels' office has now delivered two sets of your report to Mr. Haushofer, whose only complaint, despite two-three months' delay, seems to be that his delegation will not be able to read all 13 volumes before the November 7 meeting.

OFFICE MEMORANDUM

TO: Mr. Bernard Bell

DATE: September 8, 1966

FROM: Stanley Please

SUBJECT: Indian Fourth Plan - Draft Outline

1. I would like to draw your attention to paras. 43 to 47 of Chapter I of the Draft Outline which deals with Price Policy. Whilst the final sentence of para. 47 indicates that this problem is to receive fuller treatment in the Final Report of the Planning Commission, there is sufficient in these few paragraphs to indicate the lines of their thinking and I believe I am right in saying that this is the first comprehensive statement of the way they feel the inflation problem should be approached. Should we not get some prior understanding within the Mission and hopefully with the Fund whether we in general support their approach or repudiate it.

2. By way of preface it can be said that it is very easy to criticize any policy taken in isolation if it is assumed that the problem it is aimed at solving is of pre-eminent importance. In fact it never is. Instead it must be seen as one of a series of objectives that are being aimed at. Certainly one can think of more effective ways of achieving price stability in India if this is all we wish them to achieve. Furthermore it must be acknowledged right away that one of the most intractable problems in the post-war world in both developed and developing countries has been to make price stability consistent with national economic growth and employment objectives. Thus the standards by which the Indian approach must be judged, must be realistic, not idealistic.

3. As I see the problem, in a general context, some countries have accepted the inevitability of inflation in an economically developing society and have been content to see prices rising rapidly for decade after decade (eg. Chile). In doing so they have been berated by the Fund. Others have been reluctant to agree to this necessity and have resolutely attempted to prevent rises in consumer and producer prices even where these have been desirable as a means of adapting the supply and demand pattern in the economy. India appears to fall into this category with, for instance, her attitude to agricultural prices. For this she has been duly berated by the Bank. Others--I have in mind Ceylon--have attempted to steer a mid course, divorcing the price needs on the producer side from the price needs on the consumer side. The bridge between the two has been represented of course by budgetary outlays notoriously on the rice subsidy in Ceylon. The government there has been duly berated by both Fund and Bank together.

4. This latest Indian document clearly suggests that India is proposing to take the Ceylonese road and rather than be clever after the event or alternatively purely negative, I suggest we need to decide whether we feel this is a wise choice. Apart from the "purely" economic

aspects of the matter--whether India has the taxable capacity for pursuing the policy, whether the government has sufficient knowledge about the supply conditions in the many parts of the agricultural sector, etc.--we also require to judge whether, as in Ceylon, what in principle might be desirable and possible becomes distorted by political considerations particularly by the vested interests which develop around any established pattern of subsidies.

5. I get the impression that the authors of paras. 43 to 47 are aware of the dangers though whether the political decision-takers are, is another matter. Furthermore whilst I find myself in sympathy with the lines they are proposing to follow, the scheme depends on the extension of state trading and controls in the selected crucial sectors and one has qualms about the efficiency with which these activities will operate. However the other side to this is the recognition that prices must be given their head in non-crucial sectors. In fact these paragraphs are notable for their explicit recognition of the need to limit the area of operation of administrative controls and to accept "changes in relative prices which derive from the need to promote exports, or to restrain domestic consumption or to provide incentives for additional investment and production for achieving Plan objectives."

6. Whilst we must seek the amplification of their policy indicated in para. 47, I would, to repeat, like to get our own attitude on the general lines of approach they propose at an early stage of our study.

cc: Messrs. Kamarck, de Vries, Gilmartin, Baneth, Bohr, Elsaas and Katz

- 1- In Indian system effective protection of finished goods (especially consumer goods) higher than on cap goods or raw materials. This is appropriate (but should also apply to cap. goods) since it makes rate of protection of value added greater than of raw materials.

To Bernard Bell
from
F. L. Mason

THE FUTURE OF FOREIGN ECONOMIC ASSISTANCE

1. The foreign assistance program is one of many programs concerned with the security and well being of the United States and expenditure claims under this program must be weighed against other claims for public support. A careful appraisal, then, of what we get, or think we get, for our money is very much in order. During the last five years total official disbursements have been running at a little less than \$4 billion a year and total official commitments at somewhat more than \$4 billion. Since contributions from other sources abroad have not increased, the total flow of resources to the L.D.Cs from D.A.C. countries has tended to remain on a plateau. The questions to be examined concern the amounts of aid that are likely to be required in the future if certain objectives are to be attained; the terms on which these amounts should be provided; the conditions under which economic development assistance can be effectively used; the share in the total provision of aid which it is equitable and politic for the United States to assume; the relative merits of bilateral and multilateral channels; the appropriate "mix" of project aid, non-project aid and technical assistance; and the appropriate distribution of assistance among aid-receiving countries and regions.

2. Of the \$4 billion per annum of aid flows, \$400-\$600 million typically represent Export-Import Bank loans, and \$100 Peace Corps expenditures. We assume that Export-Import Bank loans are on approximately commercial terms and are directed primarily toward financing American exports and that Peace Corps expenditures are not seriously in question. Our attention, therefore,

is, in the main, directed to contributions under the Foreign Assistance Act and Public Law 480. During the last five years commitments under the first have averaged somewhat above \$2 billion a year and, under the second, around \$1.5 billion. Nearly 30 per cent of recent Foreign Assistance Act appropriations have been for supporting assistance of which nearly three-quarters were destined for Vietnam. Supporting Assistance and the Contingency Fund, which together in F.Y. 1966 amounted to \$950 million of the total \$2,587 million Foreign Assistance Act appropriations, are directly and immediately concerned with the security and the political objectives of the United States. These funds could appropriately be administered by the Department of Defense and the political branch of the Department of State and the principal reason for their inclusion in the Foreign Assistance Act is the convenience of marshalling the flow of resources abroad in the hands of one agency. There is little disposition on our part, or apparently on the part of the Congress, to question this use of funds. All that needs to be said here is that it is difficult, if not impossible, to estimate what the future requirements for such appropriations are likely to be. This will depend on contingencies as yet unforeseen.

3. Similarly, with respect to P.L. 480 commitments, it can be said that some part and, in the current year, a very substantial part of food shipments are to relieve otherwise unavoidable famine and starvation. Again there is no disposition on our part to question these commitments so long as the United States has disposable stocks of foodstuffs nor do we think the American public would call this use in question. The controversial issues concern what

developmental use can and should be made of P.L. 480 shipments.

4. Developmental assistance to less developed countries is an essentially new element in international economic relations and in the foreign policy of the United States. Aid as an instrument of diplomacy, used to accomplish various short-run political objectives, has a long history and may be expected to continue to play a role indefinitely in American foreign policy. Development assistance is a different matter. The basic considerations that necessarily underlie any development assistance program are the great and increasing disparity of incomes and standards of living between the rich and the poor countries of the world and the conviction that some lessening of this disparity is in the interest of the rich as well as the poor. For some the existence of so great a disparity is sufficient in itself to justify a serious attempt to alleviate the situation. Others will want to be shown that the provision of development assistance is advantageous to the givers as well as to the receivers.

5. There is some merit in the contention that development assistance provided now will yield economic returns a generation from now in the form of a world trading system in which the L.D.Cs more fruitfully participate as markets and as sources of supply. But, considering the time period involved, the indicated rate of return on current assistance outlays hardly justifies these outlays as a business-like proposition. The really substantial returns are likely to be found in the area of political and social development and security. It seems probable that if populations in aid-receiving countries participate effectively in the development process, the result may well be a greater measure of political stability and a willingness to cultivate one's

own garden. The wise man will avoid dogmatic statements in this cloudy area but in the welter of arguments concerning the relations of economic, political and social development, it is sensible to hold fast to two demonstrable facts:

(1) that, in at least a large part of the less developed world, foreign aid can make and has made an effective contribution to economic growth; and

(2) that most countries, developed and underdeveloped, desperately want to be independent of external control.

The link, tenuous but, we believe, real that relates these facts to U. S. interests is the conviction that without a substantial measure of economic assistance it will be very difficult indeed for poor countries to attain either an adequate rate of development or a position of independent participation in the concert of nations.

6. Attempts to estimate quantitatively the external resource requirements for development usually start from some assumed "satisfactory" growth rate and proceed to calculate the total resource inputs necessary to attain this growth rate, the share that can be expected to be provided by the less developed countries themselves, and the residual that needs to be provided from outside. Every link in this chain of estimates is weak. Nobody knows with any assurance whether a 4 percent growth rate is less satisfactory than a 6 percent rate in achieving whatever political and social objectives may be desired. Estimates of the relation between resource inputs and achieved output are shaky at best. Different domestic policies in the aid-receiving countries will influence very markedly both the needed volume of

inputs and the share that these countries can be expected to provide for themselves. And the volume of external resources that can usefully be furnished depends not only on requirements but on the administrative capacity of the aid-giving countries and agencies to direct their assistance wisely. It is, nevertheless, of some significance that all of the calculations of requirements that have been attempted - and they are numerous - arrive at figures substantially larger than present aid flows. The International Bank, which relies more on the judgment of its informed officials than on statistical calculations, considers that some \$3 to \$4 billion a year, in addition to what is currently provided, can be effectively used. When one considers the prospective uses of assistance to Indonesia, which has not in recent years been an aid-receiver, the regional program in South East Asia, the increased needs for the Alliance for Progress, the requirements in India and Pakistan which are both now moving forward in satisfactory fashion, not to mention other large aid-receivers with sound development programs, we think it imperative that D.A.C. countries plan on assistance requirements that in the course of the next five years will rise by at least \$3 billion above present levels.

7. This is an estimate of gross aid requirements. On a net basis the less developed countries would receive substantially less which raises the question of the terms on which aid is provided. All aid-receiving countries are now discovering that an increasing share of currently provided assistance is dissipated in payments of interest and principal on debt previously incurred. During the period of the Indian Third Plan, 1960 to 1965, there was a negligible

increase in imports despite the fact that the amount of aid doubled. The principal reasons for this were a drawing down of foreign reserves by \$1.2 billion and an increase of debt and interest payments of \$900 million. We believe that the aid-giving countries must make a choice between softening the terms on which assistance is provided or recognizing that debt rescheduling will need to become a regular aspect of the assistance program. There are no other ways as assuring that a large increase in gross aid will also mean a substantial increase in net aid. In recent years the United States has been hardening the terms of its development lending. One of the principal motivations has been to reduce the discrepancy between U. S. terms and those of certain other D.A.C. countries. We approve of the motivation but note that unless the terms from all sources are softened net aid will decline rather than increase.

8. What share of this aid burden is it equitable and politic for the U.S. to assume? We have pressed with some success, and should continue to press, in the Development Advisory Committee forum to raise the level and to soften the terms of other countries contributions. There are still some laggards but on the whole the U.S. contribution is now not a significantly larger percent of our national income than the average from other aid donors. It should be noted, furthermore, that the share of U.S. foreign aid in our national income has fallen from around 2 percent in 1948 to less than two-thirds of one percent in 1965. The main problems lie ahead. Can we expect other aid donors to continue to assume approximately their present share of the increasing aid burden and what should be the attitude of the United States if they are unwilling to do so? Certainly every effort should continue to be

made to accomplish an equitable aid-sharing recognizing that the most persuasive argument is to set a good example. If, however, this example is not followed there is a strong case for a further concentration of our effort on areas of primary concern to us.

9. The estimates of aid requirements suggested above includes the need for P.L. 480 imports on concessional terms. It has been emphasized that some part of 480 shipments is in response to the threat of famine. It is difficult to judge what commitments for this purpose will be needed. But the larger part of such commitments are, or can be, developmental. We include in this category shipments designed to maintain minimum standards of living during the period when countries, having assigned a proper priority to agriculture, are increasing their own food production (India is a prime example); shipments designed to permit a change in cropping patterns to more valuable agricultural outputs (Pakistan is a case in point); and shipments designed to permit a country to direct scarce foreign exchange to imports making a large contribution to development (Egypt might be cited). Taking account of legitimate developmental demands and the possible need for emergency action it is difficult to foresee a diminution in the current level of requirements at least in the near future. With requirements of this sort in mind the Administration has recently authorized an increase in permitted acreage. In considering whether we should go further in this direction, it should be noted that the U.S. has a distinct comparative advantage in the production of many basic food crops and that P.L. 480 shipments can make, if properly used, a real contribution to development. J/V

10. At the present time aid from all sources accounts for about 20 percent of developmental expenditures in the less developed world. This figure may understate the significance of foreign assistance since in a number of aid-receiving countries shortage of foreign exchange is the real limitation to development. Nevertheless, the overwhelming share of development resources comes from domestic savings. It is within the capability of most aid-receiving countries greatly to enhance their own contribution by increasing their savings rate, following sensible policies of import substitution and export promotion and, in general, by making better use of their own resources. The developmental policies of these countries are therefore of great concern not only to themselves but to the suppliers of assistance from abroad. This has been recognized by the Agency for International Development and increasing emphasis has been placed on "self-help" and "good economic performance" as a condition for aid.

11. How far the United States, the International Bank or any other entity can go, however, in inducing changes in domestic policies or in bargaining aid against such changes, without producing a reaction against "intolerable" outside intervention is one of the still relatively unexplored areas of economic diplomacy. Certain things are fairly clear. Persuasion is not likely to be effective unless the assistance provided is large enough to make a difference; the government in question, or at least substantial elements in it, need to be convinced that the suggested changes will work and are desirable; and proposals for change will need to take into account the political capacity of government to put them into effect. It goes without saying that attempts to use the leverage

why? of aid will fail unless based on an intimate knowledge of the economy and the polity it is proposed to manipulate. And it seems probable that such leverage can be more effectively utilized by an international agency such as the Bank or the Fund or at least in conjunction with one or both of these institutions - then by straight bilateral bargaining.

12. Obviously external inducements for a change in domestic policies will be more effective if the principal aid suppliers act in concert. Large steps have already been taken in this direction through the formation of consortia, consultative groups and less formal arrangements in which the I.B.R.D. and the I.M.F. frequently play a guiding role. What is involved here is the coordination of mainly bilateral aid. Should we go further toward a multilateralization of aid by shifting resources from bilateral channels or, preferably, adding to the aid totals by increasing the flow through international agencies? This would mean principally increasing the resources at the disposal of the International Development Association. There is no doubt that the Bank and I.D.A. are effective administrators of foreign assistance. Furthermore, as we have pointed out, an international agency has distinct advantages in pressing for a sensible developmental use of both external and internal resources. Consequently, we think it desirable for the U.S. to channel an increased proportion of its total aid commitments through the I.D.A. This can, moreover, be accomplished without serious balance of payments effects if the U.S. additions to I.D.A. funds are made available only when U.S. firms turn out to be the lowest bidders in international competition. There are, nevertheless, some serious limitations to the share

of U.S. development assistance that can be so channeled even if the partial tying arrangements mentioned above are put into effect. The U.S. will want to be assured that other contributors to I.D.A. do their share. And it must be recognized that some of the important advantages of the Bank and I.D.A. as international and impartial institutions would be impaired if U.S. participation becomes overwhelming.

13. Currently the state of our balance of payments is invoked as a consideration that should influence the volume of U.S. aid and the form it takes. Well over 80 percent of economic assistance is now tied to U.S. procurement and, consequently, the direct effect on the balance of payments is relatively modest. But it is argued that aid can and does substitute for what would otherwise be foreign-exchange-earning exports and that program, as contrasted with project-aid, is particularly susceptible to substitution. No doubt there is some truth in the contention that aid shipments sometimes substitute for normal exports though recent studies suggest that the net effect of this substitution is small. There is no evidence to indicate that program assistance is any more vulnerable in this respect than is project aid. On the other side of the picture is the fact that the provision of economic assistance opens up new channels of trade that, in the course of time, can be expected to increase normal exports. Currently, studies are underway that should reveal with greater clarity what the net balance of payment effect of aid really is. In any case it is a matter for government to decide on the basis of the best evidence available - as it has to do in shaping policies affecting imports, foreign private investment, tourist

expenditures and other drains on export earnings - whether the benefits to the United States from the foreign aid program do or do not justify the foreign exchange costs of this program. In our opinion they do.

*But how
big is the issue*

14. Given the volume of aid that appears to be required over the next few years what is the appropriate "mix" of project aid, non-project aid and technical assistance? Speaking very approximately, project aid adds new productive capacity and non-project (or commodity) aid makes possible a fuller use of existing capacity. Again speaking very generally, project and non-project aid adds to material resources while technical assistance is mainly directed toward human resource development. The administrative burden imposed by material aid is relatively low per dollar of disbursements as compared with technical assistance. The large numbers of aid personnel that are visible abroad - sometimes they are too visible - are mainly technical assistance experts. Obviously in any sensible development program there must be some sort of balance between the installation of capacity, the inputs required to utilize capacity, and the managerial, technical and other skills needed to serve the economy and the society. This argues for a certain balance in a country assistance program since it is frequently impossible for that country to use its own foreign exchange resources to balance what is unbalanced in the provision of aid. It is widely recognized now, for example, that the Indian development effort has been seriously handicapped by the installation of more capacity than could be effectively supplied with commodity imports. Furthermore, if the provision of aid is to be used to induce desired changes in

development policy, it can be used much more effectively if it complements domestic resources rather than competes with them. A development program asks for program assistance with proper complements of project aid, non-project aid and technical assistance. Clearly this balance will be very different in an African country where the need for technical assistance is paramount than in a country at a higher stage of development. But an appropriate balance is needed in all.

15. Perhaps the most serious criticisms that can be directed against the United States, as well as other, aid programs concerns a relative failure to enlarge the participation of people in the benefits and activities of development in aid-receiving countries and to tap to the full extent the energies and abilities represented in private groups and organizations in our own. Development is something more than an increase in per capita income. Nor is such increase likely to be self-sustaining unless ways can be found of bringing into play the energy and potential ability of the 75 to 80 percent of the population that development programs typically pass by. The recently enlarged emphasis on agriculture is a step in this direction. So also are the initiatives of the President represented in the bills now before the Congress concerning International Education and Public Health. Much more can be done to release local entrepreneurial potential by pressing for the relaxation or abandonment of the direct controls that stifle business participation in many less developed countries. Much more can be done than has been done to foster the growth of local institutions such as savings and loan associations, cooperatives and development banks which serve the interests

of small firms.

16. Movement in this direction frequently requires foreign technical advice and expertise, and this implies a strengthening of technical assistance operations. It is, however, imperative that technical assistance programs be undertaken only with the full understanding and support of the host government. Too often they have represented what A.I.D. thinks should be done rather than what the receiving government has urged or is able and willing to carry out. There are, moreover, limits to the numbers and visibility of foreign advisers that less developed countries can tolerate. This suggests greater care in the selection and preparation of projects and an emphasis on the quality rather than the quantity of technical advisers. It is a commonplace that in the United States most of the needed talents are in the private sector; in business firms, the universities, the trade unions, foundations, and other private groups. The Agency for International Development has made extensive use of universities and business firms under contract, and, for those projects that have received effective cooperation from host governments, this experience has been successful. It has made less use of other sources of expertise and no doubt tapping these services presents difficulties. Efforts to enlist the cooperation of business leaders nearing retirement have had some success and we hope these efforts will be extended. Beyond this there needs to be an intensive investigation of additional sources of supply. We hesitate to suggest an enlargement of the numbers of technical assistance personnel since we are under the impression that in certain countries there may already be too many.

17. The distribution of American aid among countries and regions is, and should be, determined mainly by the extent of U.S. political interests and the capacity of receiving countries to use assistance effectively. In recent years emphasis on these considerations has led to a substantial concentration of development assistance on a limited number of countries; in F.Y. 1966 nine countries received per cent of U.S. aid commitments, exclusive of supporting assistance, three-fourths of which went to Vietnam. This is as it should be. In the absence of overriding politico - security interests there is no particular point in using aid to shore up a government which is incapable of keeping its own house in order. Although larger aid flows would certainly improve living standards in a large number of very poor countries, such improvement would be temporary in the absence of an ability to use foreign additions to domestic resources in an effective growth process. Many less developed countries, particularly in Africa, are at a stage of development where little more than technical assistance can be effectively deployed. There are, however, certain developments underway that hold out opportunities for an effective use of foreign assistance that we should be prepared to meet and that may portend significant changes in the regional distribution of aid. Indonesia may become an effective claimant; we have already committed ourselves to increased assistance to South-East Asia; domestic changes in a number of Latin American countries, notably Brazil and Chile, will need to be supported; the strategy of our aid program in Africa is under reconsideration; and, if recent significant improvements in Indian economic policies began to fulfill their promise, additional assistance should be forthcoming.

The distribution of aid among countries and regions needs to be capable of responding flexibly to evolving opportunities.

18. Finally, it is our view that the research activities of the Agency for International Development need to be substantially strengthened and supported. On the scientific and engineering side not much is being done around the world to adapt western techniques to local conditions or to devise new techniques capable of increasing the productivity of the inputs at the disposal of less developed countries. In the area of the social sciences very little is known of the institutional and motivational changes needed for modernization. The Agency already has at its disposal a highly competent Research Advisory Group. In our opinion what the research activity needs is mainly additional financial support.



Record Removal Notice

File Title Bernard R. Bell Files: Bell 1964-65 Mission Report - Correspondence		Barcode No. 1850796		
Document Date July 28, 1966	Document Type Letter			
Correspondents / Participants To: L. Denis Hudon, Executive Director From: George Woods				
Subject / Title Aid India Consortium				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by B. F. Wilson</td><td>Date August 22, 2012</td></tr></table>	Withdrawn by B. F. Wilson	Date August 22, 2012
Withdrawn by B. F. Wilson	Date August 22, 2012			

July 28, 1966

(Inside Address)

(Salutation)

I am herewith transmitting to you and to the other Executive Directors who represent countries which are members of the Aid-India Consortium two copies of the report made to me by the so-called Bell Mission to India. Until I notify you otherwise, I request that you treat this as a confidential report which can have circulation only among those in the Government of your country who are most importantly concerned with India.

As you may know, I agreed with the late Prime Minister Shastri that this report would be made to me personally and would not necessarily and automatically be available to any wider audience, either in or outside of the Bank. However, the Government of India has now agreed that the report may be distributed to the Governments of all of the Aid-India Consortium countries as a classified document.

Except for a few minor editorial revisions, the enclosed is the report as made to me approximately a year ago. Although the report was thoroughly reviewed by the Government of India and was the subject of discussion between officials of the Government and members of the Mission, we have not, following these discussions, attempted to revise it in any substantive way. It has not been brought up to date. In a number of areas there have been significant developments in India since the time of the Mission which are not reflected in the enclosed document. It is intended that they will be reflected in the Bank report to the Consortium after our appraisal of the Fourth Five-Year Plan. I am sure, nevertheless, that you and your associates will find the enclosed document of value and also considerable interest and I am happy that I am able now to give it to you. Mr. Bell and his associates are to be commended for an excellent study.

Sincerely yours,

George D. Woods

Enclosures

(See attached list)

BBell:emcc: MT/ST #137:cvb (List of Addressees/Salutations attached)

List of Enclosures

Volume I	-	Main Report
Volume II	-	Agricultural Policy
Volume III	-	Agricultural Policy - Appendices I - V
Volume IV	-	Agricultural Policy - Appendices VI - X
Volume V	-	Agricultural Policy - Appendices XI - XV
Volume VI	-	Manufacturing Industry with Special Reference to Public Sector Enterprise
Volume VII	-	Export Policy
Volume VIII	-	Administrative Controls
Volume IX	-	Problems of Public Financial Policy
Volume X	-	Financial Policy
Volume XI	-	Family Planning
Volume XII	-	Transport Policy
Volume XIII	-	Statistical Operations

MT/ST #137

Mr. Livingston T. Merchant, Executive Director
International Bank for Reconstruction and Development
Washington, D. C.

Dear Mr. Merchant:

Mr. J. M. Stevens, Executive Director
International Bank for Reconstruction and Development
Washington, D. C.

Dear Mr. Stevens:

Mr. Otto Donner, Executive Director
International Bank for Reconstruction and Development
Washington, D. C.

Dear Mr. Donner:

Mr. Gengo Suzuki, Executive Director
International Bank for Reconstruction and Development
Washington, D. C.

Dear Mr. Suzuki:

Mr. Rene Larre, Executive Director
International Bank for Reconstruction and Development
Washington, D. C.

Dear Mr. Larre:

Mr. Andre van Campenhout, Executive Director
International Bank for Reconstruction and Development
Washington, D. C.

Dear Mr. van Campenhout:

Mr. Andre van Campenhout, Executive Director
International Bank for Reconstruction and Development
Washington, D. C.

Dear Mr. van Campenhout:

Dr. Pieter Liefstinck, Executive Director
International Bank for Reconstruction and Development
Washington, D. C.

Dear Dr. Liefstinck:

Mr. Joaquin Gutierrez Cano, Executive Director
International Bank for Reconstruction and Development
Washington, D. C.

Dear Mr. Gutierrez Cano:

JUL 28 1966

Mr. George D. Woods

July 27, 1966

Bernard R. Bell

Distribution of Bell Mission Report to Consortium Members

Peter Cargill and I agree that since the so-called Bell Mission report was a report to you, it ought now to be distributed to the Consortium members with a transmittal letter from you as attached. Sundara Rajan also agrees with the idea of distributing it this way, although I have not shown him the text of the draft letter.

The alternative we considered but discarded was to send it directly to the individuals who normally head the delegations to the Consortium meetings.

Do you agree?

Enclosure

BBell:amcc
BANK



Record Removal Notice

File Title Bernard R. Bell Files: Bell 1964-65 Mission Report - Correspondence		Barcode No. 1850796		
Document Date July 26, 1966	Document Type Memorandum			
Correspondents / Participants To: George Woods From: K. S. Sundara Rajan				
Subject / Title Bell Mission Reports				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by B. F. Wilson</td><td>Date August 22, 2012</td></tr></table>	Withdrawn by B. F. Wilson	Date August 22, 2012
Withdrawn by B. F. Wilson	Date August 22, 2012			

7/18
OFFICE MEMORANDUM

TO: Mr. George D. Woods

FROM: Bernard R. Bell *BRB*

SUBJECT: Summary Report Published in Indian Press

DATE: July 18, 1966

I have recently discovered that the Hindu, one of India's daily newspapers, has published all or most of my summary report to you in a series of articles which began on June 20th and ran through a number of successive issues. I have copies of the first four which appeared in issues of June 20th through June 23rd.

In view of this and also in view of the undesirability of some but not all of the Consortium members having copies, I have asked Mr. Rajan to obtain the agreement of his government that we can distribute the report to all of the Consortium members. He is prepared to make this request to Delhi but would like to have confirmation that you agree. Would you let us know.

BBell:emcc
BANK

cc: Mr. Cargill

Bernie

*I agree —
Where did they
get it I wonder*

*Tom**7/18*

OFFICE MEMORANDUM

TO: Mr. Bernard R. Bell

DATE: July 11, 1966

FROM: Gregory Votaw *W*SUBJECT: INDIA - Revised Bell Mission Reports

1. I understand from Mr. Sundara Rajan's memorandum of July 10, 1966, that the Government of India has indicated its agreement to a very limited distribution of the revised version of your mission's reports. From your conversation with the Japanese representative this morning (Mr. Okuda) I also understand that the revised reports will be printed within the next fortnight. I would appreciate receiving four sets of the revised reports as soon as they are reproduced.
2. Are there any of the original reports which will not be included in this limited distribution to major consortium members?
3. I would very much appreciate your keeping me informed if there are any further changes in the scheduled revision and distribution of these documents.

cc: New Delhi Office

GVotaw/pd



Record Removal Notice

File Title Bernard R. Bell Files: Bell 1964-65 Mission Report - Correspondence		Barcode No. 1850796		
Document Date July 10, 1966	Document Type Memorandum			
Correspondents / Participants To: George Woods From: K. S. Sundara Rajan				
Subject / Title Bell Mission Reports				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by B. F. Wilson</td><td>Date August 22, 2012</td></tr></table>	Withdrawn by B. F. Wilson	Date August 22, 2012
Withdrawn by B. F. Wilson	Date August 22, 2012			

OFFICE MEMORANDUM

TO: Mr. B. R. Bell

FROM: Gregory Votaw *GV*

SUBJECT: INDIA - Publicity on your summary report

DATE: July 7, 1966

We have found the Hindu to be one of India's most thorough and objective daily newspapers. My colleague, Mr. Kaupisch, has recently brought to my attention a series of articles by correspondent K. Rangaswami, who is well known to the Bank. These articles which appeared in the issues of June 20 through 23, 1966, contain substantial extracts from your summary report. For reference I attach the articles in question.

Mr. H. Graves
cc: New Delhi Office

OFFICE MEMORANDUM

TO: Mr. Bernard Bell

DATE: June 9, 1966

FROM: S. Guhan

SUBJECT: Draft Report on "Statistical Operations"

We have received the enclosed statement and note relating to the Bell Mission's draft report on Statistical Operations.

S. Guhan

Attachments:

Date of receipt of NSS draft reports from the Indian Statistical Institute, and date of Technical clearance by the Central Statistical Organisation in respect of reports received during 1964 and 1965.

Sl. No.	Draft report No.	Title	Date of receipt in C.S.O.	Date of clearance
(1)	(2)	(3)	(4)	(5)
1.	124	Tables with notes on Land utilisation survey and crop-cutting experiments, 17th round (July 1961 - June 1962)	14.2.1964	7.4.1964
2.	125	Tables with notes on Land Utilisation Survey and crop-cutting experiments, 18th round (July 1962-June 1963)	7.5.1964	31.7.1964
3.	126	Tables with notes on Sample Survey of Manufacturing Industries, 1958: Factory Establishments - Detailed Results.	1.5.1964	8.9.1964
4.	127	Tables with notes on the Annual Survey of Industries 1959: Sample Sector - Detailed Results.	30.4.1964	28.9.1964
5.	128	Tables with notes on the Enquiry of Physically Handi-capped persons 16th round (July 1960-June 1961)	7.9.1964	26.10.1964
6.	129	Tables with notes on the Annual Survey of Industries 1961 - Sample Sector - Summary Results.	26.9.1964	20.11.1965
7.	130	Special Study on Morbidity - 16th round (Nov. 1960-Oct.1961)	5.2.1965	21.4.1965
8.	131	Tables with notes on Annual Survey of Industries, 1962 - Sample Sector, Summary Results.	16.2.1965	7.5.1965
9.	132/I	Preliminary estimates of Birth and Death Rates and of the rate of growth of Population in the rural area of India - 17th round (Sept. 1961-July 1962)	3.4.1965	18.5.1965
10.	133	Tables with notes on Capital formation, 17th round(urban) - Sept. 1961 - July 1962.	20.7.1965	28.12.1965
11.	134	Tables with notes on internal migration, 14th and 15th rounds (July 1958-June 1960)	14.6.1965	28.12.1965
12.	135	Preliminary Estimates of birth and death rates and of the rate of growth of population, 18th round (Feb. 1963-January 1964)	17.6.1965	11.8.1965

- 1 -

Factual errors in the world Bank's Revised Draft Report "Statistical Operations" and corrections suggested by C.S.O.

.....

Page 58, para 87 (extracts from the Report)

The C.S.O. relegates to a four-line paragraph the alternative estimates of the area and production calculated by the N.S.S.

"Circular cuts by the N.S.S. supervisory staff in the Agricultural Statistics Division: - Under this programme about 1,600 circular cuts were taken during the year for comparisons of yield rates of different crops as obtained through circular cuts and the plot-sizes adopted in the State series".

Page 62, para 94 (extracts from the Report)

The arguments raised against the N.S.S. estimates by its opponents in India are that the size of the NSS cut is too small compared with the larger State cuts; similarly the number of cuts are too few to provide a representative sample, i.e. 1600 in 1963-64 against 94,000 by the States.

C.S.O.'s observations:

The 1600 cuts referred to in the above paragraphs relate only to experiments conducted by the Agricultural Statistics Division of the Directorate of the N.S.S. with a view to study the relative merits of the small size circular cuts and the large size rectangular (triangular in the State of U.P. only) cuts which are adopted in the regular crop cutting experiments of the N.S.S. and official series respectively; they do not relate to the regular crop cutting surveys of the N.S.S. which are conducted by the Socio-Economic Wing of the Dte. of N.S.S. for building up the alternative N.S.S. estimates of crop production, which were actually based on 35000 cuts in 1963-64.

Page 73 para 105

In line 8 of the sentence starting with 'Besides its DirectorComputers, men and machines' may be amended as 'Besides its Joint Director, the staff consists of 6 Technical Officers, 16 Statistical Assistants and 20 Computers'.

In line 16, it is mentioned that 'returns are necessary under the Factories Act.' This may be corrected as 'returns are compulsory under the Collection of Statistics Act'

Page 74 para 107

In the 4th line of this para the Round referred to should be the 13th and not 15th, dates being Sept. 1953 to May, 1958.

Page 87

The under-mentioned corrections may ^{be} made in the tables appearing on this page.

Contd.....

Sl. No.	Col. No.	Correction
2	3	add a star mark
25	10	-do-
29	10	-do-
35	2	It should be driage in place of "drainage"
between s. no. 3 & 4	1	add 0.1(A)
"	2	" "list of households"
"	14	" star mark
Between 30 and 31	1	add "4.1 and 4.2"
"	2	add "Investigator's time record".
"	18	add star mark
Between 33 and 34	1	add "5.02"
"	2	add "list of household"
"	10 & 18	add star marks
Between 45 and 46	1	add "11.2"
"	2	add "Readers' preference"
"	12	add star mark.

Appendix II of the Report

B. Industrial Production Index.

.....

p.II-4: para 1. lines 2 and 5

The base year of the index is being
shifted to 1960 and Not 1961.

OFFICE MEMORANDUM

TO: Mr. B. Bell

DATE: June 3, 1966

FROM: Atle Elsaas

SUBJECT: Revision of revised draft, report No.6b:
Financial Policy in India

These following revisions have to be made:

- yes*
- a) The pagination of "Table of Contents" has to be corrected.
- yes*
- b) The break-down of the total expenditure surplus of the government between expenditure surplus abroad and in domestic transactions was disputed as far as the two last years (1963-64 and 1964-65) is concerned. It was claimed that the net out-payments abroad were larger and the net domestic deficit smaller. But, no revised estimates were given, and both the "Analyses of Receipts and Expenditures Abroad" (in the explanatory memorandum) and the break-down of "Imports on Government Account" have been discontinued. I therefore suggest that we maintain the figures in the table, but make explicit reference to the Indian point of view.
- c) I have claimed (\$62) that the expenditures abroad by the government "...have been more than matched by foreign assistance, and this has provided foreign exchange for imports for private use." This is not correct, as the foreign assistance with which a comparison is made includes PL-480. Excluding PL-480 the government has been a net user of foreign exchange, and has not provided foreign exchange for the rest of the economy. I have elaborated this in the suggested revision.

Appendix I. p.3, paragraph 6:

A "not" is missing in the first line, which should read:
"We will not go into detail"

Appendix I. paragraph 10:

It was objected to a formulation, saying that the fiscal policy from an economic point of view has been quite strongly expansionary, which is correct only when the inflow of counter-part funds is not considered as part of the fiscal policy. I suggest a more neutral formulation.

Corrections in Appendix I

Paragraph 6, p.3, line 1:

A "not" is missing in the first line which should read:

"We will not go into detail"

Paragraph 10, p.4, line 8:

Change to:

"..... financial principles. But this picture is strongly influenced by the inflow of counterpart funds, an inflow which could not be said to constitute a part of the fiscal policy. The inflow of counterpart funds is, however, highly relevant for etc....."

Suggested Corrections

Pagination in table of contents:

The pagination is correct for the first VII chapters, but has for the subsequent chapters to be changed to:

Chapter	Page
VII	32
VIII	33
IX	41
A	41
B	43
C	45
D	46

Mr. George D. Woods

April 26, 1966

B.R. Bell

Since Mr. Sundara Rajan has raised questions with respect to the agreement reached in Delhi on distribution of the Bell Mission Report and has asked that I give him a statement of my understanding of the agreement, I have dictated the attached memorandum. I have given him a copy.

For the last several days he has pressed me to agree that you said that the matter of distribution of the Summary Report would be considered only at about the end of May. I have told him that this was not my understanding.

cc:Mr. Knapp
Mr. Wilson

BB:rh

OFFICE MEMORANDUM

TO: Files

DATE: April 25, 1966

FROM: B.R. Bell *BRB*SUBJECT: Distribution to the Consortium of the Bell Mission Reports

I discussed the question of the distribution of the Bell Mission Reports to the Consortium with the Minister of Finance and Mr. Bhootalingam in a meeting in the Minister's office at 10:00 a.m., Tuesday, March 15. Following some discussion, the Minister suggested that Bhootalingam and I conclude the discussion and assured me that the latter would be fully authorized to speak for him. This further discussion, with I.G. Patel present part of the time, was continued that same evening in Mr. Bhootalingam's house. The agreement reached that night was reconfirmed in a concluding discussion with Bhootalingam and I.G. Patel in the former's office late in the afternoon, March 18.

There was no ambiguity about the agreement. It was as follows:

1. That the Mission Report, including the Summary Report and the Supplemental Reports, except for the Report on Planning, would finally be revised and (a) given to Mr. Woods and (b) distributed to the Consortium.
2. That the Summary Report and the Supplemental Reports would be revised as follows:
 - (a) A supplement would be added to the Agricultural Report, summarizing the policy and program changes made in the last year. (This was on the basis of mutual agreement that agriculture was the one area in which significant changes in policy and program had been made in the last year.)
 - (b) Other Supplemental Reports would be edited and slightly revised to the extent I deemed appropriate in the light of points made in the course of the discussions of the Reports which had occurred in the preceding 2 weeks. (It was agreed that the changes would be minor and would be left entirely to my judgment.)
 - (c) The Summary Report would have added to it a statement of the Indian achievements which its present preface explicitly states are omitted from the present version of the Report. (I had suggested that there were two alternatives here, the first being to add a supplement which would summarize all the policy and program changes which the Government of India had made or had definitely decided to make, the second to add a brief statement on achievements as of the time the Report was written, simply to give it better balance. This last alternative was chosen by Mr. Bhootalingam.)

3. That the entire Report, as revised and edited by me, would be distributed to the Consortium as soon as it was ready which, I indicated, might be about the end of May. (Mr. Bhootalingam expressed the hope that it would not be earlier. I indicated it would be difficult to have it ready earlier.)
4. That conceivably the titling of the Report would be changed and that instead of a Summary Report to Mr. Woods with Supplements there would be a Summary Report to the Consortium with Appendices. (We agreed, however, that titling was not really of any importance; the whole subject arose only when I pointed out that Mr. Woods' agreement with the Minister of Finance that this was a report to him obviously could not give the Government of India a veto over all future Bank reports to the Consortium.)

Three additional points should be noted:

- (i) That there was no discussion whatever of the idea of deleting from the Report references to devaluation or exchange rates. (Although I was prepared to agree to make changes in the terminology or language here, this proved unnecessary, because Mr. Bhootalingam at no point made any such suggestion or raised any question relating to this matter.)
- (ii) I asked specifically whether the Government of India wished to see the revised reports prior to their distribution to the Consortium. The answer was specifically and clearly negative.
- (iii) Mr. Bhootalingam said that an exchange of letters between Mr. Woods and the Finance Minister, providing for distribution to the Consortium as agreed above would be necessary. He emphasized that this was strictly a formality for the record and that our agreement was absolutely firm and final.

cc:Mr. Woods
Mr. Knapp
Mr. Wilson

Mr. Bell

Mr. Stanley Please

April 22, 1966

Benjamin B. King

India

I cannot let the comment in your back-to-office report on non-arrogance and cooperation pass without one of my own. A photograph of a train in Union Station does not prove that it always was there nor that it always will be there.

Those of us who spent much time shuttling back and forth in the yards at the other end of the track and, in our most presumptuous moments, think we have some slight responsibility for getting the train down here, are entitled to a more crusty scepticism. While I admire your generosity of spirit, I am not yet ready to put my money on it.

BBK:mhh

cc: Mr. Bell ✓

REQUEST FOR SHIPMENT AND MAILING OF PACKAGES

Department Projects		Division Office of the Director		Date March 1, 1966	
MATERIAL TO BE DISPATCHED					
Quantity	Description				
1	Report No. 8: "Problems in the Development of Manufacturing Industry with Special Reference to Public Sector Enterprise"				
1	Report No. 8: - Appendices I - IV				
Send To Sir John Crawford Director Research School for Pacific Studies Australian National University Box 4, G.P.O. Canberra, A.C.T. AUSTRALIA			Special Instructions AIR MAIL		
Date Wanted at Destination as soon as possible		Valuation of Contents		Authorized Signature	
RECORD OF DISPATCH					
No. of Packages	Weights	Measurements	Insurance No.	Cost	
Shipment Marked			Shipment Via		
Date of Dispatch			Signature of Dispatcher		

RECEIVED
PERSONNEL DIVISION
INCOMING CABLE

DATE AND TIME
OF CABLE:

FEBRUARY 13, 1966 1515 FEB 14 1966

LOG NO.:

ITT 18 FEB 14

TO:

ESCHENBERG FOR ~~RELL~~ INTBAFRAD

FROM:

CALCUTTA

ROUTING

ACTION COPY: PERSONNEL

INFORMATION
COPY:

DECODED BY:

TEXT:

PLEASE AIRMAIL ME AGRICULTURE REPORT EXCEPTING
APPENDICES AND ALSO INDUSTRY REPORT

WATKINS

RB

INTELLIGENCE CABLE

ROUTING

SECTION 101 - 101

INFORMATION

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INFORMATIONAL REPORTS

RECEIVED BY THE

INTELLIGENCE DIVISION

FEB 14 10 53 AM 1966

GENERAL FILES
COMMUNICATIONS

RECEIVED

February 10, 1966

AIR MAIL

Letter No. 25.

Mr. Romano Pantanali
P. O. Box 416
New Delhi, India

Dear Romano:

I have finally completed the redrafting of the Industrial Report and Appendices, which I assume is on its way to you. It was a bit of a struggle for I had a very difficult time becoming sufficiently disengaged from the general pressure of department business to give all the time and effort needed. With the exception of the section on management, based in part on Frank's draft, changes have been made in all parts to strengthen and clarify the argument. The text has been related more closely to the Appendix studies and the study on HEC has been rewritten. In making the revision, my principal guide has been Bernie's comments. I was also very much aware of those you had made. All in all I think the paper has been considerably improved although the basic approach has been retained and the text has not been radically altered.

I should have commented earlier on your suggestions. I read them with care and discussed them with Bernie. Although I recognized the desirability of some of your points, in general I did not feel the same urgency about widening the scope of the report. In the revision I have been mainly concerned with strengthening the support for the selected issues that have been raised. Bernie supported this approach.

In the revision I have included a reference to the raw material problem in the steel industry, which I checked with Hans, and there is a little more discussion of costs but still not as much as I would like. However, I find that to have included anything but general platitudes concerning costs and prices involved a substantial job, much more than I would have been able to undertake, leaving aside the question of data. On the other hand, if the recommendations made are acted upon, this in itself could have a substantial effect.

Mr. Romano Pantanali

- 2 -

February 10, 1966

Andy passed on to me your request for copies of the economic reports dealing with hydro-thermal comparisons, cost of capital and road user savings. They were supposedly sent off last week but I have just learned they have been delayed till today because of the need to run off more copies! It looks now as if we may be seeing you again soon, though this is still uncertain.

Best regards,

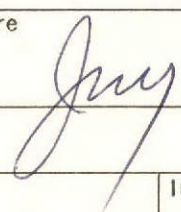
Sincerely yours,

Kenneth A. Bohr,
Economics Department

KB:jg:be

cc: ✓ Mr. Bell

REQUEST FOR SHIPMENT AND MAILING OF PACKAGES

Department Projects	Division Office of the Director	Date February 8, 1966		
MATERIAL TO BE DISPATCHED				
Quantity	Description			
1	Summary Report to Mr. Woods			
1	Report No. 1: Agricultural Policy in India			
1	Report No. 1: " " " " Appendices I - V			
1	Report No. 1: " " " " " VI - X			
1	Report No. 1: " " " " " XI - XV			
1	Report No. 2: Export and Export Policy			
1	Report No. 3: Statistical Operations			
1	Report No. 4: Some Observations on Planning			
1	Report No. 4: " " " " Tables and Appendix			
1	Report No. 5: Physical Controls on Resource Allocations and Investment			
1	Report No. 6a: Problems of Public Financial Policy in India			
1	Report No. 6b: Financial Policy in India			
1	Report No. 7: Key Issues of Transport Policy			
1	Report No. 9: The Family Planning Program			
1	Report No. 8: Problems in the Development of Manufacturing Industry.....			
1	Report No. 8: " " " " Appendices I-IV			
Send To Mr. Andre de Lattre c/o International Bank for Reconstruction and Development 4 Avenue d'Iena Paris 16e, FRANCE		Special Instructions <u>Air Parcel</u> (please wrap carefully)		
Date Wanted at Destination	Valuation of Contents	Authorized Signature 		
RECORD OF DISPATCH				
No. of Packages	Weights	Measurements	Insurance No.	Cost
Shipment Marked		Shipment Via		
Date of Dispatch		Signature of Dispatcher		

Mr. George D. Woods

February 4, 1966

Bernard R. Bell

Bell Mission Report

I am attaching a complete set of the documents which constitute the Bell Mission report. This depressingly large collection consists of: the Summary Report, nine Supplemental Reports, Appendix Volumes to the Supplemental Reports on Agriculture and Industry.

All of the documents have been delivered to the Government of India. Actually most of them have been in their hands for 3 to 5 months. The first one delivered was the Summary Report, which they received on September 3; this was followed by a number of the Supplementary Reports in early September, and most of the rest of them in October and early November and early this week. Incidentally, the GOI originally asked for and received 20 copies of each document, and a month ago asked for and received 12 more.

Although a small number of people in the Bank have seen the Summary Report, I believe no one in the Bank except you and I has a copy in his possession. A number of the people in the Bank who have current need for various of the Supplemental Reports, have copies.

Attachment

BB/mp



Record Removal Notice

File Title Bernard R. Bell Files: Bell 1964-65 Mission Report - Correspondence		Barcode No. 1850796		
Document Date February 3, 1966	Document Type Letter			
Correspondents / Participants To: Bernard R. Bell From: K. S. Sundara Rajan				
Subject / Title Bell Mission				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by B. F. Wilson</td><td>Date August 22, 2012</td></tr></table>	Withdrawn by B. F. Wilson	Date August 22, 2012
Withdrawn by B. F. Wilson	Date August 22, 2012			

February 2, 1966

Mr. Sundara Rajan
Executive Director for the
Government of India
International Bank for Reconstruction
and Development
1818 H Street, N. W.
Room 1119
Washington, D. C.

Dear Mr. Rajan:

I am transmitting herewith 32 copies of Report No. 8,
entitled "Problems in the Development of Manufacturing Industry
With Special reference to Public Sector Enterprise," This is
the final report of the series.

Sincerely yours,

Bernard R. Bell

Attachment

cc: Messrs. Stevenson, Votaw

BB/mp

BRB

Mr Bell

Letter No. 4

January 14, 1966

Mr. Romano Pantanali
Acting Resident Representative
International Bank for
Reconstruction and Development
P.O. Box 416
New Delhi, India

Dear Romano:

1. As you can see from the attached letter, the Bell Mission reports are likely to get much wider distribution in Delhi (although distribution here remains as restricted as before).

2. I believe you have a full set of the reports, but some have been revised (as below):

No. 2	Export Policy, revised	October 1, 1965
No. 4	Planning, revised	October 28, 1965
No. 5	Physical Controls, revised	November 9, 1965
No. 6a	Public Finance, revised	November 1, 1965
No. 6b	Financial Policies, revised	October 27, 1965

3. If you need copies of the revised editions to bring your set up to date, please let us know.

Sincerely yours,

Stanley Katz

Attachment.

cc: B.R. Bell ✓
G. Votaw

SK/wh
IBRD/lh

*What is
attached
letter?*

DECLASSIFIED

AUG 21 2012

Mr. S. Hartz Rasmussen

March 27, 1967

Edna H. McGrindle (Secretary to Mr. Bell)

WBG ARCHIVES

CONFIDENTIAL

Bell Mission Report - India's Economic Development Effort

The report entitled "India's Economic Development Effort" dated 1 October 1965 in 14 volumes was held and distributed from this office and a record made of all recipients. Mr. Bell would now like to keep two complete sets and send the remainder to Files for an indefinite period. A list of these volumes and copy number is attached.

This report has been given only very limited distribution, even within the Bank, and, therefore, it is requested that copies should not be distributed without first obtaining the consent of Mr. Bell.

Attachment

cc: Miss Georgion

INDIA'S ECONOMIC DEVELOPMENT EFFORT

VOLUME I - MAIN REPORT

Copy Nos. 22, 52, 53, 90, 91, 92, 93, 94, 95, 96 and 108.

VOLUME II - AGRICULTURAL POLICY

Copy Nos. 53, 91, 92, 93, 94, 95, 96, 103, 104, 105, 106, 107, 108, 109, 111 and 112.

VOLUME III - AGRICULTURAL POLICY - APPENDICES I-V

Copy Nos. 41, 52, 53, 91, 92, 93, 94, 95, 96, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111 and 112.

VOLUME IV - AGRICULTURAL POLICY - APPENDICES VI-X

Copy Nos. 30, 52, 53, 91, 92, 93, 94, 95, 96, 102, 103, 104, 105, 106, 107, 108, 109, 110 and 111.

VOLUME V - AGRICULTURAL POLICY - APPENDICES XI-XV

Copy Nos. 30, 52, 53, 91, 92, 93, 94, 95, 96, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112 and 113.

VOLUME VI - MANUFACTURING INDUSTRY WITH SPECIAL REFERENCE TO PUBLIC
SECTOR ENTERPRISE

Copy Nos. 22, 65, 91, 92, 93, 94, 95, 96, 102, 103, 104, 105, 106, 107 and 108.

VOLUME VII - EXPORT POLICY

Copy Nos. 30, 41, 52, 53, 65, 90, 91, 92, 93, 94, 95, 96, 102, 103, 104, 105, 106, 107, 108, 109, 111, 112, 113, 114, 115, 116, 117, 118, 119 and 120.

VOLUME VIII - ADMINISTRATIVE CONTROLS

Copy Nos. 22, 30, 41, 52, 53, 65, 90, 91, 92, 93, 94, 95, 96, 103, 104, 105, 106 and 107.

VOLUME IX - PROBLEMS OF PUBLIC FINANCIAL POLICY

Copy Nos. 22, 30, 41, 52, 53, 65, 90, 91, 92, 93, 94, 95, 96, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118 and 119.

VOLUME X - FINANCIAL POLICY

Copy Nos. 22, 30, 41, 52, 53, 65, 90, 91, 92, 93, 94, 95, 96 and 103.

VOLUME XI - FAMILY PLANNING

Copy Nos. 22, 30, 41, 52, 53, 65, 90, 91, 92, 93, 94, 95, 96, 102, 103,
104, 105, 106, 107 and 108.

VOLUME XII - TRANSPORT POLICY

Copy Nos. 22, 30, 41, 52, 53, 65, 90, 91, 92, 93, 94, 95, 96, 102, 103,
104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115,
116, 117, 118 and 119.

VOLUME XIII - STATISTICAL OPERATIONS

Copy Nos. 22, 30, 41, 52, 53, 65, 90, 91, 92, 93, 94, 95, 96, 102, 103,
104, 105, 106, 107, 108, 109, 110, 111, 112 and 113.

VOLUME XIV - SOME OBSERVATIONS IN PLANNING

Copy Nos. 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19,
22, 27, 28, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42,
43, 44, 45, 46, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63,
65, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 83,
84, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 103, 104, 105, 106
and 107.

32 Melbourne Avenue,
Deakin,
CANBERRA, A.C.T.

9th December, 1965.

Dear Bernie,

I am sorry to make your life miserable
by again pleading a cause which I hope is not
completely lost.

I continue to receive plaintive (although
surprisingly good natured) complaints from Ergas
that he has not yet seen my Report on Agriculture.
His latest comment bothered me, for it is clear
that enough people now have seen the Report to
discuss it with him, including, somehow or other,
"the staff of the Economist". Do you think Mr.
Woods could possibly let Dr. Sen have a copy for
perusal by him and Ergas only? At some point soon
I think we might want to rally the support of
F.A.O. for measures to be taken on behalf of the
Indian Government. But quite apart from this I
do think we are being a little tough with F.A.O.
Over to you!

Warm regards,

Sincerely,



(J.G. Crawford)

Mr. Bernard Bell,
International Bank for
Reconstruction and Development,
1818 H Street, N.W.
WASHINGTON, D.C. 20433.

Mr. George D. Woods

December 17, 1965

B.R. Bell

I am attaching

1. Appendices to our Supplemental Report No. 8. Appendix I in this volume is the report on the Bhopal Heavy Electrical factory, which I suggested you would like to read. Revision, including correction of all the typographical errors, is not quite completed, but I think you will find this version intelligible.
2. Supplemental Report No. 1 on Agriculture. All of this is worth reading, but I call your attention immediately to pages 59 through 69, which deal specifically with fertilizers.

BB:rh

December 6, 1965

LETTER NO. 160

Mr. Romano Pantanali
Office of the Resident Representative
International Bank for Reconstruction and
Development
P.O.Box 416
New Delhi, India

Dear Romano:

Please find attached copy of Report No. 3, entitled "Statistical Operations" and copy of Report No. 5, entitled "Physical Controls on Resource Allocations and Investment". Copies have been delivered to the GOI. I will be sending you and the GOI copies of the one remaining report (Industry) in the near future.

Sincerely yours,

Bernard R. Bell

Attachment

BB:rh

December 1, 1965

Mr. Andre de Lattre
Ministry of Finance
99 rue de Rivoli
Paris 1er,
France

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AUG 22 2025

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PERSONAL

Dear Andre:

I was glad to get your letter of November 5 and I did immediately give a copy to George Woods who found it equally interesting.

Incidentally, on your last point with regard to a possible change in the presentation of the argument in my report Bhootie has not written to me. I have gotten from both Sundara Rajan and I.G. Patel some personal reactions to the report, nearly all of which related to presentation rather than to substance. These, however, were strictly their personal reactions given to me on a personal basis. Both said they had not been in communication with people in Delhi and had no idea what the official or unofficial reactions there were. I.G. had come down to Washington for a day for this purpose just before he returned to India near the end of October.

In the meantime, about 10 days ago when it began to be apparent that Shastri would not come to the United States in December, I suggested to George Woods that several of us might go to India in advance of Shastri's visit to the US, simply to discuss our report, even though a Fourth Plan Appraisal Mission was not yet timely. He thought this was a good idea and accordingly I wrote the enclosed personal letter of November 19 to Bhootie. Yesterday I received a reply in the form of the attached note of November 29 from Sundara Rajan, and this morning the attached letter of November 27 from Bhootie. This too does not surprise me. I suppose we have no alternative now to waiting to see what comes out of the Ayub Khan - Shastri visits here. I have done what little I could, personally on the US side, to increase the chances that they would be productive.

I have wondered ever since the General's announcement whether your own next assignment had been settled.

Best regards,

Sincerely,

Attachment

Bernard R. Bell

BB:rh



Record Removal Notice

File Title Bernard R. Bell Files: Bell 1964-65 Mission Report - Correspondence		Barcode No. 1850796		
Document Date November 12, 1965	Document Type Letter			
Correspondents / Participants To: Mr. Sundara Rajan From: Bernard Bell				
Subject / Title Transmittal of report				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by B. F. Wilson</td><td>Date August 22, 2012</td></tr></table>	Withdrawn by B. F. Wilson	Date August 22, 2012
Withdrawn by B. F. Wilson	Date August 22, 2012			

OFFICE MEMORANDUM

TO: Mr. Bernard Bell

FROM: Barend A. de Vries

SUBJECT: India Report

DATE: November 8, 1965

BW

I am returning herewith the Report No. 8 and Report No. 8 appendices since I already have copies of these. I have not yet received a copy of the Summary Report, which you promised to let me have over the telephone on Thursday.

*I sent him one today,
but did not number it.
R.*

Mr. Barend A. de Vries

November 4, 1965

B.R. Bell

India Reports

I have arranged for copies of the Supplementary Reports prepared by Mr. Bohr, Mr. Please and Mr. Elsaas to be sent to you. Mr. Bohr's is a first draft, the other two are revised drafts. (Incidentally, our records which are accurate show that we sent you a copy of Mr. Bohr's report some time ago.)

BB:rh

Mr. Benjamin B. King

October 21, 1965

B.R. Bell

I am attaching what now seems to be my copy of your report. It contains marginal notations by me (in blue and red ink) and some (pencilled) notations by others as well. These are all suggestions, for whatever they may be worth. I hope they are of some use in the revision which you are making prior to our delivery of this report to the GOI.

Aside from what you may find in the notations I have two comments:

1. Although I think paras. 227 to 244 provide some valuable insights for the Bank, I have very serious doubt that these should be included in a version for wider distribution or one which goes to the GOI, at least in their present form. A number of the points ought to be made, and, since they are observations of action, can be easily supported and defended. I think the relating of these actions to the caste system and the conceptions and ways of thinking it breeds, is in a different category.
2. The opinion I expressed the other day, that the recommendations do flow clearly from the analysis, is strengthened by a rereading. I see no need for the addition of a new section which would spell out the relation of the recommendations to what precedes.

With respect to the recommendations themselves I wonder if one thing was not omitted. You have planning units in the States and the ministries, you have the Planning Commission concentrating its effort on Perspective planning and Conjuncture. You recommend that it cease to be involved in non-planning work. But shouldn't the Commission also have the responsibility for the integration of the products of the States and ministry units into a plan which comes between Perspective Planning and Conjuncture. In other words, doesn't the Commission have the responsibility for formulating the Five Year Plan. As the recommendations are now worded, they seem to omit this.

Attachment

OFFICE MEMORANDUM

TO: Mr. Bernard Bell

FROM: Barend A. de Vries *BdV*

SUBJECT: India Report

DATE: October 20, 1965

The other day you promised me a copy of your general report on India, the section prepared by Mr. Bohr and Mr. Please. I have just learned from Peter Wight that he has received the section prepared by Elsaas.

This is just to remind you that you overlooked sending me any of the sections you promised. I should appreciate having them, in addition to the section prepared by Mr. Elsaas.



Record Removal Notice

File Title Bernard R. Bell Files: Bell 1964-65 Mission Report - Correspondence		Barcode No. 1850796		
Document Date October 6 1965	Document Type Letter			
Correspondents / Participants To: Mr. Sundara Rajan, Executive Director From: Bernard Bell				
Subject / Title Transmittal of report				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by B. F. Wilson</td><td>Date August 22, 2012</td></tr></table>	Withdrawn by B. F. Wilson	Date August 22, 2012
Withdrawn by B. F. Wilson	Date August 22, 2012			

REQUEST FOR SHIPMENT AND MAILING OF PACKAGES

Department South Asia	Division India Mission	Date October 5, 1965		
MATERIAL TO BE DISPATCHED				
Quantity	Description			
	4 Reports "Export and Export Policy" plus some personal correspondence			
Send To Mr. David G. Holland Ministry of Overseas Development Eland House Stag Place London, S.W.1. ENGLAND		Special Instructions AIR - PARCEL (confidential)		
Date Wanted at Destination as soon as possible	Valuation of Contents	Authorized Signature <i>Mrs. R. Hunter</i> EXT. 3636		
RECORD OF DISPATCH				
No. of Packages	Weights	Measurements	Insurance No.	Cost
Shipment Marked		Shipment Via		
Date of Dispatch		Signature of Dispatcher		

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JUL 21 2025

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REQUEST FOR SHIPMENT AND MAILING OF PACKAGES

Department South Asia	Division India Mission	Date October 5, 1965		
MATERIAL TO BE DISPATCHED				
Quantity	Description			
	D. J. Ott: Federal Budget Policy Report No. 2 - Export and Export Policy (Revised Draft) Report No. 3 - by Doreen - no title Report No. 4 - Some Observations on Planning (with Appendix) Report No. 5 - Physical Controls on Resource Allocations and Investment Report No. 6a- Problems of Public Financial Policy in India Report No. 6b- Financial Policy in India Report No. 7 - Key Issues of Transport Policy Report No. 8 - Problems in the Development of Manufacturing Industry with Special Reference to Public Sector Enterprise Report No. 8 - Appendices I - IV Report No. 9 - The Family Planning Program DECLASSIFIED JUL 21 2025 WBG ARCHIVES			
Send To Sir John Crawford Australian National University Research School of Pacific Studies Box 4, G.P.O. Canberra AUSTRALIA		Special Instructions AIR - PARCEL (Confidential)		
Date Wanted at Destination as soon as possible	Valuation of Contents	Authorized Signature <i>Mrs. R. Hunter</i> Ext. 3636		
RECORD OF DISPATCH				
No. of Packages	Weights	Measurements	Insurance No.	Cost
Shipment Marked		Shipment Via		
Date of Dispatch		Signature of Dispatcher		

Reports

PANTANALI

XXX OCTOBER 1, 1965

INTBAFRAD

FULL RATE

NEW DELHI

INDIA

90

ASTOUNDED JHA APPARENTLY DOES NOT HAVE MISSION SUMMARY AND AGRICULTURE
REPORTS SINCE GOI RECEIVED ABOUT THIRTY OF EACH STOP INFORMING BOOTHALINGAM
SITUATION YOU REPORT STOP INFORM JHA ABOUT EXTENT OF DISTRIBUTION AND IF HE
STILL DOES NOT HAVE REPORTS MAKE THEM AVAILABLE

STEVENSON

Alexander Stevenson

South Asia

Mr. Bell ✓
cc: Mr. Votaw



Record Removal Notice

File Title Bernard R. Bell Files: Bell 1964-65 Mission Report - Correspondence		Barcode No. 1850796		
Document Date September 15, 1965	Document Type Letter			
Correspondents / Participants To: Mr. Sundara Rajan, Executive Director From: Bernard Bell				
Subject / Title Summary report				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by B. F. Wilson</td><td>Date August 22, 2012</td></tr></table>	Withdrawn by B. F. Wilson	Date August 22, 2012
Withdrawn by B. F. Wilson	Date August 22, 2012			



Record Removal Notice

File Title Bernard R. Bell Files: Bell 1964-65 Mission Report - Correspondence		Barcode No. 1850796		
Document Date September 10, 1965	Document Type Letter			
Correspondents / Participants To: Mr. Sundara Rajan, Executive Director From: Bernard R. Bell				
Subject / Title Supplemental reports				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by B. F. Wilson</td><td>Date August 22, 2012</td></tr></table>	Withdrawn by B. F. Wilson	Date August 22, 2012
Withdrawn by B. F. Wilson	Date August 22, 2012			

Report

September 3, 1965

Mr. George D. Woods
International Bank for Reconstruction
and Development
1818 H Street N.W.
Washington, D.C.

Dear Mr. Woods:

I am attaching a copy of a draft of the Summary Report of the 1964/65 Mission to India. As the preface indicates, this is only a brief summary, and there are nine supplementary reports.

You will find that this differs very little, and not at all in its essence, from the summary I gave you in May. I hope that this will serve the purposes for which it is intended. I have found it rather difficult, however, to write it appropriately for three different audiences, yourself, the Government of India, and Consortium. The result is a compromise which I hope is not too unhappy.

I am sorry that I was not able to give you this a week ago. I am afraid I underestimated the time required.

I have, as you suggested, given copies to Sundara Rajan for the Government of India.

Sincerely yours,

Bernard R. Ball

Attachment

BRB:sb



Record Removal Notice

File Title Bernard R. Bell Files: Bell 1964-65 Mission Report - Correspondence		Barcode No. 1850796		
Document Date September 3, 1965	Document Type Letter			
Correspondents / Participants To: Bernard R. Bell From: K. S. Sundara Rajan, Executive Director				
Subject / Title Receipt acknowledgment				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by B. F. Wilson</td><td>Date August 22, 2012</td></tr></table>	Withdrawn by B. F. Wilson	Date August 22, 2012
Withdrawn by B. F. Wilson	Date August 22, 2012			



Record Removal Notice

File Title Bernard R. Bell Files: Bell 1964-65 Mission Report - Correspondence		Barcode No. 1850796		
Document Date September 3, 1965	Document Type Letter			
Correspondents / Participants To: Mr. Sundara Rajan, Executive Director From: Bernard R. Bell				
Subject / Title Transmittal of draft report				
Exception(s)				
Additional Comments Declassification review of this record may be initiated upon request.		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by B. F. Wilson</td><td>Date August 22, 2012</td></tr></table>	Withdrawn by B. F. Wilson	Date August 22, 2012
Withdrawn by B. F. Wilson	Date August 22, 2012			

OFFICE MEMORANDUM

Report

TO: Mr. Bernard Bell

DATE: August 2, 1965

FROM: Benjamin B. King *BBK*

SUBJECT: Comments on reports

I understand that some of the reports may eventually be sent to India. Furthermore, the revision of the individual reports can take place seriatim and the reports can be sent over a period of time.

Since there will be a lot to read and maybe a certain amount of revision to be done by the authors, the order in which people read and comment should be more or less the same for everybody. Ideally a timetable for comments could be set up. As a rough guide for making up such a timetable, I attach a table with some crude expectations of the availability of the reports. It is fairly obvious that Mr. Holland's report should be the first to receive comments, preferably by August 13, in view of his impending departure.

A second question is the sort of comments that are required. This would depend on a determination of whether the report is to go to India or not. In the former case, a good deal more care would have to be exercised about data, things like cross referencing and the impact on the Indian Government. A good instance of the latter is the reference in Mr. Holland's paper, and no doubt in others, to documents obtained under-the-counter with every shade of official approval starting from none at all. I think this is a very serious question on which we need some sort of guidance from the start.

If the document is not to go to India, then how much revision will be necessary? In the case of outside consultants' reports, I would imagine the answer is none at all because it would be too difficult. I have in mind, for example, Mr. Goreux's paper in Appendix II of the Agricultural Report, which contains figures on national income which are not readily identifiable, some rather odd misprints and some tabulations which I simply don't understand (for example Tables VIII and IX).

For reports by people in the Bank, I imagine that there might be some value in circulating them after revision. But it would be helpful to know at some point what the general policy on this is to be.

BBK:mhh
Attachment

c.c: Mr. Holland
Mr. Bohr
Messrs. Please/Elsaas
Mr. Votaw
Messrs. Baneth/Kraske
Mr. Pantanali, New Delhi

Availability of reports

Date (week ending)

<u>Now</u>	Agriculture (Consultants) Exports (Holland) Planning (King)
<u>August 6</u>	Transportation (Owen)
<u>August 13</u>	Controls (Baneth) Finance etc. (Please) Statistics (Calvo) Population (Consultants)
<u>August 20</u>	Fiscal policy (Elsaas) Main report (Bell)
<u>August 27</u>	Industry (Bohr, Kraske, Lamson-Scribner, Pantanali)

Note

Mr. Pantanali's report on Ports not included, pending information on what is to be done with it.

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AUG 21 2012

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mu Bell
File

Mr. Gregory B. Votaw

August 9, 1965

Wolfgang Kaupisch

Distribution restricted to Bell Mission

Mission to India, Report No. 2:
Export and Export Policy of June 10, 1965

1. I think that the report represents a well written and fairly argued study in depth of the situation and problems of Indian exports. By the same token, the report is not very strong on conclusions and recommendations. This reflects mainly the complexity of the problems and the impossibility of isolating one field of economic activity from the rest.

2. I am somewhat confused on the stand the report takes vis-a-vis devaluation. The report comes up essentially with the conclusion that devaluation would not greatly effect export promotion because the Government can, under the present incentive schemes, achieve more or less the same effects. The case for devaluation then must have been argued somewhere else. That is at least the impression one receives from the report's observations on what policies would have to be used in order to derive benefits for exports in the case of devaluation. Some language stating more explicitly the conclusions to be drawn especially from paragraphs 210 and 211 would perhaps clarify matters.

3. I have the following minor comments:

Page 12, paragraph 35, last sentence reads:

"However, as is argued in Chapter III, these facts do not necessarily imply either that Indian exports to Eastern Europe are additional to exports made to other areas, or that the imports secured through these exports are as valuable as those purchased from other areas."

What is essentially argued in Chapter III is that the actual benefits of rupee account trade, or lack of the same, are very difficult to judge as indeed they are. This would be better reflected by qualifying the rather blunt statement by saying:

"However, as is argued in Chapter III, these facts do not necessarily imply either that all Indian exports to Eastern Europe are additional to exports made to other areas, or that all imports secured through these exports are as valuable as those purchased from other areas."

Paragraph 102 speculates about the way the export target figure for the Fourth Plan may have been arrived at in the course of a tussle between the Planning Commission and the Ministry of Commerce. All this is of interest but no definite conclusions are drawn and the observations made have little or no bearing on the line of argument. I suggest that this paragraph be dropped in an edited version.

✓ In paragraph 119, mechanical processing of cashew kernels is stated as being feasible. This rather intrigued me as I had spent some time in East Africa, on the other side of the trench. Up to the middle of 1962, a small processing plant near Dar es Salaam had not satisfactorily solved the problem of shelling and grading the nuts without breaking too high a percentage and the nimble fingers of female Indian workers still had a considerable edge over their African counterparts. May be that within the past three years the problem of mechanical processing has been solved but I would check on that considering India will then have to greatly step up its own cashew nut production.

✓ In paragraph 125 the report refers to the Bank's study on iron ore exports saying that it suggests that India may not find markets for a quantity of 25 million tons. What the study, to the best of my recollection, does say is that Indian ores, under the present organization, would be uncompetitive and that the volume simply will not be available. The last sentence in that paragraph sounds a bit sarcastic. I think that we could give more specific advice. The report quotes the Ministry of Commerce's suggestion that "the Government should sanction all the projects of the Mineral and Metal Trading Corporation immediately and implementation should be taken in right earnest by all the Ministries concerned". The Government could do nothing worse than that. Most of the not yet sanctioned schemes of the corporation are half-baked, based on faulty or superficial geological knowledge and do not provide for that type of organizational or managerial set-up which would give the ore a chance against growing competition from other suppliers abroad. I think it would be better to quote or refer to the recommendations made in that study which I think are as valid as ever.

X Paragraph 135 deals with the political aspects of India's trade with eastern countries and comes to the conclusion that an assessment of the political risks is none of our business. I quite agree and for this reason the paragraph should be dropped. A brief reference in the introduction to the report might take its place but I think we can assume that the Indian Government are quite aware of these risks.

Paragraph 151, in its last sentence, implies pained surprise that neither exporters in the engineering industry nor the Ministry of Commerce has ever attempted to set up accounts which would indicate the net profitability of exporting in relation to that of home sales. Paragraph 152 explains why this has not been done: because it is just too difficult. If this is so, the last sentence in paragraph 151 should be altered to read "We have not done this nor has any exporter in the engineering industry we met nor the Ministry of Commerce."

In paragraph 168, the second sentence reads "No additional foreign receipts will be generated if demand elasticity is unity". I do not understand this but suspect a typo.

4. I have come across a number of typos:

Page 27, paragraph 84, last sentence: "companies" should probably read "comparison".

✓ Page 30, second line from the top: "documentation" instead of "documation".

✓ Page 46, paragraph 144 and page 57, paragraph 183 refer to "imported imports". This should presumably read "imported inputs".

Page 48, paragraph 147, second line from the bottom: "accur" should probably come between "losses" and "which".

Page 59, paragraph 188, second line from the bottom: "exported" instead of "exporter".

cc: Messrs. Stevenson
Bell
Holland

WK/cas

Files

July 20, 1965

K. Bohr

Goreux Comment on India Agricultural Report

I talked briefly with Louis Goreux when he was in the Bank on Friday. He said he and his colleagues at FAO were surprised at the form in which the report was presented. He had not expected the memoranda he had written in India to be printed in the report as is. At FAO they had expected that the report would appear as the joint product of the agricultural team with the contribution of individual members remaining anonymous.

cc: Messrs Bell ✓
Stevenson
Wright
Evans

Tuesday, June 15

Mr: Bell:

I am enclosing the one or two items which have come up since your departure, and Mr. Holland has undertaken the considerable burden of two copies of the Agricultural Report, one for your use and one for his own. I will air mail a copy for Mr. Pantanali and another for Mr. de Lattre.

As you will see from the memo., Mr. King gave me a title for the report, and a distribution list.

Hope all is well,

THE POPULATION COUNCIL

BIO-MEDICAL DIVISION

THE ROCKEFELLER INSTITUTE
YORK AVENUE & 66TH STREET
NEW YORK 21, N. Y.

CABLE: POPBIOMED. NEW YORK
REGENT 4-3580

June 3, 1965

Mr. Bernard R. Bell
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Bell:

Dr. Segal has requested that the enclosed "SUMMARY" and
"RECOMMENDATIONS" of his report be sent to you today. He will be
in touch with you about this.

Sincerely yours,



Eunice W. Bodine
Administrative Assistant

EWB:mc
Enclosure

INCOMING WIRE

DATE OF
WIRE: **MAY 18, 1965**

LOG NO.: **WU 7**

TO: **BELL INTBAFRAD**

FROM: **ROME VIA UN NEW YORK**

ROUTING

ACTION COPY: **MR. STEVENSON**

INFORMATION
COPY: **MR. BELL**

DECODED BY:

TEXT:

PLEASE ADVISE STATUS REPORT AND LIKELY DATES
FAO DISCUSSIONS WHICH FAO CONFIDENTLY EXPECTS
AFTER DISCUSSIONS DEMUTH ALDEWERELD

ERGAS FOODAGRI ROME

FCA

DUPLICATE

COPY

INCOMING WIRE

May 13, 1965

ActionCopy: Mr. Demuth

TELEX

To: INTBAFRAD

From: ROME

PRO DEMUTH

GRATEFUL YOUR ASSISTANCE WITH BERNARD BELL ON DISCUSSIONS INDIA REPORT.
FAO UNDERSTANDS THAT REPORT IS RESPONSIBILITY OF MISSION LEADER BUT
WOULD LIKE OPPORTUNITY COMMENT AND DISCUSSION SOONEST BEFORE REPORT
IS FINALISED. WE HAVE ALSO DISCUSSED THIS WITH ALDEWERELD WHO
AGREES REGARDS

ERGAS

INCOMING WIRE

DATE OF
WIRE: MAY 5, 1965

LOG NO.: WU 5

TO: INTBAFRAD

FROM: ROME VIA UN NEW YORK

ROUTING	
ACTION COPY:	MR. STEVENSON
INFORMATION COPY:	MR. BELL
DECODED BY:	

TEXT:

MCIVOR

PROBELL GRATEFUL YOU CABLE URGENT PROCEDURE YOU
INTEND FOLLOW DISCUSSION WITH FAO OF REPORT. WE
ARE READY MEET WITH YOU REGARDS

ERGAS FOODAGRI ROME

FCA

INCOMING WIRE

DATE OF WIRE	MAY 5, 1965
TO NO.	WE 2
TO	INTERNATIONAL
FROM	WASH DC ON THE WIRE
REPLY	
RECEIVED BY	
INFORMATION	COPY: MR. BELL
ACTION BY	MR. STEVENSON
REPLYING	

REPLYING
RECEIVED BY: MR. STEVENSON
ACTION BY: MR. BELL
INFORMATION: COPY: MR. BELL
DATE OF WIRE: MAY 5, 1965
TO NO.: WE 2
TO: INTERNATIONAL
FROM: WASH DC ON THE WIRE

MAY 6 8 30 AM 1965

GENERAL FILES
COMMUNICATIONS

TYPED

DUPLICATE

Revised by

ERGAS

APRIL 29, 1965

FOODAGRI
ROME

LT

ITALY

HAVE REPLIED TO YOUR LETTER STOP FOR REASONS THERE GIVEN AND AS MY WORK
IN MISSION CONCLUDES THIS WEEK REGRET NO DISCUSSION OF REPORT POSSIBLE
STOP I CARRY SOLE RESPONSIBILITY FOR VIEWS EXPRESSED BY ME AND HAVE
NOT COMMITTED FAO IN ANY WAY STOP REGARDS.

CRAWFORD

cc: Sir Kenelm Guinness

Bernard Bell

South Asia

Crawford:ig

April 29, 1965

Mr. I.H. Ergas
Director
FAO/IBRD Cooperative Programme
Food and Agriculture Organization
Via delle Terme di Caracalla
Rome

Dear Mr. Ergas:

Your letter of April 12 has just reached me here. I am sorry indeed to hear of your personal troubles since we last met and do hope the threat of flebitis has not come to pass.

I arrived in Washington on Sunday for my final effort to finish the report, having spent all of Easter in drafting the final sections of it (other than Part IV: Summary of Conclusions). I emphasize that this is my final week because, unfortunately, it is quite impossible for me to meet a suggestion of Mr. Garnier (I gather with your endorsement) that we continue to discuss his annex to the main report. I enclose a copy of my letter to him in reply to his (received only yesterday).

As you know the agricultural part of this Mission has been organized in a highly inconvenient way for all concerned. Except for Dr. Ladejinsky none of us has been able to take part from the beginning and continuously. We have not been able to operate as a group, except for all too brief periods. And now with my own ability to participate further coming completely to an end, the report, despite some serious gaps, must be presented.

These facts, too, explain a decision about the structure of the report for which I necessarily accept full responsibility. It not being possible to confer together in a proper way the main body of the report has been written by me, drawing heavily and freely on the independently written work of my colleagues. While I believe most will agree with what I have concluded I have made it clear to Mr. Bell that I alone carry responsibility for opinions and judgments expressed, especially where those opinions differ in substance or emphasis from the more detailed reports attached in the appendices.

All those appendices which involve original work by participants in the Mission are acknowledged to the writers and no attempt has been made by me to have their views amended. For your information I attach a list of the appendices, indicating the authors in each case. Dr. Goreux's material has been substantially incorporated. In addition I have given Mr. Bell copies of those items not directly incorporated and I know he is making good use of them all. As I have already told you my own thinking and writing have been greatly stimulated by Goreux's work.

No doubt the typing of the report will take some time. Whether it will be used independently of the reports to come from the rest of the Mission is for Mr. Bell and the President of the Bank to decide. As intrusted from the beginning I have written the report as one for consideration by Mr. Woods. The use, review and distribution to be made of my work and the work of my colleagues is, as I have understood it, for the Bank rather than for me to decide. I naturally hope it will be the basis of talks with FAO and, even more significantly I suggest, with the Government of India and members of the Consortium. You can be sure that I have made no attempt whatever to indicate FAO official views on any subject or to commit these views in any way.

Two other matters. The first is to draw your attention to work by Dr. Whyte and Mr. McArdle which has also been incorporated in the appendices as personal views and advice. For lack of time these views are not treated in the report: this represents one of the serious gaps (or work undone) in our work.

Secondly, I note your renewed emphasis on the idea of independent commission on Indian agriculture. I respect your view but do not find it possible to accept it. Right now when the Centre is unfortunately weakening rather than strengthening its leadership vis a vis the States, a commission would be a diversion from immediate necessities. It is the urgency of the immediate programme which receives emphasis by me; nor did I find it too difficult to give a view on what that programme calls for. However, in view of your strongly held views on behalf of Mr. Sen, I naturally have invited Mr. Bell to note them and to refer them to Mr. Woods.

In "signing off" as it were, I again thank you for all the help given and particularly for the help of Mr. Garnier and Dr. Goreux.

Very good wishes,

Yours sincerely,

J. G. Crawford

Enclosure

J. G. Crawford
April 29, 1965

LIST OF APPENDICES

I. Statistical Record

This is a discussion by Dr. Hopper of the many statistical problems we have met and incorporates much original material prepared by him in Washington. It also incorporates one of the principal tables, analysing the relations between inputs and target output, prepared by Dr. Goreux.

II. Past Trends and Prospects for 1970

This is a paper prepared by Dr. Goreux.

III. Implications of Alternative Fourth Rates

Another paper prepared by Dr. Goreux.

IV. "Yardsticks"

A paper incorporating a review of this subject by Dr. Hopper.

V. Factors of Production for Expanding Agriculture

A number of notes prepared by Dr. Hopper on inputs including fertilizers, irrigation, research and extension. This Appendix also includes a good deal of Dr. Goreux's work done in New Delhi.

VI. Report by Mr. Garnier on Irrigation.

VII. Buffer Stocks

This contains a precis of an important paper on storage problems prepared in the Ministry for Food and Agriculture.

VIII. Price Material

A miscellany of data and perhaps comment to be assembled by Dr. Hopper.

IX. Agrarian Reform

- X. Community Development
- XI. Co-operatives
- XII. Administration

All four Appendices, IX - XII, have been prepared by Dr. Ladejinsky.

XIII. Agricultural Production Board

This is confined to a copy of the Resolution establishing the Board.

XIV. Dairy Development

Note prepared on request by Dr. R.O. Whyte, FAO, India.

XV. Poultry Development

Note prepared on request by Mr. A. McArdle, FAO, India.

N.B. Authorship in all cases is fully acknowledged. All material has been referred to in the main text, but responsibility for judgments expressed in the main text is that of myself as the principal drafter.

J. G. Crawford
April 27, 1965

ERGAS

APRIL 29, 1965

FOODAGRI
ROME

LT

ITALY

HAVE REPLIED TO YOUR LETTER STOP FOR REASONS THERE GIVEN AND AS MY WORK
IN MISSION CONCLUDES THIS WEEK REGRET NO DISCUSSION OF REPORT POSSIBLE
STOP I CARRY SOLE RESPONSIBILITY FOR VIEWS EXPRESSED BY ME AND HAVE
NOT COMMITTED FAO IN ANY WAY STOP REGARDS.

CRAWFORD

cc: Sir Kenelm Guinness

Bernard Bell

South Asia

Crawford:ig

IBRD

DECLASSIFIED

AUG 22 2025

WBG ARCHIVES

Report
MINISTRY OF FINANCE
(Department of Economic Affairs)

....

CONFIDENTIAL
Return to B. Bell
Callery

Subject: "The Bell Mission" of the World Bank

1. The World Bank, as the convenor and the secretariat of the Aid India Consortium, will, in due course when the Fourth Plan is ready, have to study, interpret and "put across" our objectives and needs in that Plan to the Consortium for mustering an adequate amount of foreign aid.

2. When the World Bank did a similar exercise towards the end of the Second Plan in the context of the Third Plan, its task fell into two portions: firstly to assess the state of the Indian economy at the end of the Second Plan, its achievements and the problems and needs before the economy and secondly to interpret the Third Plan in terms of the resultant situation by the end of the Second Plan. Such a study took quite some time.

3. In order to save time and as the Fourth Plan is expected to be ready only some time in 1965 (as also to avoid any gap in the flow of Consortium aid to India) the World Bank has, with the concurrence of the Government of India and of the Planning Commission, currently undertaken the first part of the study, viz., the state of the economy towards the end of the Third Plan, its achievements and the problems that India faces. This study, which has commenced, will take three to four months to finish; the report will be an internal—and confidential—report of the Bank and will enable the Bank to better study and interpret to the Consortium the Fourth Plan when it is ready.

4. The current study, viz., of the Indian economy in the Third Plan, is being undertaken by a Team of Experts set up by the World Bank under the leadership of Mr. BERNARD BELL. His deputy is Mr. BENJAMIN KING (the resident representative in New Delhi of the World Bank). Team members who have already arrived include Miss Crompton, Messrs K. A. Bohr, Jean Baneth, Atle Elsaas, David Holland, J. Kraske, F. H. Lamson Scribner, Stanley Please, Goreaux, Hopper, Ladajinsky and Owen. Some others are expected to join shortly like Sir John Crawford of the National Institute of Australia. The working headquarters of the Team is in the Ashoka Hotel.

5. In the first round of discussions, the Team (or individual members thereof) are meeting the Secretaries and senior officers of the Ministries and Departments concerned with economic development activity. In the next round they are expected to contact officials of the Planning Commission as also, probably, leading public sector activities. The Mission has been requested to provide—as far as possible—specific questions or points of discussion so that the meetings may be of maximum utility. The Department of Economic Affairs will generally be responsible to arrange the discussions. The Mission has expressed its desire that the discussions be as far as possible set up in operative and working sessions rather than in large-sized conference-type meetings.

6. While it is important to remember that the field of interest of the Mission is the entire Indian economy, inclusive of health and education, it would be useful to indicate the type of questions raised by the Mission in its preliminary meetings. A list of such questions and topics is incorporated as annexure to this note; it should be noted that the list is only of a specimen nature.

7. In respect of procedure for discussions it is requested that Ministries/Departments kindly observe the following:—

a). In each Ministry/Department, a liaison officer—preferably at Joint

Secretary level—be nominated to coordinate activities within the Ministry/Department in respect of the Bell Mission; the name of the liaison officer so nominated may kindly be communicated to Shri A. T. Bambawale (Director) Department of Economic Affairs (who is liaison officer for this Department). The list of liaison officers thus compiled will be communicated to all Ministries/Departments, the Planning Commission and the Mission.

- b). Discussions will be generally arranged through this Department. There may however be cases where, subsequently, working groups may be arranged by the Ministries/Departments with the Team. In such cases, this Department should be informed of these meetings.
- c). At each meeting, it is necessary that—to the maximum extent possible—representatives of the Planning Commission and this Department be present. For this purpose, Ministries/Departments should kindly invite—apart from this Department—a representative from the Planning Commission's section or division concerned with the Ministry/Department's activities.
- d). Minutes should be maintained of each meeting and copies endorsed—generally within twentyfour hours—to the liaison officer of this Department and to the Planning Commission in the division/section concerned.
- e). Material, statistics and briefs prepared for such meetings or for being handed over to the Mission should be copied—wherever possible in advance—to the liaison officer in this Department and to the Planning Commission division concerned. Where any point, either controversial or likely to be controversial, is concerned, it would be useful for the Ministry/Department concerned to clear the brief/material in advance with this Department and the Planning Commission.
- f). Where points are raised by the Mission that in the opinion of the Ministry/Department are significant as revealing a trend in their thinking, as of general importance or as of specially critical nature, such points may kindly be taken to the notice of the Secretary/Additional Secretary of the Ministry/Department as also to the notice of the Secretary, Department of Economic Affairs.
- g). On a general plane, it is suggested that, during discussions with, and in any written material supplied to the Mission, Ministries/Departments bear in mind that the Mission is made up essentially of economists and that, to the extent possible, our exposition should in turn be on an economic (rather than merely administrative or functional) plane. Similarly, our exposition would be most effective where any explanation of action or activity in any one particular sector is accompanied by an account thereof in the national context: for instance, a review of the progress of irrigation would carry the correct emphasis only when presented in the context of the agricultural problem. To achieve this, it would be desirable for Ministries/Departments to associate, in their discussions, representatives from other connected Ministries/Departments.

8. It needs hardly to be added that (as the conclusions arrived at by this Mission will represent the base on which the Fourth Plan will be understood by lenders in the Aid-India Consortium) our smooth and successful working with the Mission is regarded of high importance by the Government and the Planning Commission. The cooperation of Ministries/Departments in sparing no effort towards this end is therefore sought.

ANNEXURE

Finance and Economic Development

Study in this area has a number of related aims including appraisal of (1) the extent to which fiscal, monetary and financial policies and measures have served to maximize the flow of real resources to investment, as opposed to consumption; (2) the extent to which such policies and measures have maximized the use of existing real resources (3) the extent to which they have facilitated and directed the use of such resources in the most productive manner.

These appraisals will consider not only the direct effects of the policies and measures adopted but also their wider effects upon incentives, efficiency, development of the capital market, the sectoral and enterprise allocation of investment funds, etc.

For this purpose it is necessary initially to obtain a comprehensive picture of the policy decisions taken during the last, say, ten years together with the more detailed measures enacted in order to implement these decisions. In addition, statements, reports, etc. published in support of particular policy decisions would at this initial stage of study be particularly useful.

The information initially required can be classified under the following heads:

1. Statement of Flow of Investible Funds

Latest statistical presentation of the flow of funds for investment from the various public and private sources and the pattern and mechanism of allocation of these funds.

2. Personal Saving

What tax concessions are given on income saved; how extensive is the expenditure tax coverage in this connection? What tax exemptions are given to savings through insurance premia, savings banks, etc.? How is the income on small and medium-sized savings media treated?

3. Private Corporate Saving

What is the present pattern of company taxation? How are closely held companies treated vis-a-vis other companies? What changes in company taxation have occurred in the past, say, ten years? What measures have been taken to encourage the retention and reinvestment of profits? What tax measures have been taken both to increase the inducements to companies to invest and to provide them with increased financial resources for investment out of their own revenues?

4. Public Enterprise Profits

What is the present financial position of public enterprises both in aggregate and by major undertakings? What changes have taken place in this position in recent years? What are their pricing policies? What factors govern the determination of these policies?

5. Union and State Personal Taxation - Direct and Indirect

What significant changes in personal taxation have been enacted since the last World Bank tax report published in 1962?

6. Availability of Funds for Private Investment

What controls exist over the raising of funds by companies in the capital market? What volume of new issues have occurred in the most recent period for which statistics are available and how has this changed in the course, say, of the last ten years? Does the demand for permission to raise funds in this way considerably exceed the permitted level?

7. Savings Rates

What is the evidence with respect to average and marginal savings rates of households? business?

Agriculture

The following is a preliminary listing of some of the major questions to which the Mission plans to address itself:

1. What were the factors responsible for the growth of agricultural output in the 1950's? What accounts for the apparent absence of growth of output in the several last years?
2. What were the contributions to increased output of the incremental physical inputs (land, water, fertilizer, improved seed, insecticides and fungicides, labor)? What has limited the supply of these inputs? or the demand for them?
3. What are the critical constraints upon significant and sustained growth of agricultural output?
4. What are the Center and State Government programs directed toward reduction of these constraints? What are the objectives and what are the observed effects of these programs? What are the limitations on their effectiveness in expanding agricultural output?
5. What demands for materials, equipment and services (transportation especially) do the requirements of increased agricultural output impose on other sectors? To what extent are these demands not being met?
6. What input contribution does the agricultural sector now make to output in other sectors? To what extent has agricultural output been a constraint upon the output of other producing sectors of the economy?
7. To what extent has the allocation of investment (and of current) resources to agriculture been a factor in accelerating or retarding the growth of agricultural output? How have these allocations been determined? How have specific projects and programs been selected and designed? How has the distribution of additional inputs by area, crop or sector of the farm population been determined? What principles of selection and concentration have operated?
8. To what extent have increases in agricultural income, where they have occurred, stimulated the development of local or area supporting and supplying industries and services? What factors have contributed toward or militated against such development.
9. What is the magnitude and the seasonal distribution of unutilised labor in rural areas? What programs have been directed toward utilization of this supply of labor (if it exists)? and what have been the limiting factors in this effort?

Industry

The following is a preliminary list of a number of the general questions on which it seems at this point desirable to focus attention:

1. What are the critical obstacles in the way of an even more rapid expansion of industrial production facilities and industrial output than has been occurring ? Are the most serious present bottlenecks the availability of foreign exchange to finance imports of equipment and materials ? The availability of the manpower required for planning, design, management, operations ? The time required for study, decision making, and action ? The marshalling and organization of domestic financial resources ? The absence of essential infrastructural elements such as electric power and transport ? The absence of sufficiently effective profit and other incentives or the presence of deterrents in the form of controls, uncertainty with respect to materials supply, prices, demand, etc. ?
2. To what extent and by what means are the various obstacles being reduced ? To what extent has import substitution in the capital goods sector reduced the foreign exchange bottleneck ? or shifted it ?
3. Are rates of return on and incremental output from investments in industry lower or higher than had been anticipated ? Where they appear low, to what extent does this reflect time lags in design, procurement, construction and start-up ? To what extent is there less than full utilisation of capacity ? What are the factors responsible ? Are they primarily on the demand or the supply side ?
4. What is the process, in the case of public sector industrial projects, by which projects are selected, planned and evaluated and what are the criteria for the choices made with respect to size, location, equipment, organisation and management ? In the case of private sector industrial projects what processes and what criteria are employed in the Government decisions which affect these ?
5. Are there significant differences among sub-sectors of industry, between private and public, between large and small enterprises in respect to the rates of growth of capacity, the utilisation of capacity, the capital output ratios ?
6. How do unit costs in new industrial production enterprises compare with those of previously existing ones ? with import costs ? Have unit production costs progressively declined after start-up periods of operation were concluded ? What indicators are there of cost performance ? What pressures or incentives are there to induce reductions in cost, or at least capital cost, per unit of output ?

Export Performance

The mission proposes to appraise the recent export performance of the Indian economy, with the objective of identifying (a) the factors which contribute to the growth of export earnings, and (b) the obstacles which stand in the way of a faster growth of export earnings. In the main, the emphasis will be on exports other than the 'traditional' commodity exports. The following questions give an indication of some of the lines of enquiry which it would wish to explore:

- to what extent has internal demand absorbed goods and services which might otherwise have been exported ?
- are restrictions in foreign markets of major importance in limiting exports of certain products ?
- are relatively high costs of production a crucial obstacle to the export of some products in buoyant international demand ?

- 15694
- to what extent has poor quality of exportable products, or delayed or uncertain delivery, hampered exports ?
 - are the procedures for industrial licensing, material allocation, etc., sufficiently flexible to permit producers to seize export opportunities ?
 - are the credit facilities available to exporters, marketing arrangements in foreign countries, and the flow of information on export opportunities, considered to be adequate ?
 - is export potential seriously considered in the context of decisions on location, scale, techniques of manufacture, use of home-produced materials and components ?
 - how widespread is the practice of quoting lower prices in the export than in the home market ?
 - which elements within the export promotion policies of the Government are thought to be most effective in encouraging exports ?
 - are Government export promotion policies, and their financial implications, adequately understood by manufacturers ?
 - what evidence on Indian and foreign costs, and on potential external markets, is taken into account in determining the form of inducements to export ?
 - to what extent are export promotion measures linked to the emergence of excess capacity in relation to internal demands ?
 - is there any evidence that production for the export market is more profitable than for the home market ?
 - to what extent has the recent growth of exports been associated with bilateral trade agreements, and loan repayments in kind ?
 - what is the import-content of exports of manufactures ?
 - to what extent are import entitlements linked to export performance ?

None of the above questions can be answered simply: in many cases the answer will differ for different products and different external markets. To the extent possible, the Mission wishes to examine problems in detail; and to translate qualitative statements and judgements into quantitative terms. As the background to analytical work, it will be necessary to assemble detailed information on:

- the values and volumes of exports, visible and invisible, over the past ten years;
- the changes in the commodity composition, and destination of exports;
- the nature of inducements to export made available by the Government;
- the institutional background to exporting, including credit facilities, information services, and the facilities offered by export agencies and trade associations.

Bell MissionTentative Schedule of Departures

Name	Leaving Delhi	Arriving Washington	Hotel accommodations in Washington
Bell	March 10	March 19	no
Baneth	March 25	April 5	single, 30 days
Bohr	March 26	April 19	no
Callery	March 19	April 2	no
Sir J. Crawford	Feb. 28	March 5	single, 3/5 - 3/31
Crompton	Feb. 27	March 16	single, 30 days
Elsaas	March 18	March 29	single, 30 days
L. Goreux	Feb. 28	(FAO Rome)	no
Harford	March 13	March 16	no
Holland	March 20	March 28	double, 3/28 - 3/31
Hopper	Feb. 28	March 5	single, 3/5 - 3/31
Kraske	March 24	April 11	single, 30 days
Ladejinsky	March 14	March 16	single, 3/16 - 4/16
Lamson-Scribner	March 25	April 11	no
Owen	March 10	March 12	no
Please	March 10	March 22	no
Wedepohl	March 19	March 21	single, 30 days

cc: Messrs. Bell, Eschenberg, McIvor

February 10, 1965

Mr. Noel McIvor
Deputy Director
South Asia Department
International Bank for Reconstruction
and Development
1818 H Street, N. W.
Washington 25, D. C.
U.S.A.

Dear Mr. McIvor:

Thank you for your letter of February 3 and the sentiments you express. I am sure that we will indeed have much contact in the future.

I talked briefly with Geoffrey Wilson when he was last here about a week ago about the specific question you ask and he generally concurs in my ideas on this matter. They are as follows:

1. The Mission members should leave here at various times between approximately March 7 and March 28, at which point there will be first rough incomplete drafts of various sections of our report.
2. All further drafting and much intra-mission discussion will occur in Washington, where necessary facilities are considerably more ample than here.
3. The great danger of returning to Washington for this purpose is that members of the mission, and especially those who are members of the permanent staff of the Bank, may be interrupted and distracted by their regular offices and duties as well as by the inevitable curiosity of others in the Bank about our findings and conclusions. It is extremely important if we are to complete our job that all of these distractions and interruptions be reduced to zero. We are therefore appealing for maximum protection against this sort of thing.
4. This means among other things that we would like office space in one compact, but not over-crowded, place specifically set aside for the entire mission. We do not want any of the mission members returning to their normal or prior offices until the work of the mission has been completed. The more insulated physically this is from the rest of the Bank, the better. At our peak we will need accommodation for 14 professional personnel, plus secretarial staff. The first of these will probably reach Washington about March 5th. From then until about the 19th we will probably need

February 10, 1965

accommodation for approximately 5 or 6 professional persons. Between the 19th and April 1st, 4 or 5 more will probably arrive. From early April on virtually all will be there and our peak requirement will be in that month. Although Sir John Crawford will probably leave about April 1st, several members of the 3-man population control team will probably require space for a short period in early April. During April and May we will probably need continuous space for about 12 or 13 professionals. In June, we hope, the number will be substantially reduced but it is too early to be more precise about this or about our exact end date in June.

5. I find it difficult to estimate exactly how much secretarial help will be required but I would guess that we will need at least 5 including those of our present secretarial staff who can remain with us after we return. We are hoping that at least Miss Callery and Miss Wedepohl can do so.
6. A number of members of the mission who are not residents of Washington or who gave up residence when they left Washington will also need hotel accommodations but we will write about this separately as soon as we know exactly what is required.
7. My own plans at this point are to go from here to the Consortium meeting in Paris and return to Washington immediately after that meeting.

We will certainly appreciate anything you can do to meet our needs and we would welcome any advance information you can give us.

Best regards,

Sincerely yours,

Bernard R. Bell

Report

Revised Meeting Schedule

January 25, 1965

- 11:00 a.m. - Wednesday - Meeting of all mission members with Geoffrey Wilson on changes in the organization of economic work in the Bank.
- 2:30 p.m. - Wednesday - Meeting on major issues for discussion in the mission report.
- 9:30 a.m. - Thursday - Meeting on the planning process and statistics (Ben King and Doreen Crompton)

Mr. Bernard R. Bell

January 19, 1965

L. Goreux

-

1. Garnier's arrival

A room has been booked at the Claridges, Ashoka being full. Discussion with the Mission to be held in Delhi on 27th and 28th before Crawford's departure. I shall try to arrange for a trip to the Madras area starting on 29th or 30th of January. For the documents, I shall try to collect them for his arrival.

2. Report

It will be easier for me to put something on paper after discussions on Wednesday with the other members of the Agriculture Team.

Following my discussions with Crawford on Friday, I shall go to the Ministry of Agriculture this afternoon to check at what stage is the study of past performances by States.

I am writing a brief note along the lines of our discussion of Sunday evening, first to clarify my own ideas, second for internal discussion to see if some ideas are worth pursuing and could eventually be touched upon in the report. My note will be ready this week-end.

Report

OFFICE MEMORANDUM

TO: All Mission Members

FROM: Bernard R. Bell *BRB*

SUBJECT: Schedule of Meetings

DATE: January 18, 1965

As you know, Ed Mason is here for almost two weeks principally to consult with and advise us on our study. Accordingly, we have scheduled a series of meetings on particular sectors and problems. Our intention is that these meetings as listed below will be with the groups or individuals working on these particular sectors and problems. Subsequently, we will also have one or more meetings of the entire mission with Professor Mason. He may also wish to talk with groups or individuals subsequent to these first scheduled meetings. The immediate list is as follows:

Tuesday, January 19 - 9:30 a.m. - Industry

Wednesday, January 20, 2:30 p.m. - Agriculture

Thursday, January 21, 9:30 a.m. - Controls

Thursday, January 21, 2:30 p.m. - Fiscal and Financial Problems

Friday, January 22, 9:30 a.m. - Exports ✓

Tuesday, January 26 - 9:30 a.m. - the Planning Process

Other meetings will be set in the next few days.

Report

All Mission Members

January 12, 1965

Bernard B. Bell

Tentative Schedule of Mission

This is to confirm what all or most of you already know from discussions in the past several weeks and from my letter of January 3 to Mr. Woods:

1. Subject to the response to my letter, we are aiming at the completion of all work in India and departure from here in the first weeks of March. It is not essential that we all leave at exactly the same time. Some of us may be in a position to leave in the first week in March and should, in that case, do so. Where absolutely necessary, departure could be deferred to as late as the 20th. Our aim is that we all be back in Washington and at work on the report not later than March 22nd. This schedule may need to be revised if Washington decides that we cannot have more or much more time than was originally allotted for our work. Conceivably, we may have to plan on all of us leaving here not later than the end of February.
2. I have proposed that we be given as an absolute minimum until the end of May to complete our report in final form. If this proposal is accepted along with my proposal with respect to wind-up dates here, we would have 9 weeks, or possibly a bit more, for completion of the report in Washington. All previous experience suggests that this is none too much. For this to be possible at all we will need to have on paper first rough drafts of reports on various sectors or problems and at least a first summary of an overall report by the time we leave India. This means in turn that we must have on paper first summaries of reports on the various sectors and problems by February 1 at latest. This will give us time to review these and to identify the large gaps which may then appear in both our understanding and our specific factual data. It will leave us perhaps four weeks in which to fill the gaps by one means and another.
3. Within the next few days I will circulate a suggested outline of the form and general content of the reports. A number of suggestions about and contributions to this have already been circulated. All additional suggestions with respect to the total report are welcome.
4. In the meantime would each of you responsible for the work on a particular segment of our total problem please prepare:
 - (a) By January 19, an outline of a report on that segment
 - (b) By February 1, a written summary of a report on that segment.

Please also reserve January 28 and 29 for joint discussion of the contents of these reports.

cc: Messrs King/Pantanalì

Report

OFFICE MEMORANDUM

TO: All Mission Members

FROM: Bernard R. Bell *BRB*

SUBJECT: Tentative Schedule of Mission

DATE: January 12, 1965

This is to confirm what all or most of you already know from discussions in the past several weeks and from my letter of January 3 to Mr. Woods:

1. Subject to the response to my letter, we are aiming at the completion of all work in India and departure from here in the first weeks of March. It is not essential that we all leave at exactly the same time. Some of us may be in a position to leave in the first week in March and should, in that case, do so. Where absolutely necessary, departure could be deferred to as late as the 20th. Our aim is that we all be back in Washington and at work on the report not later than March 22nd. This schedule may need to be revised if Washington decides that we cannot have more or much more time than was originally allotted for our work. Conceivably, we may have to plan on all of us leaving here not later than the end of February.
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3. Within the next few days I will circulate a suggested outline of the form and general content of the reports. A number of suggestions about and contributions to this have already been circulated. All additional suggestions with respect to the total report are welcome.
4. In the meantime would each of you responsible for the work on a particular segment of our total problem please prepare:
 - (a) By January 19, an outline of a report on that segment
 - (b) By February 1, a written summary of a report on that segment.

Please also reserve January 28 and 29 for joint discussion of the contents of these reports.

cc: Messrs King/Pantanali

Report

January 3, 1965

BELL NO. 75

Dear Escott,

I am enclosing a copy of my letter to George Woods proposing an alteration in our Mission schedule and also raising another question. I hope you will discuss this with him as soon as possible. Peter agrees on the timing of Phase II. I think he believed it unnecessary or unwise to mention my second point, but I did not see how that could be avoided in view of my feeling that we would not really have our ducks sufficiently in a row for serious communication prior to the time we leave here.

Best regards,

Sincerely,

Bernard R. Bell

Enclosure

Mr. Escott Reid
Director
Department of Operations
South Asia and Middle East
International Bank for Reconstruction
and Development
1818 H Street, N. W.
Washington 25, D. C.
U. S. A.

Report

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

~~1818 H STREET, N.W.~~

~~WASHINGTON, D.C. 20400~~

5th Floor, State Bank Building
P.O. Box 4502
Karachi

TELEPHONE ~~XXXXXXXX~~ 221877

CABLE ADDRESS-INTBAFRAD

December 1, 1964

Mr. Bernard Bell
Ashoka Hotel
Chanakyapuri
New Delhi
India

Dear Bernie:

I wonder if by the end of this month you will be pretty clear in your own mind about what you want to recommend to George Woods on revising the timetable of your enquiry. My own feeling is that it might be useful if you could have a letter in George Woods' hands shortly after the New Year. I will, myself, be back at the office on Monday, January 4, and it might be just as well if the letter were not to reach Mr. Woods until I am back and could discuss the matter with him.

Having been responsible for fixing the target date for the end of March, I feel that I should be the first to admit that this does impose pretty severe limitations on you and your colleagues. If therefore you consider that you need another month or two I would be content to accept your judgment. It is, of course, essential that any date you do recommend should not be subject to any further change.

I suggest that in your communication to George Woods you deal not only with the timetable of your own enquiry but also with the timetable of the second stage of the investigation - the evaluation of the Fourth Five-Year Plan to be conducted by Mr. X assisted by yourself and Peter Wright.

Suppose you were to recommend that your own deadline were to be changed from the end of March to the end of May. You will obviously need and deserve a real holiday of at least a month. Perhaps then the second stage of the enquiry could begin some time in July. I do not know how long a period will be required for the second stage of the enquiry. You will have a much better idea of this than I. If it is a matter of three months from the beginning of the enquiry to the completion of the report then the report would be finished some time in October.

This report will have to go through the usual stages in the Bank of discussion by the Staff Economic Committee and the Staff Loan Committee. For a report of this importance we should allow a month.

This would mean that the report would be ready for circulation to the Consortium some time in November. The members of the Consortium will need at least two months to consider the report before they meet to discuss it. The first meeting of the Consortium could then take place in January 1966 and the second meeting a month or two later.

Mr. Bernard Bell

- 2 -

December 1, 1964

It would thus be possible on this sort of timetable to have the Pledging Meeting of the Consortium before the end of the present Five-Year Plan on March 31, 1966.

With best regards,

Yours sincerely,

A handwritten signature in dark ink, appearing to read "Escott Reid". The signature is fluid and cursive, with a long horizontal stroke extending to the left.

Escott Reid

Mr. Bernard R. Bell

November 27, 1964

D.G. Holland

Organization of the Report

1. The easiest - and usually the least helpful - way to comment on a proposal is to ignore it and suggest something different. So I attach a set of headings which are rather different from those put forward by Ben in his November 24 memorandum.
2. I have two related worries about Ben's headings. The first is that the headings under his C do not seem to correspond very closely to the subjects currently being examined by individual members of the mission. The second is that the very high degree of coordination which seems to be implied by the layout of C. I am not against coordination - who is? - but I have the feeling that it would help to give a sense of purpose to the current work of individuals if that work has a niche in the final product towards which it is aimed.
3. The criterion for my headings is, therefore, that it should be possible to attach a name or names to each heading in the two central chapters. This is a curious criterion, and it yields curious results. I, too, would appreciate some shooting.
4. One word of explanation. I hope it will be obvious that it is not implied that each heading or sub-heading has equal weight, in terms either of input or output. Thus I do not wish to suggest that the section on industry is any less important in my scheme of things than in Ben's, despite the fact that it appears as A in his headings and as III.3 b in mine.

cc: Messrs King, Bohr,
Sir John Crawford

Chapter I

A conspectus and appraisal of developments since 1950, with particular reference to the Third Plan period.

Chapter II

Two key problems: Population and Agriculture

Chapter III

An analysis of the basis, functioning and effectiveness of public policy in selected areas.

1. Planning
 - (a) general
 - (b) The statistical basis for planning and public policy
2. Internal resource mobilization
 - (a) In general
 - (b) The mobilization of resources from and through private and public industry
3. The use of resources
 - (a) In general
 - (b) In industry
 - (c) In transportation
4. The acquisition of foreign exchange
 - (a) In general
 - (b) Export promotion
 - (c) Foreign collaboration
5. The use of foreign exchange
 - (a) In general
 - (b) Import control and licensing

Chapter IV

The lessons from experience.

1. Pervasive themes in previous chapters
2. Implications for the future

B

Letter no. 403

November 23, 1964

Mr. Alexander Stevenson
South Asia and Middle East
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington D.C. 20433

Dear Sandy,

1. I talked to Escott about his letter 293. I pointed out that the plan he suggested would probably involve more loss of time rather than less. We agreed that the date of my leaving should remain as March, approximately when the Bell mission leaves India.
2. I think the main point is that Bernie and I agree that the March 31st deadline is completely unrealistic. My experience in missions of this size is that report-writing is essentially a two-stage operation. The stages can be "concertina'ed" to only a limited extent. I would be agreeably surprised, if we finish under three months after returning to Washington.
3. In these circumstances, it would be less of a headache to me (not to speak of my family) to get the move over and done with. I hope that Sundara Rajan can be asked to have the GOI make my various clearances as painless as possible.

Yours sincerely,

Benjamin B. King

c.c. Messrs. Bell ✓
Eschenberg
Wright



R 052

L 91 Report

1964 OCT 29



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Report



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**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

1818 H STREET, N. W.

WASHINGTON 25, D. C.

TELEPHONE EXECUTIVE 3-6360

CABLE ADDRESS-INTBAFRAD

October 22, 1964

Letter No. Bell 6

Mr. Bernard Bell
c/o International Bank for
Reconstruction and Development
P. O. Box 416
New Delhi, India

Dear Bernie:

Herewith copies of correspondence which I promised Kraske in my recent cable I would send out. I am sorry they were not sent before, but I thought Peter Wright had done so, and he thought the reverse.

Wolf Ladejinsky's clearance has just come through and we will get him out to New Delhi as soon as possible. Meanwhile, he has been doing some preliminary work for his part of the mission.

I gather you are paying us a visit later this month, and when you are here I would like to tell you something of the background of my negotiations with FAO and Wolf's own frame of mind.

I look forward to seeing you shortly.

Sincerely yours,

Raymond J. Goodman
Assistant Director of Administration

October 2, 1964

Sir John Crawford
Director
The Research School of Pacific Studies
The Australian National University
Box 4 G.P.O.
Canberra A.C.T., Australia

Dear Sir John,

I have delayed this letter a few days until the matter of publicity had been settled within the Bank. Mr. Woods has now officially informed the Bank's Executive Directors about the Indian studies, which means that member governments are also informed, but he has decided not to issue a public statement. The Bank and the Government of India are anxious to give as little publicity as possible to the studies, since it is part of the understanding between Mr. Woods and the Indian Finance Minister that Mr. Bell's report should be internal to the Bank and should not be made available to other members of the Indian consortium. It is not intended that the terms of reference for the studies, a copy of which I have sent you, should be made public.

So far as your own position is concerned, there would be no objection to your saying that you will be joining the team as the leader of the agricultural group. You could also say that the purpose of the team's enquiries is to prepare the Bank to undertake some time next year an appraisal of India's Fourth Five-Year Plan which is at present under consideration in India. These studies will be directed towards particular sectors of the economy and will concentrate on problems recognized as critical to the acceleration of India's economic growth. The report on the studies will be a confidential document and will not be available to the public.

As I mentioned in my last cable, you should feel free to talk to the Indian High Commissioner in Canberra about the general purpose of the mission and your own role in it.

I hope that by the time you receive this letter you will have heard from FAO the answers to the questions which I passed on to them. Please let me know if you have any other points which you feel the Bank can answer.

Yours sincerely,

cc: Messrs. Stevenson/Wright
Demuth
P. Reid (Rome) for
Mr. Ergas

Raymond J. Goodman
Assistant Director of Administration

RJG:rmeg

FRGAS

OCTOBER 2, 1964

FOODAGRI

LT

ROME

ITALY

REMYCAB SEPTEMBER 29 WOODS HAS DECIDED NOT REPEAT NOT TO ISSUE
PRESS STATEMENT ABOUT BELL MISSION STOP PLEASE ADVISE FAO PRESS
OFFICE AND UNITED NATIONS SYDNEY THAT NO PRESS ANNOUNCEMENT
DESIRABLE

GOODMAN

Raymond J. Goodman
Assistant Director
Administration

cc: Messrs. Pryor
Wright

EPW:rmeg

general
attachments in Chron file

October 6, 1964

Mr. Shri S. Bhoothalingam
Secretary
Departments of Coordination &
Economic Affairs
Ministry of Finance
New Delhi, India

Dear Mr. Bhoothalingam:

In accordance with your request I am transmitting the attached series of statements which list some of the general questions on which we plan to focus our attention in the course of our study. I should explain ~~that it is~~ only since our arrival here in India that we have begun to elaborate on the general lines of inquiry indicated in the August 27 "statement on the Bank's study of the Indian economy." The questions listed in the attached statements are expressed in general terms, are only a first, tentative and hasty listing and do not cover all of the sectors and areas of the economy in which we are interested. We trust that they will serve, however, as a basis for initial discussions with the agencies of the Government concerned. We expect that these first meetings will be productive of suggestions by the agencies themselves, more specific requests on our part for information and subsequent closer definition of the questions we intend to study and the means by which we will do so.

As you know, from the August 27 statement we are aiming generally at a comprehensive assessment of the development effort which will provide an understanding and measure of its progress and its achievements and of the obstacles and constraints which are limiting the growth of output and income. We hope also to obtain greater insight into the character of these obstacles and greater understanding of the means by which they are being and might be overcome.

We will forward to you shortly similar statements relating to other sectors and areas of the economy. We will be pleased to hear from you as soon as possible the schedule of meetings which you have arranged with the various departments and would suggest, incidentally, that a meeting with the Ministry of Food and Agriculture be deferred until after October 15 when the first members of our group who will focus on the agricultural sector will have arrived.

Sincerely yours,

Attachments
BRBell:vmc

Bernard R. Bell

Sept. 25

Some Tentative Guidelines for the General Economic Mission

1. As a first step the present status of the economy and of the sectors which are to be scrutinized especially would be described. This description includes mainly mentioning of resources available, of the level of output, and of specific institutional and administrative properties. An evaluation of the development effort in the past would enable us to make a projection of the level of economic activity over the next few years assuming that no significant change regarding methods, attitudes, increase in resources, etc. takes place. The statistical data available should be looked upon critically; some remarks as to the likely margin of errors will be generally desirable. The extent to which available data would have to be checked would be determined according to the significance of the particular case.
2. As the second step an explicit judgement should be obtained as to what would have been possible to achieve and will be possible to achieve in the absence of any spectacular changes. Such judgement would evolve from Step 1 taking into consideration plan targets and similar projections as well as experiences in particularly advanced parts of the Indian economy.
3. By comparing Step 1 and 2 a number of obstacles to the development effort would become apparent. These would presumably range from very specific ones to those of rather general importance. Although it is clearly inappropriate to suggest any groupings at this stage the following list of the so-called "horizontal themes" might provide some useful hints regarding the directions and likely canthers of gravity of the various analyses:

- a) price policy - artificially low prices mainly in basic industries (also interest rates);
- b) transport problems - organization and utilization of existing facilities;
- c) regional interests - as an impediment to concentrated, geographically unbalanced development;
- d) employment aspect - protection of inefficient labor-intensive techniques; restrictions on firing of workers;
- e) overvaluation of the exchange rate - even if this problem is not to be attacked frontally it should be noted wherever it comes in so as to get some idea of its significance;
- f) import licensing procedures.

4. It is important -- and in fact one of the main purposes of this mission -- that obstacles and impediments to development be not just stated but pursued back to their offsprings and motivations as far as possible. The extent to which we should dig into problems of a non-economical nature cannot be determined generally and would have to be determined considering the particular case.

J. Kraske
September 25, 1964

September 16, 1964

Mr. I. Henry Ergas
Director
FAO/IBRD Cooperative Program
Food and Agricultural Organization
of the United Nations
Viale delle Terme di Caracalla
Rome, Italy

Dear Henry:

As promised, I am sending you a copy of the "Statement on the Bank Study of the Indian Economy", which is in effect a statement of the Bell mission's terms of reference.

May I draw your attention particularly to paragraph 4, which makes it clear that the study is being undertaken for internal Bank purposes. I think you know the background to this, and I am sure you will use the statement within FAO on a "need to know" basis.

I hope to hear shortly that Sir John Crawford is in the bag. From all we hear, he is an excellent choice for this assignment.

Sincerely yours,

Raymond J. Goodman
Acting Director of Administration

cc: Messrs. Stevenson
 Bell

RJG:rmeg

August 27, 1964

STATEMENT ON THE BANK STUDY OF THE INDIAN ECONOMY, 1964-65^{1/}Purpose

1. The Bank's basic purpose in the study which it proposes at this time is to prepare itself to undertake later the specific appraisal of the Fourth Plan which must be made as a guide to future Bank lending, to the allocation of IDA resources and to the Bank's advice and proposals to the Consortium. This purpose was stated in Mr. Woods' letter of June 4 to the Minister of Finance. The Bank's ultimate purpose is identical with that of the Government of India, namely, to accelerate the growth of output and income in India.
2. The study will consist in: (a) a set of specific inquiries directed toward particular sectors and areas of the development effort, selected because they are judged to be of critical importance and because the Bank's existing knowledge of these areas is deficient; (b) the use of the information and understanding gained from these inquiries together with knowledge already available from such studies as the Energy Survey, the Coal Transport Study, and many others to provide a comprehensive assessment of the existing effort to accelerate the growth of the Indian economy. The study is not intended as an appraisal of Indian Government plans for the future as they will be embodied in the Fourth Plan; such an appraisal would obviously be premature. Rather it is intended to provide the understanding of, and information about, the development effort to date which will be necessary as a basis for an intelligent evaluation of the Fourth Plan when the latter has been formulated.
3. The specific new inquiries planned will draw upon and utilize information already available from earlier Bank studies; studies by consulting groups, research organizations, and, most importantly, the Government of India. They will require extensive consultation with officials of the Government and the collection, collation and analysis of information from many sources. In the areas where no new inquiries are planned, but existing comprehensive information is to be utilized, limited consultation may also be required, mainly to bring information up to date. In both cases appraisal of the relevant statistical data and the degree of its reliability will probably be necessary to further our understanding of the reality.
4. The study is undertaken entirely as an internal Bank study. The report of the study will be to the President of the Bank. It is not intended that it will be made available to the members of the Consortium.
5. More specifically, the Bank's present intention is to direct the field inquiries to the areas and particular questions listed below. As the study progresses, of course, it may become apparent either that little additional inquiry is required in some of these areas or that others may require more effort than is now envisaged.

1/ Following discussions between Mr. Woods and the Government of India during the week of August 24th, 1964, this Statement has been accepted by the Government of India as the basis for the Bank Study of the Indian Economy.

(a) Agriculture - (i) What have been the scope and character of the several programs now underway to increase inputs of water, fertilizers, improved seeds, tools and equipment, pesticides and fungicides, credit, knowledge of improved farm practices, etc.? and what have been their effects on agricultural output?

(ii) What criteria have governed the allocation of resources to agriculture and the selection of specific programs and projects within the agricultural sector?

(iii) What have been the effects of Government price, procurement and distribution policies on agricultural output and urban food supply?

(b) Industry - (i) In those sectors of industry where rates of return appear to be low, including among others, heavy engineering, what has been the process of project evaluation and planning, and what have been the criteria for the choices made with respect to the size, location, equipment, organization, financing, and management of producing units? In what ways could the time involved in planning and establishing producing units be shortened, and the time phasing of their establishment improved?

(ii) In industry in general, how fully and how effectively are existing and newly established production facilities being utilized? What are the factors which bear on the rate of utilization?

(c) Export - What is being done specially to stimulate the expansion of export? To what extent do producers find the critical obstacles to be costs and prices? quality? special restrictions in foreign markets? special risks of export production and marketing? lack of knowledge of marketing opportunities? lack of foreign distributional arrangements and outlets? or administrative impediments?

(d) Population - What is the magnitude, scope, organization, effectiveness of existing programs to implement the Government objective of restricting population growth? Are there impediments in the form of shortages of required trained personnel, inappropriateness of techniques, cultural resistances, to which special attention is being or must be given? Has external aid been effectively provided for this effort?

(e) Unemployed Labor Resources - What programs have been undertaken to make productive use of the large and growing supply of unutilized labor? Is the impediment the difficulty of planning, organizing, and directing work on infrastructure or small scale production enterprises? Is it fiscal policy? Is it the choice of technology which imposes too high a capital-labor ratio? Is it the allocation of capital investment funds? What capital and consumer goods are required for more effective mobilization and productive use of these supplies of labor?

(f) Fiscal Policy and Finance - (i) Has price policy unduly restricted the extent to which public enterprises accumulate earnings available for investment? What principles govern the deployment of the net earnings of these enterprises?

(ii) Do existing tax policies, legislation and regulations militate against or encourage private sector retention and plow-back of earnings? Do they facilitate distribution of earnings in such manner as to encourage the development of a capital market?

(g) Government Controls - Do government controls over imports and allocations of materials and services and prices accomplish their purposes? Are there other mechanisms which would better accomplish the purposes? What costs do the administration of these controls and of controls over the size and location of industrial operations impose on the operation of public and private enterprises?

(h) Foreign Aid - Has the amount of foreign aid been a critical constraint upon the rate of growth of output? Could additional amounts of foreign aid have been effectively utilized to expand investment and output? Has the particular manner in which aid has been provided imposed handicaps on the effectiveness and speed of its use or reduced its utility?

Mr. Bell
File (Study Plans)
general

Letter no. 279

July 31, 1964

Mr. E. Peter Wright
South Asia and Middle East
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington D.C. 20433

Dear Peter,

1. Here are some of my thoughts about operation Bernie Bell, which you repeatedly asked for.
2. As you know, I'm interested only in those problems of the Indian economy which can be solved, that is, those to which a rational answer can be given. I appreciate that these are not the only problems of this economy, and that the deep root of everything is perhaps the dancing Shiva. However, I see the role of the Bank's office in a country like this one, precisely as that of helping to pick up, in the sea of problems, those that it is worth the while to spend time and money on, from those that are not likely to get us anywhere. The former are those where we can come up with a specific recommendation as to what should be done (details) and which could be used to devise loan agreement covenants or to draft side-letters - in other words to shape the Bank's policy. I call them problems. The latter are those that make philosophers happy, but bring home no food. I call them quasi-problems. Too rigid? Too oversimplifying? I don't think so.
3. I'm impressed by the amount of metaphysics one can get involved in while working as an economist. Personally I think I'm full of this kind of junk, and can't let nature loose. But I'm also impressed by the amount of good work which has been done in the last two years in the Bank and by other people on the problems of the Indian economy. The fact that lots of people (M.I.T. included) still talk a lot about quasi-problems should not discourage us.
4. These are preliminary remarks to a warning against an "orthodox" approach in the identification of the problems that are to be tackled by the Bellboys. We are not about to write a book; so the standard chapters titles won't suit.
5. The "balance of payments", for example, is in my view a quasi-problem, if seen in itself and along the lines we are used to analyse it. To transform the "balance of payment" quasi-problem into a set of problems, we must look

at:

(a) the price distortions in the economy, which are mainly caused by:

- (i) low interest rates
- (ii) wrong rate of exchange
- (iii) high costs induced by indiscriminate import substitution policy
- (iv) the confusion created by the export promotion measures;

(b) the excess demand for capital goods induced by:

- (i) the licensing policy in the private sector
- (ii) the investment policy in the public sector which disregards capital costs;

(c) the seriousness and efficiency of:

- (i) the assessments of markets abroad for Indian goods
- (ii) the drive for promoting sales abroad.

6. One way of getting to the problem may be to set up two "horizontal themes" studies, one of export promotion measures and policies and another of import substitution policies. Both problems bear on the question of devaluation, but I'm getting convinced that devaluation, without the mechanism to assure lowest cost production, is not enough. Of course, I personally believe that the solution lies on a combined effort to improve performances (licensing of private sector projects and investment policies in the public sector) as well as to change (either in an explicit or in disguised way) the value of the rupee.

7. Once we have looked into these questions, we can write a chapter on the balance of payments in a couple of days, just by adding a few loose projections on invisibles, debt service and such like. But the reverse is not true - if a guy or a couple of guys are put to work on the quasi-problem, they will have to make, implicitly or explicitly, assumptions as to the solutions of the underlying problems - mostly because they will have no time to go through all the other things in depth - and this would lead us to the "superficial" (please realize my quotation marks) standard of our previous economic reporting.

8. This is why drafting terms of reference for the Bellboys does not seem to me very meaningful. As Bernie is a splendid chap, they will not bind him in a negative sense, but they could be still a source of potential troubles. If the Indians decide to boycott the operations, there is no agreement on the terms of reference that can help us, short of a firm attitude to get it through, which is obviously independent of whatever terms of reference have been agreed upon. This can be made clear when George Woods talks to TTK, and a positive outcome of such a meeting is worth a million tons of written paper.

9. My impression is that the Indian economy is in a position in which a good deal of the increase in output forecast for the Fourth Plan could come either through "balancing schemes" or through sheer better utilization of capacity.

Therefore, I feel that the Fourth Plan should be a sort of a "consolidation plan", which does not mean that should have low targets. On the contrary, it should aim high in terms of targets, but realize that targets are themselves a function of their cost, and, therefore, it should be basically devised in order to achieve production by means of improved performances, rather than huge injections of capital. The implementation of this principle is, as I see it, the only way in which they can tackle both the balance of payments problem (i.e. keep the deficit within proportions manageable by foreign aid) and the inflationary pressure problem (i.e. keep the monetary size of investment in rupees within the limits of the savings ratio). Whether it means a change in strategy I'm not yet convinced at all.

10. The trouble with Pitambar's coefficients is that they take for granted what precisely is the problem. In fact, even if they were all correct (which I doubt) they would be meaningful only if there was in the Indian economy the mechanism to assure that, on the investment side, the function would be minimized. In the lack of this, they mean very little to me. To go back to my favourite terminology, I would say that how many tons of iron ore are required to make a ton of finished steel is a quasi-problem: (a) because there is Rs.18 a ton iron ore from Kiriburu, and Rs.9 a ton iron ore from next door Bolani; (b) because a pelletising plant may be a cheaper way of getting more pig iron out of existing blast furnaces than one more blast furnace. Ergo, the steel programme may all be nonsense, even if a production target of 15 million tons a year by 1970/71 (or what have you) may make a lot of sense. Etcetera.

11. Thus the quasi-problem is actually hiding two general problems, namely:

- (i) how is a coefficient translated into a project?
- (ii) how should the translation mechanism be set up to provide for lowest cost solution?

A close scrutiny of (a) how it is working now, and (b) how it could be made to work better during the Fourth Plan, is possible only by detailed analyses of single projects in the various sectors. I have already smelled some rotten rats here and there which point out to the urgent need for such a scrutiny.

12. All that is, of course, true of industry as well as agriculture, as Sonleyana brings out very well (particularly the irrigation chapter). But to go further, the Bellboys should include some TOD men. I'm thinking particularly about two guys that would be very very useful, namely, Frank Lanson-Scribner and Shig Takahashi. I was indeed disappointed not to see the latter's name in the list you sent to me recently. I hope it's only a question of negotiations.

13. To get at the roots of the sectorial problems we must examine in detail a good deal of the projects, as well as pass judgements on policies. Most of the big projects in the Third Plan were conceived without anything near a decent project report. The Planning Commission is slowly getting aware of this and the Bellboys can find, perhaps, a fertile ground to work on.

14. Methodologically I can think only of a good number of case studies, project by project, in the key sectors. They should be devised in such a way as to

collect evidence about (a) industrial location policy, (b) industrial size policy, (c) pricing policy (and the use of the market system), (d) management policy (and the use of consultants' services) and (e) implementation policies (administration).

15. In particular I think that the Bellboys should really get going on a thorough investigation of ISTD, and of the import licensing procedures; are you thinking about getting somebody that will be able to tell us how the latter's procedures could be improved (I mean, not just by improving them, but how?) What's Gregory's opinion on this?

16. There are some side problems such as national accounts statistics, import and export statistics, population growth, etc., which can't really excite me too much. But I agree it might be a good idea to look into them also.

17. I rather think that the whole question of corporate income tax, accelerated amortization, capital gain tax and inducement to foreign private investment deserves scrutiny. Not so much because I believe we can come to any definite conclusions (God knows why people invest anywhere) but because nobody (including the Americans, who make such a fuss about it) know well the technicalities of it.

18. There is also one short-term problem - inflation, which deserves careful scrutiny. It seems that the generals have joined forces with the Chinese to put strains on the economy. TTK and Bhattacharya have probably been too generous since last February.

19. As to myself, I'm still sort of undecided. Krishnaswamy popped off his head one day the idea that I should make an inquiry into the cotton textiles industry, with a view to advising about export promotion measures in this field. I am rather tempted, though not wholly convinced. Export of cotton textiles could open the door for a more general study, namely, export promotion measures. I think that this could be fun, though I'm not convinced that we have sufficient leverage to get all that we need out of Manubhai's shop, STC included. It took me a good year to work out reasonably good relationships with Govinda Narain, despite our "commitment" to finance Madras and Haldia. But perhaps the setup was wrong; as Bansal once pointed out to me, an influential liaison officer is the most important thing. Perhaps I could get Ajit Mozeondar to work with me again.

20. If we were to get seriously into the textiles industry and its exports, we would need help from Drag's shop (Lowenstein), TOD, and would likely need also to go to Hong Kong and Japan to see how they have done it there. But this is by the way. What do you think?

21. As I told Sandy when I was in Washington last June, I still think the best thing to do is to give Bernie a couple of Angels (Ken Bohr and Takahashi, for example) and ship him over here to feel his way around, and then decide how to do his job. I do not know how far the selection of people, the drafting of terms of reference, and all that has gone to make this idea

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unacceptable. But I think we should not worry about deadlines, because
(a) Escott and Sandy told me that it is not necessarily unbreakable; and
(b) we better inform George Woods and the other Consortium members a month
or two later, than rush through conclusions which, owing to our mind-stiffness,
are going to bind us for another bloody five years time interval again.

Yours sincerely,

Romano Pantanali

P.S. I assume we take the cost of capital at 12% and stop fussing about it.
We might, however, come to a better view on the rate of overvaluation
of the rupee after we have looked deeper into the problems underlying the
balance of payments.

c.c. Messrs. King
Avramovic
Stevenson
Ball ✓