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McNamara Papers

Travel brief - WBG  
Sept. 29 - Oct. 14


  
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Folder 2 of 4

**DECLASSIFIED**  
WBG Archives



INDIA

Union Cabinet Members

Morarji Desai	Prime Minister
H. M. Patel	Finance
George Fernandes	Industry
S. S. Barnala	Agriculture and Irrigation
Mohar Dharia	Commerce, Civil Supplies and Cooperation
Jagjivan Ram	Defense
L. K. Advani	Information and Broadcasting
H. M. Bahuguna	Chemicals, Fertilizers and Petroleum
Sikandar Bakht	Works and Housing Supply and Rehabilitation
Shanti Bhushar	Law, Justice and Company Affairs
Pratap Chandra Chunder	Education, Social Welfare and Culture
Madhu Dandavate	Railways
Purushottam L. Kaushik	Tourism and Civil Aviation
Viju Patnaik	Steel and Mines
P. Ramachandran	Energy
A. B. Vajpayee	External Affairs
Brij Lal Varma	Communications
Ravindra Varma	Parliamentary Affairs and Labor



INDIA

Biographical Data on:

President

Mr. Neelam Sanjiva Reddy

Prime Minister

Morarji Desai

Cabinet Members

H. M. Patel	Minister of Finance
George Fernandes	Minister of Industry
S. S. Barnala	Minister of Agriculture and Irrigation
Mohan Dharia	Minister of Commerce, Civil Supplies and Cooperation
Henwati Nandan Bahuguna	Minister of Chemicals, Fertilizer and Petroleum

Central Government Officials

Dr. D. T. Lakdawala	Deputy Chairman, Planning Commission
Raj Krishna	Member, Planning Commission
J. D. Sethi	Member, Planning Commission
Man Mohan Singh	Secretary, Department of Economic Affairs

Neelam Sanjiva Reddy -- President

Age 65. Born in a peasant family in Andhra Pradesh in 1913, Sanjiva Reddy received his education at the Theosophical High School in Madras. At the age of 18, he gave up his studies to join the nationalist movement. Since that time Mr. Reddy has held a number of key positions in Andhra Pradesh and in the Central Government.

In 1938, at the age of 25, Mr. Reddy was elected Secretary of the Andhra Pradesh Provincial Congress Committee, a post he retained for ten years, spending the greater part of the 1940-45 period in prison. In 1946, he was elected to the Madras Legislative Assembly, and the following year became Secretary of the Madras Congress Legislature Party as well as a member of the Indian Constituent Assembly. From 1949 to 1951, Mr. Reddy was Minister for Prohibition, Housing and Forests in the State of Madras, a post he gave up in 1951 to become the President of the Andhra Pradesh Congress Committee.

Elected to the Rajya Sabha in 1952, Mr. Reddy served as leader of the Congress Legislature Party and Deputy Chief Minister of Madras State from 1953-56, when he became the first Chief Minister of the newly formed State of Andhra Pradesh. In 1959, he resigned the Chief Ministership to become President of the Indian National Congress. On the expiry of his term in the Indian National Congress, Mr. Reddy again became Chief Minister of Andhra Pradesh, a post he voluntarily resigned in February 1964.

In June 1964, Mr. Reddy was appointed to the Union Cabinet of Prime Minister Lal Bahadur Shastri and took on the portfolio of Steel and Mines. In the same year, he was re-elected to the Rajya Sabha. From 1966-67, he was Union Minister of Transport, Civil Aviation, Shipping and Tourism in Mrs. Gandhi's cabinet. Elected to the Lok Sabha in the general elections of 1967, he was elected Speaker of that body in March 1967, an office he held until 1969, when he resigned to run for President as the nominee of Mrs. Gandhi's Congress Party. Narrowly defeated in the presidential election due to a split in the Congress Party, Mr. Reddy withdrew from active politics until 1975. In March 1977, after a period of opposition to Mrs. Gandhi, he was elected to the Lok Sabha from Andhra Pradesh -- the only non-Congress Party candidate elected from that state. Following the elections, he was unanimously elected Speaker of the Lok Sabha, and on July 21, 1977, after relinquishing the post of Speaker, was elected unopposed to the Presidency.

Mr. Reddy is married and has four children -- one son and three daughters -- having suffered the death of a son in 1951.

Morarji Desai - Prime Minister

Age 82. Mr. Desai is India's Fourth Prime Minister and the first head of a non-Congress Government in India. In politics for 50 years, the Prime Ministership had eluded him twice after Nehru died. A member of the hard core of the former Congress right wing, he has always been an able and strong administrator, conservative, austere, and rigid in his idiosyncratic views.

The son of a school teacher, Desai completed college in 1918 and joined the British Provincial Civil Service. He resigned 12 years later to join the Civil Disobedience Movement. A disciple of Mahatma Gandhi he was imprisoned five times by the British, and for 19 months during the Emergency by Mrs. Gandhi in 1975.

Elected to the Bombay State Legislative Assembly, he became Minister in the first post-Independence Government of Bombay holding important portfolios like Agriculture and Forest, Home and Revenue. From 1952-56 he was Chief Minister of Bombay. In 1957, he was elected to the Lok Sabha, and joined the Cabinet as Minister for Commerce and Industry. From 1958-63 he was Finance Minister. In 1963 he resigned from the Government under the Kamaraj Plan and in 1966-67 he served as Chairman, Administrative Reforms Commission. In the 1967 elections, the Congress Party made a very poor showing and though Morarji could have staked his claim to the Prime Ministership, he agreed to be Deputy Prime Minister and Finance Minister in order to avoid a split in the party at this crucial juncture. In 1969 Mrs. Gandhi put through the Nationalization of Banks which forced Morarji to resign as Finance Minister since he had always propogated a softer policy of social control over banks. With the split in the Congress Party, he joined the old Congress and went into the opposition.

At his first Press Conference as Prime Minister he promised that he would undo the "wrongs" of the Emergency, remove unemployment within ten years, remove poverty, be committed to "proper" nonalignment, preserve Democracy and the Constitution, set the example for hard work and discipline, cut out all extravagance in Government, ensure that there would be no compulsory sterilizations and preserve freedom of the press. An ardent prohibitionist, he is trying to impose a nationwide prohibition policy. His style as Prime Minister has been likened to that of the Chairman of a Committee and he has been criticized for lack of decisive leadership. His limitations in dealing firmly with the internal problems of the Janata Party is now backfiring in the form of a campaign to discredit him personally through his son.



## Cabinet Members

### H. M. Patel - Minister of Finance

Age 74. Educated in Bombay and Oxford, he joined the British Civil Service in 1935. A civil servant turned politician, he headed the pro-west, right wing Swatantra Party of Gujarat State until it merged with the BLD, which in turn became part of the Janata Party. During the Emergency when opposition leaders were in jail, he headed the remnant of opposition in Parliament, and led protests and walkouts against the measures of Mrs. Gandhi's Government. Elected to the Lok Sabha in the 1977 General Elections on a Janata Party ticket from Gujarat, he was appointed Finance Minister on March 27, 1977.

As a bureaucrat and civil servant for 30 years, H. M. Patel had the reputation of being a very strong and decisive officer with a low tolerance for red tape and bureaucratic delays. After starting his career as District Officer in Sind, he was sent as Trade Commissioner to Hamburg in 1937 and later to London. In 1947 he became Secretary to the Cabinet. Named then as Partition Secretary he was in charge of overseeing the painful process of dividing India and Pakistan. After holding the key positions of Secretary of Defense, Secretary of Food and Agriculture and Secretary in the Department of Economic Affairs, he became Principal Finance Secretary in 1954. While in this post, he was appointed as the first Chairman of the (nationalized) Life Insurance Corporation of India. Because of certain policies followed by LIC, he was dragged along with T. T. Krishnamachari into the so-called "Mundhra Scandal" and retired prematurely in 1958.

Mr. Patel is a widower with five daughters. His fourth daughter Amrita lives with Mr. Patel and is working with Dr. Kurien in the National Dairy Development Board.

Mr. Patel is keenly interested in ecology, conservation and environmental problems, and is Chairman of the Indian Board for Wildlife.

### George Fernandes - Minister of Industry

Age 48. Born of a deeply religious Catholic family, Fernandes graduated in Philosophy while undergoing training for the priesthood. Yet, fairly early he decided against the life of a priest and chose instead a career in organizing workers' movements throughout the country. His association with the socialist movement was through the Samyukta

Socialist Party, of which he became the General Secretary in 1964. He was subsequently elected as a member of the Bombay Municipal Corporation. He took a particular interest in the conditions of the transport workers, and was directly responsible for organizing trade unions of motor transport, and dockyard workers. At the same time he worked with employees of other industry groups and founded trade unions for hotel workers, municipal employees, and workers in engineering, fertilizer and other industries. His interest in the workers' movement extended also to the lower level staff in government, semi-government and universities.

In the elections of 1967, Mr. Fernandes was elected to the Fourth Lok Sabha. He continued his involvement with the workers' movement, being associated with the striking railway employees during 1973/74 as President of the All India Railway Men's Federation.

With the imposition of Emergency, Fernandes was imprisoned under MISA in connection with a conspiracy case against the Government known as The Baroda Dynamite Case. (In the critical months of the Emergency when he evaded arrest, his family -- in particular his younger brother who was running a press -- was imprisoned, harassed and subjected to torture.) While in jail, he contested the 1977 elections as a Janata candidate from the Muzaffarpur district of Bihar, an area not known to him at all, and won a triumphant electoral victory. In the initial Janata Government, Mr. Fernandes was Minister of Communications, but in July 1977 he was given the more important Industry portfolio.

Mr. Fernandes is married to Laila, daughter of Humayun Kabir, a Minister in Nehru's Cabinet, responsible for the growth of the petrochemical industry. Mrs. Fernandes is a graduate of Cambridge, and has been deeply involved with the Red Cross movement. Her particular interest is in health care for children and adults.

S. S. Barnala - Minister of Agriculture and Irrigation

Age 53. S. S. Barnala is an Agriculturist and Advocate. A farmer himself, he belongs to a landowning family from Sangrur District. He entered politics as a student, was jailed as early as 1942 in the Quit India Movement, and elected President of the Sikh Students Federation in 1945. Later he joined the Akali Party and became its General Secretary in 1973.

Mr. Barnala was first elected to the Punjab Assembly in 1967. From 1969 to the dissolution of the Akali Dal United Front Ministry in 1971, he was State Education Minister. Mr. Barnala was re-elected to

the Assembly in 1972 and remained an MLA until 1977. During this period he also joined the Punjab and Haryana High Court as a practicing Advocate.

During the Emergency, the Akalis organized a strong opposition in Amritsar. En route to London to publicize the Emergency excesses, Mr. Barnala was arrested in December 1975 and imprisoned for 13 months.

In the 1977 Lok Sabha elections, Mr. Barnala was elected as the Janata Party candidate from the Sangrur constituency in Punjab. In June 1977 he was appointed Minister of Agriculture and Irrigation succeeding Mr. Prakash Singh Badal who became Punjab Chief Minister.

Mr. Barnala is keenly interested in farming, tennis, mountaineering, painting and Urdu poetry. Married, his wife is presently a Member of the Punjab Legislative Assembly. They have three sons and a daughter.

Mohan Dharla - Minister of Commerce, Civil Supplies and Cooperation

Age 53. Educated as a lawyer in his home State of Maharashtra, Mr. Dharla participated in the freedom struggle. In his early years he was a member of a socialist group, PSP, but subsequently he joined the Congress Party. In the mid sixties he came to figure as a prominent organization man in the Maharashtra Congress, serving as the General Secretary of the MPCC in the years 1962-67. He was elected to the Rajya Sabha in 1964 and 1970, and to the Lok Sabha in the 1971 elections. Between 1971-1974 he served as Minister of State for Planning and for another year as Minister of State for Works and Housing.

Mr. Dharla resigned from Mrs. Gandhi's Council of Ministers in March 1975, as a consequence of his support for a dialogue with Shri Jayaprakash Narayan. Subsequently, he was expelled from the Congress and imprisoned under MISA for opposing the Emergency. With the formation of the new Janata Government he has been given responsibility for the Commerce portfolio, holding the rank of a Cabinet Minister.

Mr. Dharla takes a keen interest in cultural and education matters. He is the founder of "Lok Pratinidi" - a journal published for his constituency. All along he has shown concern for the economically weaker sections of the society, and has been attempting to translate this concern into practice. In recent months he has been developing a scheme to distribute mass consumption goods to the weaker sections through a chain of supermarkets to be set up in the poorer colonies.

Hemwati Nandan Bahuguna - Minister of Chemicals, Fertilizer and Petroleum

Age 57. A native of Uttar Pradesh, Mr. Bahuguna has been active in politics since 1940 when, a member of the Uttar Pradesh Students' Federation, he joined the Congress Party. Active in the nationalist movement, Mr. Bahuguna went underground in 1942 and was arrested and imprisoned in 1943. Released from prison in 1945, Mr. Bahuguna joined the trade union movement in his native Uttar Pradesh. Over the next 15 years, he occupied the presidency of several trade unions, as well as, from 1948-57, the position of Joint Secretary in the Uttar Pradesh (UP) delegation of the Indian Trade Union Congress.

First elected to the UP Assembly in 1952, Mr. Bahuguna retained a position in the Assembly throughout the 1960s and, in 1971, was elected to the national Lok Sabha. During this period he also held at various times a number of portfolios in the UP Cabinet, including Transportation, Finance, and Tourism. A member of the Congress Party, after his election to the Lok Sabha in 1971 Mr. Bahuguna was made Minister for Communications in the Union Cabinet, a post which he held until 1974, when he was elected Chief Minister in Uttar Pradesh.

While a member of the Congress Party during the ascendancy of Mrs. Gandhi, Mr. Bahuguna left the party along with Jagjivan Ram before the 1977 General Election. Soon after that election, Prime Minister Desai appointed him Minister for Chemicals, Fertilizer and Petroleum. Considered a competent minister, Mr. Bahuguna's position in the present government is somewhat unsure, as his political fortunes are linked to those of Jagjivan Ram.

Mr. Bahuguna is married and has two sons and one daughter.

## Central Government Officials

### Dr. D. T. Lakdawala - Deputy Chairman, Planning Commission

Age 62. Dr. Lakdawala (MA, LLB, PhD) joined the Department of Economics, University of Bombay as a lecturer in 1943 and subsequently held higher positions, serving as Director from 1966 to 1977. While at the University he taught more than 4000 post-graduate students and guided more than 40 successful research scholars for their PhD dissertations. He received "the best teacher award" of the Maharashtra Government in 1974 and thrice was awarded the "Dadabhoy Naoroji Award" for meritorious work in the field of economics. Dr. Lakdawala took over as Deputy Chairman of the Planning Commission on June 1, 1977.

During his distinguished academic career, Dr. Lakdawala remained in contact with matters of economic policy, serving as a member of the Finance Commission (March 1968 to June 1969) and as Chairman of the Taxation Enquiry Committee, Government of UP (1972-74). He has also been a member or Chairman of several other Committees and Wage Boards appointed by the Central and State Governments. From 1969 to 1971 he held the position of First Director, Sardar Patel Institute of Economic and Social Research, Ahmedabad and subsequently, from 1974 to 1975, was a National Fellow of the Indian Council of Social Sciences Research.

As well as being an editor of the Indian Economic Journal, Dr. Lakdawala has participated in and submitted papers to a number of international conferences and Seminars. His published works include: "Justice in Taxation in India" (1946), Union State Financial Relations (1967), "Commodity Taxation in India" (1972), "International Aspect of India Economic Development", and "Readings in the Theory of International Trade and Commercial Policy".

Dr. Lakdawala is married with two sons.

### Raj Krishna - Member, Planning Commission

Age 53. An economist from Delhi University, Raj Krishna gained a PhD from Chicago in 1961 and became a post doctoral fellow at MIT in 1965. He had a brilliant academic career, and spent 29 years in teaching at the Universities of Delhi and Rajasthan. He has also been involved with various organizations mainly in the fields of rural economics, agricultural prices, cooperatives and research. From 1973-75 he worked with the World Bank in Washington. He returned in 1975 to the Agricultural Resources Center, was appointed Professor at the Delhi School of Economics

in 1976, and became a Member of the Planning Commission in 1977. Considered the principal draftsman of the New Plan, Raj Krishna has indicated that he intends to leave the Planning Commission later this year.

A prolific writer, Raj Krishna is recognized as an international authority on rural development, rural unemployment and agricultural marketing. He is married with two children.

J. D. Sethi - Member, Planning Commission

Age 54. Educated in Lahore and at the London School of Economics, Jaidev Sethi is a monetary economist who has also done considerable work in politics and sociology. He was awarded the Nuffield Foundation Fellowship in 1963. Until recently he was associated with the Delhi School of Economics and earlier with the Indian Council for World Affairs. Mr. Sethi was nominated a Member of the Planning Commission in July this year.

As a Communist Party card holder and an activist, he was jailed in 1946. Disillusioned with Marxism after the de-Stalinization period, he came to study Gandhi. In 1973/74, Mr. Sethi joined the Bihar movement launched by J. P. Narayan.

Interviewed recently on his new responsibilities/appointment in the Planning Commission he states, "For the first time social services like education, housing, drinking water, health and family planning, the areas with me, are an essential part of the Plan. So far they were always considered appendages". It appears that J. D. Sethi is keen to revive the ideas of Gandhi as a base for development and to create a genuinely Indian alternative to both Marxism and the parliamentary system. He considers that the answers to India's problems are more political and social than economic.

Mr. Sethi is married with two daughters.

List of books by J.D. Sethi: "Problems of Monetary Policy in an Underdeveloped Country", "Central Banking in Theory and Practice", "Gandhi Today", "India in Crisis" and "India's Static Power Structure".

Dr. Man Mohan Singh - Secretary, Department of Economic Affairs

Age 46. After taking his Master's Degree in Economics from the Punjab University, he went on to Cambridge for Tripos in Economics. He stood first in the University in order of merit and was awarded the Adam Smith Prize for 1956 and elected Wrenburg Scholar for 1957. In 1962 he took his D. Phil. from Oxford University. From 1957-65 he was teaching

at the University of Punjab, where he rose from senior lecturer to full fledged professor. In 1966 he joined UNCTAD for a brief period, after which he was appointed Chief, Financing for Trade Section at the UN Secretariat, New York.

In 1969 Dr. Singh returned to India, and joined Delhi University as Professor of International Trade, Delhi School of Economics. Two years later, in 1971, he moved to the Government of India as Economic Advisor in the Ministry of Foreign Trade. In May 1972 he was appointed as Chief Economic Advisor, Ministry of Finance. He represented India on the IMF Ministerial Committee on the reform of the International Monetary System 1972-74. In November 1976, he was promoted to Secretary in the Department of Economic Affairs.

Dr. Singh has written a number of books and articles. He is currently working on a book entitled "The International Environment for Development". This book deals with the whole range of aid and trade policies which have a bearing on development prospects of the poor countries.





September 28, 1978

ITINERARY

Thursday, October 5

4.30 p.m.

Call on the President, Rashtrapati Bhavan  
(Mrs McNamara will accompany)

Monday, October 9

9.30 a.m.

Meeting with Mr George Fernandes  
Minister for Industry  
Room no.155, Gate no.11, Udyog Bhavan

10.30 a.m.

Meeting with Mr H.M. Bahuguna  
Minister for Petroleum & Chemicals  
Room no.201, A Wing, Shastri Bhavan

11.30 a.m.

Meeting with Mr Mohan Dharis  
Minister for Commerce  
Room no.146, Gate no.14, Udyog Bhavan

12.30 p.m.

Call on the Prime Minister  
1, Safdarjang Road

1.00 p.m.

Lunch by Prime Minister  
1, Safdarjang Road

3.00 p.m.

Meeting with Dr D.T. Lakshwala  
Deputy Chairman, Planning Commission  
Room no.130, Yojana Bhavan

4.00 p.m.-

5.30 p.m.

Meeting with representatives of the  
Federation of Indian Chambers of Commerce  
& Industry, Federation House, Tansen Marg

8.00 p.m.

Dinner by Mr H.M. Patel, Finance Minister  
and Miss Amrita Patel  
Room no.479, Ashoka Hotel

Tuesday, October 10

9.00 a.m. Meeting with Mr S.S. Barnala,  
Minister for Agriculture and Irrigation  
11, Race Course Road

10.00 a.m. Meeting with Mr H.M. Patel, Finance Minister  
2, Akbar Road

11.30 a.m. Leave for Baroda by IAF plane  
  
Lunch on board

2.00 p.m. Arrive Baroda airport

2.10 p.m. Leave Baroda airport for Jalodra village  
by helicopter

2.35 p.m. Arrive Jalodra village

2.35 p.m. -  
4.40 p.m. Visit to fields and meeting with farmers to  
see and discuss the extension program in  
cotton cultivation

4.40 p.m. Leave for Gujarat State Fertiliser Company  
(GSFC), Baroda, by helicopter

5.05 p.m. Arrive GSFC, Baroda

5.15 p.m. -  
6.05 p.m. Meeting with Chief Minister and senior officials

6.10 p.m. Departure for Anand by car. Visit two  
dairy cooperatives en route.

8.00 p.m. Arrive Anand

8.30 p.m. Dinner by Dr V. Kurien, Chairman, National  
Dairy Development Board (NDDB),  
and Mrs Kurien

Wednesday, October 11

6.00 a.m. -	
8.15 a.m.	Visit to Primary Village Milk Producers Society to study milk collection and visit to veterinary section
8.15 a.m. -	
9.15 a.m.	Breakfast
9.15 a.m. -	
10.15 a.m.	Visit to Amul Dairy
10.15 a.m. -	
11.30 a.m.	Visit to the Artificial Insemination Center
11.30 a.m. -	
12.15 p.m.	Lunch
12.15 p.m.	Departure for Baroda by car
1.00 p.m.	Arrive Baroda airport
1.10 p.m.	Leave Baroda for Bombay by IAF plane
2.30 p.m.	Arrive Bombay
2.35 p.m. -	
3.00 p.m.	Briefing at Santacruz Airport on urban problems and Bombay's development programs
3.00 p.m. -	
5.30 p.m.	Visit to Urban Development Schemes
5.45 p.m.	Arrival at Taj Mahal Hotel
6.15 p.m. -	
7.00 p.m.	Meeting with Mr Page, Employment Guarantee Scheme
8.15 p.m.	Dinner by Dr I.G. Patel, Governor, Reserve Bank of India, and Mrs Patel at the Governor's residence

Thursday, October 12

8.00 a.m.	Meeting with Mr Arvind Mafatlal
8.30 a.m.	Leave for Raj Bhavan
8.40 a.m. - 9.00 a.m.	Call on Governor of Maharashtra
9.10 a.m. - 11.00 a.m.	Meeting with Chief Minister, Maharashtra at Mantralaya, followed by discussions of urban problems and Employment Guarantee Scheme
11.10 a.m. - 12.45 p.m.	Meeting with Dr. I.C. Patel, Governor, Reserve Bank of India, and representatives of financial institutions
1.00 p.m. - 2.00 p.m.	Lunch to be hosted by Chief Minister Maharashtra
2.15 p.m.	Depart for airport
3.00 p.m.	Leave Bombay for Colombo by IAF plane

INDIA

New Delhi

List of guests invited to the lunch hosted by Prime Minister, Mr. Morarji Desai on October 9, 1978 at 1:00 P.M.

Mr. H. M. Patel

Miss Amrita Patel

Prof. D. T. Lakdawala

Mr. Satish Agarwal

Mr. V. Shankar

Miss Rashmi Shankar

Dr. and Mrs. Mammohan Singh

Mr. M. Narasimham

Mr. W. David Hopper

Mr. William Clark

Mr. and Mrs. Jochen Kraske

*1. G. Patel + Bibi*

Minister of Finance

Deputy Chairman, Planning Commission

Minister of State in the Ministry of Finance

Principal Secretary to the Prime Minister

Daughter of Mr. V. Shankar

Secretary, Department of Economic Affairs

Executive Director, World Bank

*What topics for lunch*  
1. What advice re de/so relations  
2. If we work Pass 7 FR that would  
lead differently  
3. Impressed at Tolson's by resistance  
I will be structured to avoid &  
economic change. What can be  
done to accelerate?  
Coste?  
4. What should Brundt Commission focus on  
5. Relations among nations &  
other for and in nations,  
What else

INDIA

New Delhi

List of guests invited to the dinner hosted by the  
Minister of Finance, Mr. H. M. Patel and Miss Amrita  
Patel, on October 9, 1978 at the Ashoka Hotel at 8:00 P.M.

*P:45 - leave after  
dessert in  
june 1978*

Mr. & Mrs. George Fernandes	Minister of Industry
Mr. & Mrs. Biju Patnaik	Minister of Steel & Mines
Mr. & Mrs. Ravindra Varma	Minister of Parliamentary Affairs & Labour
Mr. H. N. Bahuguna	Minister of Petroleum & Chemicals & Fertilizers
Mr. P. Ramachandran	Minister of Energy
Mr. & Mrs. Bhanu Pratap Singh	Minister of State in the Ministry of Agriculture & Irrigation
Mr. Satish Agarwal	Minister of State in the Ministry of Finance
Mr. Zulfiquarulla	Minister of State in the Ministry of Finance
Dr. & Mrs. D. T. Lakdawala	Deputy Chairman, Planning Commission
Mr. B. Sivaraman	Member, Planning Commission
Mr. & Mrs. V. G. Rajadhyaksha	Member, Planning Commission
Dr. & Mrs. J. D. Sethi	Member, Planning Commission
Mr. & Mrs. N. K. Mukarji	Cabinet Secretary
Mr. V. Shankar	Principal Secretary to the Prime Minister
Miss Rashmi Shankar	Daughter of Mr. V. Shankar

Mr. G. Ramachandran	Finance Secretary
Dr. & Mrs. Mammohan Singh	Secretary, Department of Economic Affairs
Mr. & Mrs. R. N. Malhotra	Additional Secretary, Department of Economic Affairs
Mr. & Mrs. M. R. Shroff	Additional Secretary, Department of Economic Affairs (Banking Division)
Dr. & Mrs. R. M. Honavar	Chief Economic Adviser, Department of Economic Affairs
Dr. & Mrs. M. D. Godbole	Joint Secretary, Department of Economic Affairs
Dr. & Mrs. M. S. Swaminathan	Director General, Indian Council of Agricultural Research
Dr. S. R. Sen	Executive Director, World Bank
Mr. M. Narasimham	Executive Director, World Bank
Mr. & Mrs. S. Mulgaokar	Editor, Indian Express

Discussion Topics for Meetings in New Delhi

64-68	78D	76	894
69-73	174D	77	750
74-78	4187	78	1481
79-83	8040	79	1304
		80	1147

Topics suitable for discussion during your meetings with the following Ministers, in the order in which the meetings are scheduled:

Industry - Mr. George Fernandes

Current Performance: the extent to which supply constraints (e.g., power, coal, cement, steel) may be re-emerging to hinder more rapid industrial expansion and the extent to which lack of effective demand remains a problem.

Investment Climate: Possible adverse implications of the fact that the Government's support to the small-scale sector seems to be expressed primarily as ever-increasing restrictions on the growth of all other industries.

Bank Group Operations: whether the Minister foresees a role for the Bank Group in the industrial sector beyond its traditional involvement with fertilizer and DFC's (e.g., engineering goods, steel, leather).

Petroleum and Chemicals - Mr. H. M. Bahuguna

Petroleum: progress in the execution of the Bombay High development program and progress in off- and on-shore exploration activities. Whether the Minister foresees a role for the Bank Group in further petroleum sector financing (off-shore or on-shore development or exploration).

Fertilizers: what measures the government is taking to stimulate continuing increases in fertilizer demand while ensuring plant profitability. (Should the issue of the delayed West Coast Fertilizer Project arise (currently proposed for location at Tal-Vaishet; see separate brief in the Maharashtra section), you may want to reiterate the Bank's willingness to appraise a project at a site selected by authorities at the Center and the State and approved by the relevant Indian environmental agencies, and to express hope for a quick and satisfactory resolution of the site selection difficulties.)

Commerce, Civil Supplies, and Cooperation - Mr. M. Dharía

Current Export Performance: additional measures under consideration to achieve the 7% real growth target, in view of the disappointing performance in 1977/78 (a volume decrease of 1.2 percent).

Civil Supplies: what measures are being implemented to increase foodgrain offtake from the public distribution system, particularly in rural areas, in order to bring to the landless poor a share of the benefits associated with recent bumper harvests.

Maharashtra: As Mr. Dharía is a Maharashtra native and keenly interested in rural development, he might have interesting views on the Employment Guarantee Scheme and other rural development activities in Maharashtra.

*What issues stay demand - is outlook*

*reference stages - India will be 3*

*any role for Bank - what?*

*any further role for Bank - to what extent has full potential been explored*

*reference for poor export performance in past years - outlook? - action to stimulate?*

*reference to Mr. Dharía's views - your*



Prime Minister - Mr. Morarji Desai

How the Prime Minister proposes to exploit to India's best advantage the opportunity to shift to a higher trend of economic growth, with ever-increasing foreign exchange reserves (US\$6.1 billion in July 1978) and prospects of yet another bumper agricultural harvest.

Planning Commission - Mr. D.T. Lakdawala

The present schedule of Plan implementation, including in particular, the likely resolution of the various issues of Center-State relations which have been raised in the process of the States' review of the draft Plan, any changes foreseen in the final outcome, and the current status of the "rolling plan" concept.

Finance - Mr. H.M. Patel

General Bank - India Relations: India's continuing support for the IDA V and VI replenishments and the increase in the Bank's capital resources; the effort made by GOI to strengthen the project preparation effort and to develop a sizeable project pipeline, which resulted in the record levels of both IDA and Bank commitments to India in FY78 (US\$951.5 and US\$330.0 million, respectively).

Economic Policy: issues and impressions arising from the previous day's discussions, particularly regarding industrial policy, exports and Plan implementation.

Agriculture and Irrigation - Mr. S.S. Barnala

Expectations of crop prospects based on the progress of the current monsoon, and how the vast numbers of India's rural poor, with their very limited purchasing power, can begin to benefit from the increased production capabilities, including likely developments in pricing policies for both inputs and outputs as well as special programs to raise the purchasing power of the rural poor. Future directions that Bank Group assistance to agricultural development should take.

*What is cause?  
low yields -  
Behav. of  
What can be  
done to  
need  
what subse-  
How to advance  
handless*

E 3

Constraints  
R/R (tank, nothing at k)  
Ports  
Cement (1.2 B m in 5 yrs)  
Power  
long utilization capacity  
role of 70 & 80 Pwr 200 in 5 yrs  
+ power: 18500 MW

INDIA

Brief for Meeting with Minister of Industry,  
Mr. George Fernandes

1. '77-78 3.52 vs 76-77, in face of Jajji pwa. Why?
2. Why continuing power shortages when will sufficient, reliable power for indus. growth be avail -
3. Why shortage of cement - what is the capacity of cement - what is the level of indus. & construction?

Diet  
Provide in service  
+ fuel assist -

Int. bur. to be  
from village  
products

Obj: 102 indus.  
growth -

Natl. Reconstructing  
Service Agency  
Natl. Recon.

India looks a  
work culture -

1. Mr. Fernandes was the leader of the Socialist Party, one of the constituent elements of the Janata Party. He is a personal friend of Willy Brandt and represents the western European Social Democratic tradition here in India. In the present Government his position would be distinctly to the left of center. He has had a long and close association with the trade union movement in India. This has probably helped him in dealing with some of the labor problems besetting the industry; but it has also made him highly suspect in the eyes of the industrialists.

The Industrial Sector

2. The index of industrial production for 1977/78 was only 3.5% higher than in 1976/77. There were several factors responsible for this poor performance: industrial unrest, acute power shortages, inadequate supplies of coal (compounded by the non-availability of sufficient railway wagons), and a general uncertainty regarding the policy environment following the change in Government. In a few industries (e.g. cement) capacity constraints developed, while in others recessionary trends were still in evidence.

3. The index of industrial production for the first quarter of the current year was 8.1% higher than for the same period of 1977/78. This improved rate of growth should be interpreted cautiously as production in the base period was unusually depressed. Further, a significant factor contributing to the higher index this year was the prolonged crushing season of the sugar industry, which extended into the first quarter of 1978/79. Still, this is an encouraging start to the year and gives reason for optimism that the growth rate of industrial production during 1978/79 will be higher than the 3.5% achieved last year and could approach the official target of 7 - 8%. A particularly encouraging feature of the first quarter data is a 14% increase in power generation over the same period of 1977/78.

4. In contrast to the situation in the recent past when excess stocks were prevalent, shortages have now developed in several critical areas. Cement has virtually disappeared from the open market, being unofficially quoted at twice the controlled price. There is also an acute scarcity of steel and copper. However, despite the encouraging production trends for the first quarter of the year, there is as yet little evidence that these shortages reflect a general revival in industrial activity.

4. I have noted stress on cottage & small scale indus. - how will it be achieved - what progress & date
6. What measures to stimulate invest. in other than small scale
6. 4 ports appear to be under construction. Why? What is the situation? & stimulate
7. What assistance if any, from BK.

5. In December 1977, the Ministry of Industry announced the industrial policy of the new Government which lays emphasis on:

- (i) the effective promotion of cottage and small industries widely dispersed in rural areas and small towns;
- (ii) restriction of large scale industries to the production of basic and capital goods, high technology processes, and other essential areas not reserved for the small scale sector;
- (iii) control of large houses by enforcing the MRTP Act, requiring Government approval for expansion in industries not eligible for automatic growth and insisting on greater use of internally generated resources for investment;
- (iv) an expanded role for the public sector in basic and strategic industries; and
- (v) selective assimilation of foreign technology and investment, taking into account domestic capacity and national priorities.

The Government has subsequently announced various policy measures and schemes intended to encourage the development of the small scale sector. However, in practice, these measures have either been more notional than real (e.g. extension of reservation and liberalization of the import policy for small scale units) or difficult to implement (e.g. establishment of District Industries Centers). As a result, there is as yet no clear evidence that the incentive to invest in the small scale sector has been substantially improved. On the other hand, with the many and often conflicting policy announcements being made on the control of large houses, the incentive to invest by these industrial units has generally been reduced.

Points for the Minister:

- you may wish to ask the Minister to comment on the prospects for a higher level of industrial growth and the specific measures contemplated to accelerate the rate of industrial investment.
- you may also wish to ask what, if any, measures the Government has under consideration to stimulate the export of manufactured goods.
- you may also wish to enquire about the experience gained so far with the promotion of small scale industry. For this purpose the Government has set up so far 218 District

3.

Industry Centers which are to provide in ~~the~~ location assistance to small entrepreneurs ranging from technical questions to marketing and to the arranging of financial assistance.

Questions from the Minister

- the Minister may reiterate a request for assistance in the construction of power projects in his constituency in northern Bihar. This being a very backward area we would be very happy indeed to support such a project as and when a detailed proposal has been worked out.

October 4, 1978

INDIA

Brief for Meeting with Minister of Petroleum and Chemicals,  
Mr. H.N. Bahuguna

1. What potential for petrol. devel?  
Do they need oil reserves for  
offshore devel.  
2. Why is petrol. use so low -  
What actions are being taken to  
increase?

1. Biographical data on Mr H.N. Bahuguna are attached in section E.2.

Petroleum

2. Consumption of petroleum products reached a level of around 25 million tons last year. The growth of demand had been kept down since 1973 mainly through a regime of prices which were at or above the level of the world market. The draft five year plan assumes a moderate growth of demand of about 7 percent over the next 5 years to about 36 million tons. This level of growth is consistent with the projected industrial growth. Domestic production of crude in 1973 was slightly under 8 million tons or roughly equivalent to one third of consumption. More intensive exploitation of on-shore fields and the addition of off-shore oil from the Bombay High area have brought the level of domestic production to 10.8 million tons last year. The completion on target last summer of the pipeline from Bombay High to the shore, which was partly financed by a \$150 million Bank loan, should provide for a further step-up of production this year. Eventually, the production from the Bombay High field should be reaching a level of around 10 million tons annually.

3. What is cap. util of pub sector  
Plots now + cost effie.  
4. What are plans for petro-  
chemicals (e.g. fertilizers) -  
plastic pipe +

3. The draft five year plan proposes investments equivalent to \$3.1 billion in the petroleum sector of which \$2.3 billion would go to the Oil and Natural Gas Commission, the principal agency for exploration and development. One third of this amount would be for on-shore development, two thirds for off-shore development. Oil exploration would be intensified in the next 10 years especially in the off-shore areas. The development of the Bombay High and the adjacent Bassein structures would be completed in the next two to three years, while the development of additional oil resources is being pursued.

Fertilizers

4. Fertilizer demand has been increasing fairly rapidly in the last three years. This has been the result of the spread of high yielding varieties, favorable weather conditions, and some price support provided by the Government. Nonetheless, there is substantial scope for widening the demand for fertilizer from what is still a narrow base and increasing average fertilizer use per hectare well above present levels. The Fertilizer Association of India projects fertilizer demand to grow on average by about 9 percent over the next five years or by more than 2.5 million tons from a level of 4.7 million tons in the current year. Over the past five years consumption grew by 1.5 million tons. Much of that increase was concentrated in limited areas which could be reaching a saturation point. The accelerated irrigation program should generate some additional demand but this would be only about 40 percent of the increase

projected for the next five years. This suggests that in order to reach the projected level of fertilizer consumption a sustained effort to broaden the demand base for fertilizer will be necessary.

5. The domestic production of fertilizers, both nitrogenous and phosphatic, is currently around 3 million tons. <sup>as 4.8 crore</sup> The draft five year plan proposes to increase production to 5.2 million tons by 1982/83; <sup>as 7.1 crore</sup> in addition to a number of projects currently under implementation 9 major fertilizer projects are expected to be initiated during the 5 year period. The natural gas resources discovered off Bombay and in the Northeast are expected to provide the feedstock for the bulk of the additional capacity planned. Currently under consideration are the construction of two major complexes, one in the vicinity of Bombay, the other one in Gujarat which will include two 1350 ton per day ammonia plants each. The Bank has been requested to finance part of these projects. We are considering a \$250 million loan for the \$750 million complex near Bombay which will be appraised in the next few weeks. The project in Gujarat is somewhat further off in the future. (See also background note on the West Coast Fertilizer Project in G. 4.)

6. Points for the Minister:

- you may wish to compliment the Minister on the speed and efficiency with which the Bombay High project has been implemented.
- you may wish to ask the Minister for his views on the likely spread of fertilizer use, especially in the backward areas of his own home state, U.P. The Ministry is in charge of a promotion and extension program to spread the use of fertilizer in a number of backward districts. This program is undertaken with the support of the U.K. government pledged last January by Prime Minister Callaghan during his visit.

7. Questions from the Minister:

- the Minister will probably stress his interest in receiving Bank assistance for the two fertilizer projects planned in Maharashtra and Gujarat.

October 4, 1978

Plan 72 effort up to  
152 without...

1. Export vol '77-78 slightly lower than 76-77. Why?
2. What is outlook for exports in 5th Plan?
3. What specific action can be taken to expand exports? Why have they let their previous actions slip?

INDIA

Brief of Meeting with the Minister of Commerce,  
Mr. Mohan Dharja

1. Mr. Dharja comes from the Congress Party where he was one of the so called "Young Turks", the progressive wing of the Party which strongly backed Mrs. Gandhi in the split of 1969. He fell out with Mrs. Gandhi during the period leading up to the Emergency. Mohan Dharja is known as a staunch advocate of a comprehensive public distribution system for all wage goods which has, however, not found many supporters in the present Government.

2. The principal subject for your discussion will be India's exports performance and prospects. A paper on export performance and policies is attached in Section D.6. A table showing exports of selected commodities in 1976/77 and 1977/78 is attached to this note.

- As shown by the figures in the table, the value of India's exports rose by 9.3 percent last year in US dollar terms; in rupee terms the value of India's exports rose only by about half as much. In volume terms exports were slightly lower than in 1976/77.
- The main positive trends were: an 18 percent increase in the value of engineering goods exports supported by the expanding market for turnkey projects in the Middle East; roughly a doubling of gem exports, principally of cut diamonds; and a sharp increase in tea and coffee prices.
- The following factors constrained the overall growth rate: a sharp reduction in the volume of sugar exports in response to low world prices; reduced silver exports to conserve silver stocks in the expectation of future high world market prices (both sugar and silver exports are directly controlled by the Government); a reduced export surplus of iron and steel resulting from production shortfalls and rising domestic consumption; unfavorable world market conditions for iron ore; restrictions on groundnut exports; and stagnation in the export of leather goods, marine products and garments which had shown good growth in previous years.

3. The poor export performance last year has exposed once again the fundamental weaknesses in India's trade pattern and policies. It emphasises the need for further increases in incentives for exports on a broad front. Unfortunately, there are indications that the opposite has been happening and that exports are no longer being given the official priority of earlier years. This is hard to prove because it is not so much a question of specific changes in the level of export assistance, but rather of the general attitude of Government officials and the priority afforded to exporters in the allocation of raw materials and services. In some respects this has been the unintentional result of the liberalization imports which has extended special provisions previously available only to exporters to all actual users. As a consequence, exporters are finding it more difficult to get their import requirements expeditiously. While recognizing these problems, Government officials prefer to emphasize the impact of overseas developments-recessionary trends (iron ore), growing protectionism (textiles), and the depreciation of the U.S. dollar -- on India's export performance. But even these problems have been compounded by constraints within India. In a recessionary market, India's exports of engineering goods still suffer from delivery delays and inadequate backup service. Export bans on certain items in short domestic supply (e.g. fruits, vegetables and HPS groundnuts) have hindered the establishment of overseas markets and adversely affected the long-term supply prospects within India. The impact of US quota restrictions on garment exports was unnecessarily severe because of the mis-labelling of handloom garments, exempt from the quota restrictions, as mill-made garments by the Textile Promotion Council.

4. To date during 1978/79, the growth of exports of engineering goods and gems has been sustained. Releases of sugar and silver for export have also been increased and prospects are looking somewhat brighter for leather goods, marine products and garments. However, off setting this has been a sharp fall in tea and coffee prices, reduced export surpluses of iron and steel and coal, and continuing poor market conditions for iron ore. Based on preliminary estimates released by the DGCIS, India's exports during the first four months of the year totalled about \$2,100 million, corresponding to an annual figure of only \$6,300 million. Even allowing for the normal seasonal upswing in the last quarter of the fiscal year, it is unlikely that the Commerce Ministry's export target of \$7,100 - 7,300 million ( Rs. 58 - 60 billion) will be achieved.

October 4, 1978



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EXPORTS a/

	<u>1976/77</u>			<u>1977/78</u>	
	<u>Quantity</u> <u>Units</u>	<u>Quantity</u>	<u>Value</u> <u>(US\$</u> <u>million)</u>	<u>Quantity</u>	<u>Value</u> <u>(US\$</u> <u>million)</u>
Cashews	000 tons	52	119	39	172
Chemicals			122		170
Coffee	000 tons	48	128	58	269
Clothing			364		365
Cotton Textiles			285		240
Engineering Goods			620		730
Foodgrains <u>b/</u>	000 tons	65	14	450	80
Gems			271		537
Groundnut Extractions	000 tons	1,248	184	565	102
Handicrafts (other than Gems)			179		215
Iron Ore	mn tons	24	267	24	260
Iron and Steel			317		240
Jute Manufactures			225		272
Leather and Leather Products			334		301
Marine Products	000 tons	59	208		211
Silver	tons	1,160	169	700	96
Spices	000 tons	55	82		161
Sugar	000 tons	581	166	69	19
Tea	000 tons	243	328	220	649
Unmanufactured Tobacco	000 tons	80	108	75	129
Others			1,274		1,082
<u>Total</u>			<u>5,764</u>		<u>6,300</u>

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a/ Figures for 1976/77 are based on preliminary data released by the DGCIS in Calcutta. No official commodity-wise data on exports are as yet available for 1977/78: the figures in the above table are either from the appropriate Export Promotion Council or estimated by World Bank staff. The lack of up-to-date statistics is one of the major problems in evaluating India's export performance.

b/ The rise in foodgrain exports during 1977/78 reflects primarily the commencement of repayments on the 1973 USSR wheat ban.

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An excellent contribution (no other: American, Hong Kong, etc) to the...  
INDIA

1. Very impressed by gov't basic dev't strategy as expressed in 5th Plan: 17% in 4 years, 7% in 5th, and 15% in 6th. gen. of additional opportunities. health services to provide

Brief for Meeting with the Prime Minister, Mr. Morarji Desai

1. Will interest rate be cut from 12% to 10%? 2. Will interest rate be cut from 12% to 10%? 3. Will interest rate be cut from 12% to 10%?

1. You will be meeting Mr. Morarji Desai at his residence on October 9, 1978, immediately preceding a lunch for you and Mrs. McNamara which the Prime Minister will be hosting.

2. You will want to compliment the Prime Minister on the current state of the economy: a record foodgrain crop of 126 million tons last year and another good crop in the offing, large and growing foreign exchange reserves, continued stability of prices, and, after a disappointing year, reasonably rapid 7 percent industrial growth in the last 4 months. You may also wish to express your appreciation of the Government's basic development strategy as reflected most recently in the draft Five Year Plan: emphasis on agriculture, especially on irrigation development, emphasis on the generation of additional employment opportunities, and programs to affect directly the standard of living of the poorest sections.

3. The key issue to explore in your discussions with the Prime Minister should be whether there is prospect for more decisive leadership in economic matters. The lack of direction in the conduct of the Government's business has been partly the result of the political tensions inherent in the Janata Party; these are unlikely to disappear even though the realignment of political forces and personalities which has been in the process for the last few months should help. But the uncertainties and doubts about the Government have also been a reflection of the particular style of the Prime Minister in running the Government. He has tended to act more like the chairman of a committee than a leader. This has to do with his firm belief that the political and regional diversities must work themselves out in extensive debate. He may be under-estimating the cost of this process to the economy as a result of uncertainty, loss of time and loss of momentum.

4. It is against this background that you may wish to note that the opportunities provided by the ample availability of foodgrains and foreign exchange seem to have been exploited only rather hesitantly. The accumulation of these stocks and large reserves in itself would tend to indicate that a rate of investment higher than that actually achieved should be feasible. The Government's investment spending has been increasing on average at about 15 percent over the past 3 years which is probably as much as could be reasonably implemented. However, private investment in industry and by the trade has been stagnating and should be stimulated through appropriate policies. The favorable resource situation also provides opportunities for implementing the programs aimed at improving directly the standard of living of the poorest sections. You may want to hear from the Prime Minister the Government's intentions on implementing the area based rural development and employment programs envisaged in the draft Plan.

6. What further support needed from Bk

4. Would greater use of for 4% in 2 years & grain also accelerate achieve 7% of accelerating growth & assisting poorest.  
5. Impressed by his statements re pop. plan. How will prog be formulated & implemented? 77-78 acceptable, 60% below level needed to reduce 84 x 30% 83

they implement rural dev't - & employment generation by?

5. You may also want to mention the recent slowdown in the growth of exports after promising gains a couple of years ago. The availability of large foreign exchange reserves in no way diminishes the importance of a healthy export industry to ensure the long term viability and efficiency of the Indian economy.

6. A further subject to explore with the Prime Minister would be the Government's population policy. The Prime Minister is firmly committed to the objective of reducing population growth. The Government has initiated a program of integrated health care which includes the provision of family planning services and the specific target to reduce the birth rate to 30 per thousand by 1983. This target compares with the objective of the previous Government to reduce the birth rate to the same level by 1979. The family planning program has suffered a serious setback in reaction to the compulsory methods used during the Emergency. The Government is now slowly trying to increase the number of acceptors. However the exhortations by the Central Government are widely ignored by the States and achievements are likely to remain disappointing for some time. A more detailed note on recent trends is attached.

October 4, 1978

42 page  
72 end

1b. Why have power & telegraph  
with large for also  
1c. Does Plan contemplate  
use of for ins.

1a. Why low growth targets in face of  
pros. Why low rate of investment?  
v. Why low growth of exports -  
what is Plan target? What rate  
to achieve?

#6. What assurance of credit for  
small farmers

INDIA

Brief for Meeting with the Deputy Chairman of the  
Planning Commission, Dr. D.T. Lakdawala

3. How will creation of 45 million jobs be  
achieved - specific prog. & plans for training  
4a. What programs for food for small  
rural indus.

5. What are States objecting to in Plan  
how may it be modified

1. Biographical information on Dr. D.T. Lakdawala is attached  
in Section E.2.

2. The Draft Five Year Plan for 1978/83 which still awaits for  
ratification by the National Development Council was prepared under the  
direction of Dr. Lakdawala who is a professor of public finance. The  
target growth rate of the Draft Plan (4.7%) is modest compared to  
earlier plan targets, but not when compared to past achievements.  
Despite the modest growth target, the projected development effort and  
the expected transformation in the major sectors of the economy are  
quite ambitious. To finance the projected increase in investment,  
the Draft Plan proposes a large domestic savings effort. On the other  
hand estimates of invisible receipts and aid disbursements over the  
plan period are excessively conservative. The conservative estimate  
of foreign aid flows is the result of a concern to give the appearance  
of growing self-sufficiency rather than a basic change in India's  
approach to receiving foreign aid.

3. The Draft Plan -- in conformity with the Janata Party policy --  
places prime emphasis on the development of rural areas. A major impulse  
for agricultural development will be provided by the expansion of  
irrigation and related agricultural inputs. The Draft Plan argues that  
efforts to increase productivity should be supplemented by redistributive  
measures such as the redistribution of assets, supporting the small  
farmers and small industry with institutional credit, material supplies  
and assistance for marketing. The Draft Plan also intends to complement  
the creation of employment -- 45 million new jobs in five years -- and  
the increase in rural productivity by providing basic services to the  
poorer sections of the population.

4. The Draft Five Year Plan for 1978/83 was discussed but not  
approved by the National Development Council last Spring. Several Chief  
Ministers who are members of the NDC wanted a full review of the  
allocation of fiscal and plan resources between the Center and the States.  
The Seventh Finance Commission which is to make recommendations on the  
devolution of shared taxes and grants-in-aid to the States, is expected  
to report in October. The NDC has also constituted its own working  
committee to examine the principles that will guide the allocation of  
plan resources among the States. Difficulties in reaching a consensus  
on these issues may delay the ratification of the Plan beyond the present  
target of November.

5. Demands by the States for a comprehensive review of the fiscal and financial transfers between the Central Government and the States reflect the growing political independence of the States. The question has also gained urgency in view of the large plan allocations for agriculture and rural development activities which come under the jurisdiction of the State Governments. A consensus is likely to be reached for allocating larger resources to the States; it will be more difficult to arrive at a formula that will guide the distribution of public resources among the States. The poorer States are already demanding that more importance be given to the need factor while the richer States would prefer heavier weights to be attached to the performance criterion.

6. The budget for the current fiscal year was presented before the details of the Draft Plan became available. Nevertheless, the areas of emphasis and directions of budget expenditures were, on the whole, consistent with the Plan targets and priorities. There are some indications that the implementation of the public expenditure programs during the first half of the fiscal year is lagging behind the budget targets. If this turns out to be true for the whole year, it will be due more to the deficiencies of the implementing machinery than to resource constraints.

7. There has been little progress so far in developing the institutional infrastructure -- for accelerated rural development and labor intensive industrialization -- that constituted the main thrust of the strategy of the new Plan and the program of the Janata Party. Although large sums have been allocated in the Plan for irrigation, rural electrification, rural roads, rural health and rural water supply, the development of institutions for coordinating these activities on a decentralized plane, namely "area based planning" or "block level planning" for rural development has not yet made much progress. The Ministry of Agriculture and Irrigation has proposed to introduce block level planning in 3500 blocks in the next five years and has indicated certain criteria for selecting additional 300 blocks per year for intensive development. But questions have already been raised by official commissions about the choice of a "block" as the planning unit, about the role of the voluntary agencies, and about the speed at which the new program will be implemented. The objective of orienting the industry towards labor intensive production methods has not been translated into any significant programs either.

Points for Discussion

- You may wish to ask about the time-table for the finalization of the Five Year Plan. In this connection, you may also want to hear what the outcome of the Center-State discussions on the allocation of funds is likely to be and what implications this may have on the future role of planning and development policy.
- You may also want to know what progress has been made towards the implementation of the Plan, especially in initiating, designing and organizing the special programs for rural development and employment.

*Small industry*

October 4, 1978

INDIA

*Why hasn't industry of India  
w/ 2y in effort growth slow  
Why hasn't invest increased*

Meeting with Representatives of the Federation of  
Indian Chambers of Commerce and Industry to be held  
on October 9, 1978 at 1600 hours

Following is the list of the representatives expected to attend  
the Meeting with brief notes on their background and interests :-

Mr. P.V. Gandhi - President, Federation of Indian Chambers of  
Commerce and Industry (FICCI)

Age 56. Mr. Gandhi joined Dena Bank in 1939 and became Managing  
Director in 1943 and Chairman in 1967. Following the nationalisation of  
the Bank, he served as Custodian from 1969 until his retirement in 1970.  
He is presently Chairman of Pravinchandra Pvt. Ltd. which is involved in  
financial and investment consultancy, underwriting and merchant banking,  
the distribution of laminates, steel and chemicals and the manufacture  
and export of garments and engineering goods. He is also a Director of  
numerous other public and private companies and was President of the  
Bombay Shroffs Association from 1975-77.

Mr. M.V. Arunachalam - Managing Director, Carborundum Universal  
Ltd. and Tube Investments of India

Age 51. Mr. Arunachalam graduated in Geology from the University  
of Madras and completed the Advanced Course from Harvard in 1965. As  
an entrepreneur, young, dynamic and an able administrator, he has helped  
his Uncle, Mr. A.M. Arunachalam, increase the family enterprises into one  
of the major industrial groups in the South. In the field of business,  
he heads several large companies in India. He is the Managing Director of  
Tube Investments of India and Carborundum Universal. He has also been  
nominated by the Government of India to serve on a number of public committees  
and financial institutions. Recently appointed Member of the Indirect  
Taxation Enquiry Committee, he is also a Director of the Reserve Bank of  
India for the Southern Region, as well as a Trustee of the Unit Trust of  
India. In addition, Mr. Arunachalam is a member of the Company Law  
Advisory Committee, constituted by the Government. He also serves as  
Director on the Board of ICICI.

Mr. Arunachalam was the President of FICCI at the time of your  
last visit in 1976.

Mr. Gopal K. Bhagat - Managing Director, Bengal Potteries

Age 52. Bengal Potteries was a promising private sector company,  
jointly controlled by the Delhi Cloth Mills Group and the Bhagat family,

and, until recently, had virtual monopoly in the production of fine china. Since 1971 however, the company's operation was severely hampered by labor unrest till it reached crippling proportions by 1975, when in the interests of preventing retrenchment of workers, it was declared a sick unit and taken over by the Central Government. G.K. Bhagat continues to function as the Managing Director of the company.

Mrs. Sharayu Daftary - Managing Director, Bharat Radiators Pvt. Ltd.

Age 45. Granddaughter of Walachand Hirachand, one of the pioneers of Indian industry in the thirties. Mrs. Daftary demonstrated qualities of energetic leadership and drive as she built up single handedly her factory of auto spare parts. Her main concentration is on radiators but she is also engaged in the production of industrial engines. In recent years she has developed substantial export interests.

Mr. Rama Prasad Goenka - Vice Chairman, Managing Director, Duncan Brothers & Company, Ltd.

Age 49. Grandson of Sir Badri Das Goenka, an eminent Marwari industrialist of Bengal. Rama Goenka was educated at the University of Calcutta. He joined the family business and together with his father, K.P. Goenka, is now responsible for managing the various interests of the Goenka Group. Rama Goenka is directly responsible for tyre valves, chemicals and engineering products. But as Vice Chairman of the Duncan Brothers Company he is also concerned with tea, jute, textiles, cables, cigarettes, electronics, etc. The Goenka Group have substantial export interests. He is expected to succeed his father as Chairman of the Goenka Group of industries.

Mr. Ashok K. Jain - Chairman, Bennett Coleman Company, Ltd.

Age 44. Son of S.P. Jain, a prominent Marwari industrialist from Bengal, Ashok Kumar Jain was educated at Calcutta University. He has recently succeeded his father as the head of the entire group of Sahu Jain Industries which include interests in jute, paper, vanaspati, sugar, asbestos and cement. As Chairman of the Bennett Coleman Group, he controls the Times of India and other newspapers such as the Economic Times and the Nav Bharat Times.

Mr. Arvind Nandlal Kilachand - Managing Director, Dodsai Private, Ltd.

Age 54. A graduate in science, Mr Arvind Kilachand along with his two brothers, Ramdas and Ambalal, represent a first generation of self made industrialists. Their operations are based in Gujarat. Their special interests are in transmission towers and consultancy work in



laying of pipelines and erection of atomic power stations. Mr Arvind Kilachand received a National Award for outstanding export performance in 1969/70 of handicrafts and garments.

Mr. Harish Mahindra - Chairman, Mahindra Ugin Steel Company, Ltd.  
and Executive Director of Mahindra & Mahindra Ltd.

Age 55. Has a B.Sc. in Political Science from Harvard University and an M.A. from the Fletcher School of Law and Diplomacy. He intended to join the Foreign Service but was persuaded instead to join the family business. Mahindra and Mahindra, one of the 10 top family business houses in the country, is currently being run by two cousins, Harish and Keshub Mahindra. They are in steel, automotive industry (they produce Willys Jeeps in India), machine tools, textiles and chemicals. IFC assisted Mahindra Ugin Steel Co. Ltd through two operations in 1964 and 1975; it has at present \$1 million in equity and \$11.8 million in loans.

Mr. K.N. Modi - Chairman, Modi Enterprises

Age 56. Brother of G.L. Modi, the founder of Modi Enterprises, one of the large business houses. K.N. Modi succeeded last year as Chairman of the Group after his brother's death. The Modi Enterprises have controlling interests in a range of industries such as sugar, vanaspati, paints, gas, textiles, steel, etc. The most recent venture has been in auto tyres and tubes with German collaboration.

Mr. H.T. Parekh - Chairman, Housing Development Finance Corporation

Age 67. H.T. Parekh, former Chairman of ICICI, needs no introduction to the Bank. Last summer he handed over charge of ICICI to Mr James Raj and is now full-time Chairman of the Housing Development Finance Corporation. IFC made last year a \$4 million loan and \$1.2 million equity investment in HDFC. As Chairman of ICICI, he was Director in several private sector companies such as the ACC, Mafatlal Mills, Scindia Steamship, TISCO, etc. He was also Director of the IDBI.

Mr. D.N. Patodia - Chairman, Springs India

Age 51. Comes from a Marwari business family in Bengal. Was educated in Calcutta and began a career in trading activities at a fairly early age. He turned to manufacturing in the late sixties, starting as a small scale industrialist who has now joined the ranks of large scale business. His company's activities are based in the Delhi region, manufacturing metallic precision springs, die castings, capacitors.

Dr. Charat Ram - Managing Director, Delhi Cloth Mills, Ltd.

Age 60. Dr. Charat Ram, together with his brother, Dr. Bharat Ram, is jointly responsible for the overall operation of the DCM Group of companies, one of the large houses. Dr. Charat Ram, a graduate from the University of Delhi, has a reputation of being an extremely able, hard working and imaginative industrialist in the country. In the DCM Group he is responsible for the Chemicals and Fertilizers Division, most important of which is the 1000 ton urea factory at Kota, Rajasthan.

Mr. Viren J. Shah - Chairman and Managing Director, Mukund Iron & Steel Works, Ltd., Member of Parliament

Age 52. Seems to have successfully combined a business career with active politics, though his political affiliations have shifted from the CPI and the Socialists in the fifties to the ultra Right Wing Swatantra Party in the late sixties. Currently a member of the Janata Party Executive. He is a close friend of the Industry Minister, George Fernandes, and was accused with him in the Baroda Dynamite Case instituted against Fernandes and others during the Emergency.

He heads the Mukund Iron & Steel Company which is a major manufacturer of rolled products of alloy, specially mild steel and industrial machinery.

*B.M. Birla - 73  
Autra, etc*

*Luggarhia - Steel, mach Tools, etc*

8m ha - maize  
 9 - milium turans  
 17  
 5,000 Bhaakes  
 3000 in grain (drought, etc)

1. What are the total grain crops for Punjab - main food 2 out; minor 2 time
2. What is the first crop? 27 Oct (332); what stands in way of area to determine
3. What does plan provide for small farmer -
4. Why are small farmers getting more than 10% of small farmers needs - what action to take
5. What is plan for delaying 17m 2m 2m 2m

INDIA

Brief for Meeting with Minister of Agriculture and Irrigation, Mr S.S. Barnala

1. Mr S.S. Barnala is from Punjab. His political background is with the Akali Dal party, a Sikh political movement, now integrated into the Janata Party but essentially in control of the Punjab Government. Given his personal background as a farmer and the general interest of the prosperous agricultural economy of his home state, Mr Barnala has been a supporter of higher support prices for foodgrains and of the removal of controls on the movement and trade of agricultural commodities.

The Agricultural Sector

2. Foodgrain production in 1977/78 is estimated to have reached a record 126 million tons, at least 5 million tons higher than the previous record of 1975/76 and over 14 million tons higher than in 1976/77. Production of rice and wheat, and of total foodgrains in both the rabi and kharif seasons reached record levels. However, production of cereals other than rice and wheat and of pulses was lower than in 1976/77. And, while production of oilseeds and cotton was higher than in 1976/77, these two crops remained below the record levels of earlier years, necessitating large scale imports. Sugarcane production reached a record 170 million tons, 10% higher than in 1976/77 and 21% higher than in 1975/76.

3. Overall, agricultural production in 1977/78 is likely to be 10 - 12% higher than in 1976/77. This good performance is largely due to the excellent monsoon of 1977. However, the availability of more extensive irrigation facilities (an additional 2.4 million hectares were irrigated during the year), and the associated rise in fertilizer consumption, have also had an impact. Fertilizer consumption during 1977/78 reached 4.3 million nutrient tons, 26% higher than in 1976/77. With sustained growth over the past three years, the rise in fertilizer consumption has now returned to the trend evident prior to the oil crisis. Fortunately, the wheat crop was not adversely affected by the extensive rust damage experienced in Pakistan, thanks to the widespread replacement of more rust-susceptible varieties in recent years.

4. Record production of foodgrains and sugarcane, and large scale imports of edible oils and cotton, enabled the Government to accumulate adequate stocks of most agricultural commodities. Foodgrain stocks stood at about 20 million tons on July 1, 1978, despite the suspension of commercial imports in July 1976 and the 'loan' of small quantities of foodgrains to other developing countries. Sugar stocks are presently more than adequate to meet one year's consumption. As a result, the Government has announced decontrol of the industry and is expected to export its full quota of sugar during 1978/79 (650,000 tons

W. S. Barnala  
 6. In north & state agr. is dependent to fully utilizing results of water control (with 2 schemes)  
 7. BK advised support - please let Punjab  
 Will power stayed outside -  
 Punjab  
 + 2% it will be strengthened + transport prop. + implementation  
 Research  
 2 to 3 1/2 potential

as against actual exports of only 69,000 tons in 1977/78). Imports of both edible oils and cotton might be reduced this year given the stocks now available in the country and good production prospects.

5. Although the impact of the recent floods has not yet been fully assessed, the agricultural outlook for 1978/79 is very promising. So far the monsoon rains have been normal or above normal in all meteorological zones of the country. Fertilizer consumption is projected to rise by another 15% this year. As a result, Ministry of Agriculture officials are reasonably confident that food-grain production will reach 130 million tons in 1978/79. Production of other agricultural commodities is also expected to be higher than last year.

6. The new Government has made rural development a centerpiece of its development strategy and the draft five year plan allocates increased shares of public expenditure to the rural sector. A large part of this increase will be spent on an ambitious program of surface irrigation. Another significant portion will be spent on power generation and transmission for rural electrification to facilitate groundwater irrigation. The area under irrigation, at present about 50 million hectares, is to be extended by 17 million hectares during the current five year plan, which means doubling the rate of progress achieved during the previous plan period. Higher levels of spending for larger fertilizer supplies and broader based extension efforts are also planned. Estimates of what is being invested in agriculture are always difficult to make, partly because of the large role of the private sector and partly because of the close linkage to agriculture of investments in other sectors. The Government pledged that at least 40 percent of public investment funds would be allocated to agriculture. The draft five year plan and the current budget seem to be consistent with this pledge.

Points for the Minister:

- you may wish to stress the importance of careful project preparation and of the monitoring of project implementation. This is an issue which is, of course, of immediate concern to the Bank. However, it would seem to be also generally relevant to the success of the ambitious investment program, particularly in irrigation. The Ministry has set up at our urging a cell to expedite project preparation. This cell needs to be further strengthened; its responsibility should extend to include supervision of the implementation of ongoing projects.
- the Minister of Agriculture represents the Government of India on the Joint Committee set up in accordance with the five year Farakka Agreement which was concluded with Bangladesh last November. The Minister may be able to comment on the prospects for working out a long term solution to the eastern waters problems. At the present

*referred to  
if needed*

stage India and Bangladesh have submitted alternative proposals for augmenting the flows in the Ganges at Farakka. Bangladesh is reported to have suggested that Nepal should also become a party to the discussions. India has rejected this proposal. The encouraging momentum which developed in Indo-Bangladesh relations last November appears to have spent itself.

Questions from the Minister

- the Minister is expected to raise the subject of soil conservation and watershed development in the Himalayas which though of long term significance is currently topical because of the recent flood experience. A separate note on the subject is attached.

October 4, 1978

REHABILITATION OF UPPER CATCHMENTS IN THE  
WESTERN HIMALAYAS

1. The Indian Government has requested World Bank funding for a major programme of reforestation, soil conservation, pasture/land development and integrated watershed management in selected upper catchments of the Himalayas in Jammu and Kashmir, Himachal Pradesh and Uttar Pradesh.
2. This request is made as a direct result of the worst floods in living memory which have already taken over 2000 human lives, 8000 head of cattle and a million homes and caused damage to crops, houses and public utilities estimated to exceed Rs.2000 crores (\$2500 million). Over 40 million people have been affected by the floods which have covered some 12 million hectares.
3. According to available statistics, India has suffered damage amounting to Rs.6500 crores (\$8125 million) since 1953 and in the last 30 years has spent some Rs.633 crores (\$790 million) on flood protection measures over 9 million hectares out of the 20 million requiring such treatment. In spite of this the position deteriorates yearly because no steps have been taken to tackle the root cause; deforestation in the Himalayan foothills.
4. Soil erosion is particularly bad in the Himalayan foothills where most of North Indian rivers rise. The pressure of a desperately poor and growing population has led to the indiscriminate felling of trees, for fuel as well as to increase cultivable areas. Livestock has also done their bit in stripping the mountain vegetation. The result, in a mountain range characterised by soft, crumbly rock which desperately needs strong roots to hold it together, has been an increasing number of land slides, which blocks roads, railways and even rivers.
5. The Government's proposal calls for rehabilitation of the upper catchments of whole watersheds and is in addition to its proposed Rs.700 crore (\$875 million) allocation over 5 years for a massive flood control plan in the middle and lower catchments. The upper catchment rehabilitation programme would be implemented by Forest Departments with assistance from other concerned departments, whereas flood control measures would be undertaken by Irrigation and Soil Conservation Departments. The need for coordinating mechanisms within Government and between Governments (India, Nepal, Bangladesh, etc.) is fully appreciated by GOI; these are in the process of being devised.
6. The Ministry of Agriculture has in mind a similar amount (Rs.700 crores over 5 years) for the rehabilitation of upper catchments. Our view is that such a massive programme would be difficult to implement: firstly, because sufficient staff are not available and would have to be trained, and, secondly, because the bulk of the upper catchment areas requiring treatment belong to private individuals or panchayats; their participation

could only be secured by negotiation, the introduction of compensation plans and the formulation of livestock development alternatives enabling treated areas to be closed to livestock. Thus, we believe a first phase project should not cover more than 4 or 5 upper catchments of 5000-6000 ha in extent in each state, over 5 years. This could amount to a 90,000 ha programme costing possibly Rs.45 crores (\$56 million). However, these are rough estimates based on our findings in the Kandi Watershed and Area Development Project (currently being negotiated) and should be substantiated during project identification/preparation.

7. GOI is giving very high priority to both upper catchment rehabilitation and flood control measures. So far we have been asked to assist with the former; not the latter.

8. The project is likely to include:

- a) Reforestation with species recognised for their soil holding properties, that can also be used for fuelwood, small wood, packing cases (for horticultural produce) or fruit/nut production.
- b) Soil Conservation measures using vegetative and stone engineering structures that can be built by Forest Department staff.
- c) Pasture/Livestock Development activities which would include: progressive and complete closure to livestock as each area in the upper catchment is taken up for treatment; planting of fodder grasses which would be cut for stall feeding cattle; exchange of low yielding cattle, buffalo and goats for improved cross bred cows and sheep; and, the introduction of additional livestock enterprises such as poultry, duck, pig and rabbit keeping.
- d) Land Development of areas already used, and suitable, for agriculture/horticulture by means of improved package of practices, land shaping, bench terracing, contour cultivation and strip cropping.
- e) Training, Research and Information Services required to support the project and develop new approaches for a second phase.

Provision would also be made for road improvements, buildings, equipment, livestock and compensation to existing owners for loss of earnings once areas are closed to grazing.

9. NDO has been approached to participate in a joint GOI/Bank Working Party which would discuss the objectives and scope of such a programme.

An identification mission is scheduled to visit the three states in November. The mission would be required to:

- a) establish broad area priorities;
- b) identify project components;
- c) set up project preparation teams and the organizational structure necessary to direct and support them; and
- d) draw up preparation guidelines.

10. The Government hopes it can come up with a project in about nine months time that could be appraised for World Bank Group assistance.





of staff and resources to the project preparation effort, it will be important to enable project preparation to proceed in a businesslike manner and to draw not just on the resources of the Government administration but of the private sector, universities, research institutions, and technical assistance available from outside of India.

- The Minister is aware that the progress of projects under implementation as reflected in the rate of disbursements is less than satisfactory. Last year we fell short by a considerable margin of the desirable target of disbursing one third of the opening pipeline of undisbursed funds. The Minister has recently written to all Chief Ministers and to his colleagues in the Union Cabinet asking them to pay closer attention to the implementation of our projects. There is clearly a lack of systematic monitoring of project implementation by the States and by the sponsoring ministries at the Center. It would be natural that the machinery which is now being set up to put project preparation on a more systematic basis would in due course also follow up on the implementation of projects.

The Minister of Finance will raise the following points:

- Financing of the Narmada Project which includes between 30 to 40 individual schemes, mainly in Madhya Pradesh and Gujarat but also in Rajasthan and Maharashtra. The total cost of the scheme should be in the order of \$5 billion. The construction period extend upto 15 years. The Minister will probably seek your advice on how to approach the financing of this gigantic scheme. While it is difficult to conceive that the Consortium or any other group of donors formed for this purpose could be persuaded to pledge the funds required for this scheme in advance, the financing of the Narmada program over the envisaged 15 year period should be well within the capacity of the Consortium. The crucial issue is hence to have a sound technical plan and proper coordination of the many individual projects which could then be put up individually for financing. You may wish to offer the Bank's assistance in the formulation of comprehensive Narmada river development plan. You may also wish to indicate our willingness to contribute to the financing of the Narmada development within the context of a sound overall plan.
- The Minister will emphasize the importance which the Government attaches to maintaining the traditional 40 percent share in IDA VI.

- The Minister may also ask you to consider favourably the utilization of savings available under ongoing projects. Savings have accrued in large part because the rate of inflation in India has been substantially below the standard rate assumed for the purpose of calculating project costs in our appraisals. The Minister is understandably unhappy about the fact that India should be losing some IDA funds and will urge that the utilization of savings should be permitted at least in those cases where it would be natural to extend the scope of the original project with the availability of additional resources. While promising that we would as in the past consider the utilization of savings on a case by case basis, you will want to emphasise that funds not required for the implementation of a project should normally be cancelled. You may also want to point out that agreeing to the utilization of savings would be more difficult as long as India's disbursement record remained still unsatisfactory because this would tend to inflate the undisbursed balance.

October 4, 1978

## INVESTMENTS

1. During the three years from 1975/76 to 1977/78, total disposable resources in the Indian economy increased at an annual rate of about 5% in real terms, as compared with an annual increase in resources of 1.4% in the period 1970-75. However, in the same three years, the annual growth rates in demand for consumption and for capital formation lagged behind the trend in resource supply; they amounted to 4.8% and 2.1% respectively.

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Resource Use a/  
(in Rs. billion - 1970/71 prices)

	<u>1975/76</u>	<u>1976/77</u>	<u>1977/78</u>
Available Resources Use:	468	471	496
Consumption	389	389	410
Capital Formation	80	82	86
of which: Fixed Capital	(63)	(66)	(72)
Stocks (increase)	(17)	(15)	(14)
External Reserves (increase)	5	7	9
Fixed Capital Formation	<u>63</u>	<u>66</u>	<u>72</u>
Public Sector	29	35	40
Corporate Sector	9	7 )	32
Household Sector	25	24 )	

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a/ The use of resources exceeds their availability because of a residual statistical discrepancy in the national accounts data.

Source: CSO, National Accounts Statistics and staff estimates.

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2. The rise was steep in public sector investments -- about 17% per year -- but there was an absolute fall in the private sector investments. It is likely, however, that the increase in public sector investments is exaggerated as a result of the budget and plan definitions; conversely, the investments by the households -- which are arrived at as a residual -- may be underestimated. Two points are, however, clear: Corporate investments have declined or stagnated over the past three years; and over the same period substantial resources have gone to the build-up of external reserves and foodgrain inventories.

3. The rise in external reserves continues in 1978/79 indicating that

investments are still lagging behind savings. The budget for this year had projected a rise of 17% in plan expenditures. In view of this, public expenditures are expected to rise at a rapid rate this year as well. There also appears to be an increase in construction activity in general as evidenced by increasing consumption of cement and steel. The picture regarding the corporate sector investments is mixed. The disbursements by the term lending institutions and the capital raised by the non-Government companies showed a sizable increase during 1977/78. Disbursements rose from Rs.3,098 million to Rs.3,959 million (fiscal year basis) and capital raised by the non-Government companies increased from Rs.2,087 million to Rs.2,295 million (from calendar year 1976 to 1977). But these increases were concentrated in a few basic industries such as power, fertilizers, cement and paper. The same trends have continued in the first half of 1978 as well. The Planning Commission is, tentatively projecting, in current prices, a rise of 8.96% in private investments this year, with corporate investments rising by 13.68%. In view of the uncertainties that the industrialists face, this is unduly optimistic.

THE NARMADA RIVER

Briefing Statement for Mr. McNamara

*will we participate  
Yes if total valley development  
appears justified & the  
prop requested goes  
interlock appropriate  
with the total development*

Narmada River and Basin

1. The Narmada is the largest west-flowing river in India, draining an area of 99,000 sq. km (38,700 sq. miles) in the three States of Madhya Pradesh, Gujarat and Maharashtra. Average annual runoff is 40 million acre-feet (MAF) with a runoff of 28 MAF or more in 75 years out of 100. Basin population (1971) was 10.6 million including 8.1 million in Madhya Pradesh and 2.3 million in Gujarat. Of about 6 million cultivable hectares in the basin, only about 200,000 ha were irrigated in 1967-68. The watershed includes well forested hilly lands and broad, fertile plains well suited to cultivation.

Narmada Tribunal

2. Following Independence, both Gujarat and Madhya Pradesh developed plans to utilize the waters of the Narmada River. One of the major projects proposed by Gujarat (Sardar Sarovar Dam at Navagam) would have inundated a large area in Madhya Pradesh including two of its proposed projects. Interstate discussions and high level committees failed to resolve the matter and in 1969 the Narmada Water Dispute Tribunal was constituted, made up of members of the Supreme Court/High Court appointed by the Chief Justice of India. Justice V. Ramaswamy was appointed and remains Chairman.

The Tribunal's Final Order and Decision was issued in August 1978 and allocates Narmada Water as follows:

Madhya Pradesh	18.25 MAF	
Gujarat	9.00 MAF	
Rajasthan	0.50 MAF	
Maharashtra	0.25 MAF	
	<u>28.00 MAF</u>	(representing 75% reliable flow)

The Tribunal also set maximum water levels for Sardar Sarovar Dam and determined a formula for sharing costs and benefits including surpluses and deficiencies in water supply and power (both capacity and energy), and set standards and criteria for resettlement and assistance to persons displaced by reservoirs.

The Tribunal Decision cannot be appealed to the Courts, although clarifications may be sought for a period of 90 days. Madhya Pradesh has requested clarifications. The Decision is subject to review only after a period of 45 years following publication in the Gazette of India, but can be altered, amended or modified by agreement among all of the States concerned.

The Decision creates a Narmada Control Authority to ensure implementation of the Decision, consisting of three full-time Engineers appointed by GOI and a part-time member from each of the four States. A Review Committee chaired by the GOI Minister of Agriculture and Irrigation and including the Chief Ministers of the four States will review the decisions of the Authority.

### Development Prospects

3. Gujarat The principal interest of Gujarat in the Narmada River is the construction of the multipurpose Sardar Sarovar Dam and the Narmada Main Canal to command an area of about 5 million ha, mostly outside the Narmada Basin. (See map attached to Annex). Additionally, it has a significant interest in the power to be generated (16%). It is anxious to press ahead rapidly with construction of the dam, power plant and canal. It also proposes a number of smaller projects on Narmada tributaries within the State.
4. Madhya Pradesh A minimum of twenty projects have been identified on the Narmada and its tributaries. Four of them, Narmada Sagar, Bargi, Omkareswar and Maheshwar are considered the most urgent. Maheshwar is power project only but each of the others has a hydroelectric component included, and would command a total area of about 1.4 million hectares.
5. Maharashtra No definitive early plans have been evolved, however, it is expected to utilize its share of water in a series of small projects. Its share of power will be absorbed into its system as soon as it becomes available.
6. Rajasthan Although not a riparian State, it would utilize its share of Narmada water from the tail end of the Navagam Canal as it reaches the Gujarat-Rajasthan border.

Total cost of the above mentioned initial development is estimated at Rs. 4,000 crores (US\$ 5 billion) and will require 12 to 15 years for implementation. (Details in Tables 1 and 2 of Annex).

7. In the first instance, it is now necessary to review the States' individual project plans, some of which are 15 or more years old, eventually leading to preparation of a comprehensive basin-wide plan to optimize the utilization of the basin water and land resources. The Central Water Commission (CWC) is considering calling an exploratory meeting with the involved Chief Ministers to discuss this possibility.

While the more obviously essential project type developments could be implemented promptly following review and updating, the longer range planning effort should be founded on a flexible base, capable of adapting to changing conditions, values and needs over time. This long-range planning could be accomplished under the aegis of the Narmada Control Authority established by the Tribunals Decision, possibly financed by the UNDP/CP with the Bank Group responsible for execution.

The Narmada River

Briefing Statement for Mr. McNamara

Narmada River Basin

1. The Narmada is the largest west-flowing river in India, draining about 99,000 sq. km in the three States of Madhya Pradesh (86,000 sq. km), Gujarat (11,000 sq. km) and Maharashtra (2,000 sq. km) (Map attached). The river rises at an elevation of about 3,000 feet (900 m), traverses a length of 1,312 km and has an average annual runoff of approximately 40 million acre feet (MAF). It is estimated that 28 MAF are available annually with 75% reliability. The latter figure is the basis for distribution of water among the States by the Narmada Tribunal.
2. Population in the Narmada Basin (1971 Estimate) totaled 10.6 million of which 8.1 million, 2.3 million and 0.2 million resided in Madhya Pradesh, Gujarat and Maharashtra, respectively.
3. The basin has five well defined physiographic regions (1) upper hilly areas, (2) high and (3) middle elevation plains in Madhya Pradesh (4) lower hilly areas of western Madhya Pradesh, Maharashtra and eastern Gujarat and (5) the lower plains of Gujarat. The hilly regions are well forested and the plains are broad, fertile and well suited to cultivation. Cultivable land in the basin, based upon 1967-68 surveys indicate about 5 million hectares in Madhya Pradesh, 0.8 million ha in Gujarat, and about 0.1 million ha in Maharashtra. The areas irrigated were 130,000 ha, 67,000 ha and 5,000 ha, respectively. Principal irrigated crops were rice and wheat in Madhya Pradesh, cotton, rice and wheat in Gujarat, and wheat in Maharashtra. In the basin as a whole about 24% of irrigation is for rice, about 28% wheat and about 18% cotton. Food crops accounted for about 77% of the total irrigated acreage.

Narmada Tribunal

4. Genesis - Following Independence in 1947, both Madhya Pradesh and Gujarat developed and sanctioned plans for major water resource developments on the Narmada River. Studies by Gujarat indicated that a high dam (Sardar Sarovar Dam constructed to elevation 455' at Navagam in Gujarat) would more fully utilize the river flow for both water supply and hydroelectric generation purposes than a series of lower dams associated with smaller projects in both Gujarat and Madhya Pradesh. Although the dam would be in Gujarat the reservoir created would extend well into Madhya Pradesh and inundate two minor projects proposed by that State.
5. In 1964 a Committee of High Level Experts was established by GOI (Khosla Committee) to examine the merits of the proposal and make recommendations. In its report of September 1965, the Committee recommended a Master Plan which would have included a dam to the 500 ft. level and allocated 9.65 MAF of Narmada water to Gujarat. Gujarat and Rajasthan accepted the report, but Madhya Pradesh and Maharashtra expressed intense reservations. Between that time and October 1969, a number of technical and political attempts to



reach mutually satisfactory agreements met with failure. In October 1969, the Narmada Water Dispute Tribunal was established under the Inter-State Water Disputes Act of 1956, and comprised a Chairman and two members, all of them serving as judges of the Supreme Court/High Court appointed by the Chief Justice of India. Justice V. Ramaswamy was appointed Chairman and serves to this date.

6. The initial decision of the Tribunal on issues of law was released in February 1972, but was appealed to the Supreme Court by Madhya Pradesh and Maharashtra, and a stay order was issued. In July 1972, the Chief Ministers of the four States agreed upon allocation of water to Rajasthan and Maharashtra and requested the Prime Minister to decide upon the allocation of water between Madhya Pradesh and Gujarat and to establish the height of Sardar Sarovar Dam. Such a decision by the Prime Minister was determined to be infeasible. Eventually in July 1974, the States and GOI agreed upon the 28 MAF as the 75% reliable supply, apportioned 0.5 and 0.25 MAF respectively, to Rajasthan <sup>1/</sup> and Maharashtra, and referred the allocation of water between Madhya Pradesh and Gujarat, as well as the height of Sardar Sarovar Dam back to the Tribunal. The States withdrew their court cases, the stay order was withdrawn and the Tribunal reinstated its proceedings in November 1974. Subsequently, the involved States agreed that Gujarat and Madhya Pradesh could each proceed with construction of eight small scale non-interfering projects pending the decision of the Tribunal and without prejudice to their claims.

The Tribunal completed its deliberations in August 1978 upon issuance of a Final Order and Decision.

#### Tribunal Findings

7. The Tribunal adopted the earlier uncontested mutual agreements relating to the amount of water to be allocated as 28 million acre feet annually with 75% reliability, and the allocation of 0.5 and 0.25 MAF to Rajasthan and Maharashtra.

It divided the remaining 27.25 MAF, by allocating 18.25 MAF to Madhya Pradesh and 9.00 MAF to Gujarat.

The four States were directed to share proportionately in years of excess or scarcity.

The full reservoir level at Sardar Sarovar Dam was fixed at 455 feet and maximum water level at 460 feet, and the elevation of the Narmada Main Canal at the Dam is fixed at 300 feet, and at approximately 131 feet at the Rajasthan border.

Installed hydroelectric capacity and energy generated at Sardar Sarovar Dam was allocated 57% to Madhya Pradesh, 27% to Maharashtra and 16% to Gujarat.

A Narmada Control Authority is directed to be established, consisting of three full-time Engineer Members appointed by GOI and four part

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<sup>1/</sup> Although not a Basin State, Rajasthan was awarded a nominal supply in the interest of comity.

time members appointed one each by the party States, to ensure implementation of the Tribunal decisions.

A Review Committee consisting of the Chief Ministers of the four States and chaired by the GOI Minister of Irrigation will review the decisions of the Authority.

The Tribunal also established procedures and standards, including compensation, to families in Gujarat, Madhya Pradesh and Maharashtra which would have to be removed from the reservoir area created by Sardar Sarovar Dam. All such costs are to be at the expense of Gujarat. Gujarat must also offer lands in the irrigation area to be created following construction of the Dam to all oustees from whatever State, and assist in financing their relocation to similar lands in their native States if they choose not to emigrate to Gujarat.

All construction at Sardar Sarovar is to be by Gujarat, with the other States being assessed a proportionate share based upon the benefits received in accordance with formulae laid down in the Decision.

#### Further Remedies and Actions

8. The Decision is not subject to further legal or administrative action to modify its findings, terms or conditions. The States are authorized within 90 days of the date of the Decision, to seek clarification from the Tribunal of any part of the Decision, but it cannot be altered in substance. Madhya Pradesh has sought clarification of several issues. The Tribunal may issue a further report giving such explanation or clarification as it sees fit.

Following these actions, GOI publishes the Decision, with clarifications, in the Gazette of India, after three months and the Decision becomes final and binding on the parties and not subject to the jurisdiction of any courts.

#### Initial Development Plans

9. With the issuance of the Tribunal Decision, five major multipurpose irrigation and hydroelectric power generation projects with a total estimated cost of Rs. 4,000 crores (US\$ 5 billion) have been postulated for implementation. These are:

1. Sardar Sarovar Dam, Power Plant and Irrigation System. The dam and power plant would be located in Gujarat, with the irrigation canal (Navagam) taking off therefrom and conveying the Rajasthan water allocation (0.5 MAF) and the major portion of the Gujarat allocation.
2. Narmada Sagar, Bargi, Omkareswar and Maheswar Projects are all located in Madhya Pradesh and would be the first of a series of projects to fully utilize the water allocated by the decree.

The estimated costs for the above mentioned projects and cost sharing responsibilities among the party States are given in Table 1 and the physical characteristics in

Table 2, all attached.

It has been estimated that implementation of the five initial projects would require a minimum of 12 to 15 years. The possibility of the Narmada Control Authority acting as a focus for continuing comprehensive planning activities is being explored by GOI and the States.

THE NARMADA VALLEY DEVELOPMENT - PHASE I

Salient Features

Details	-----Madhya Pradesh-----				-----Gujarat-----	
	Bargi	Narmada- sagar	Omkaresh- war	Maheswar	Sardar Sarowar	Total
<u>Cost</u> (Rs. crores)						
Dam	65	137	23	11	180	416
Canals	160	60	60	-	1040	1320
Power	13	250	65	31	281	640
Total	238	447	148	42	1501	2376
Price Contingency	72	134	44	13	450	713
<u>Total:</u>	<u>310</u>	<u>581</u>	<u>192</u>	<u>55</u>	<u>1951</u>	<u>3089</u>
Command Area Development	120	45	50	-	750	965
					<u>Total Cost:</u>	<u>4054</u>
						say, Rs. 4000 crores

The Statewise breakup of this amount will be as under:

(1)	Gujarat	Rs. 2100 crores	(52.5%)
(2)	Madhya Pradesh	Rs. 1600 crores	(40.0%)
(3)	Rajasthan	Rs. 170 crores	( 4.2%)
(4)	Maharashtra	Rs. 130 crores	( 3.3%)

THE NARMADA VALLEY DEVELOPMENT - PHASE ISalient Features

Details	-----Madhya Pradesh-----				-----Gujarat-----	
	Bargi	Narmada- sagar	Omkaresh- war	Maheswar	Sardar Sarowar	Total
Full Reservoir Level (Ft.)	1387	860	660	534	455	-
Height of Dam above River Bed (Ft.)	179	212	126	77	370	-
Gross Storage (million acre ft.)	3.18	9.90	1.22	0.40	7.70	22.40
Effective Storage (million acre ft.)	2.58	7.70	0.66	0.02	4.76	15.72
Reservoir Area (1000 acres)	67.4	224.9	37.2	19.9	91.5	440.9
<u>Irrigation</u>						
Culturable command area (thousand acres)	800	300	327	-	5000 (Gujarat)	
					200 (Rajasthan)	6627
Annual Irrigation (thousand acres)	1080	405	441	-	4420	6346
Irrigation Intensity (%)	135	135	135	-	85	96
Power Installation (MW)	50	1000	225	120	1125	2520
Initial Stages at 100% Load Factor (MW)	41	270	101	90	580	1082
On full development of upstream irrigation at 100% load factor (MW)	6	152	81	52	110	401