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Series: Travel briefings

Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

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McNamara Papers

Travel
Oct. 28

Folder 2 of 4

~~Folder 2~~

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WBG Archives

INDIA

INDIA

Country Brief

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सत्यमेव जयते

Programme

FOR

THE VISIT OF

MR. ROBERT S. McNAMARA

PRESIDENT

WORLD BANK

AND

MRS. McNAMARA

November 6—11, 1976

COMPOSITION OF THE PARTY

Mr. Robert S. McNamara, President, World Bank	Stay at Rashtrapati Bhavan
Mrs. McNamara	..
Mr. Burmesiter, Personal Assistant to the President	"
Dr. S.R. Sen, Executive Director World Bank	Stay at Oberoi Intercontinental
Mr. E. Stern, Vice President	..
Mr. W. Clarke, Vice President	..

Thursday, November 11, 1976

Hrs.	
0830	Leave Rashtrapati Bhavan with Mrs. Huda Kraske.
0845-0915	Meet Mrs. Jane Van Nimmen and visit United Nations Women's Association nursery school.
0930-1030	Meet Miss Ivy Khan and visit Trilokpuri YMCA Resettlement Project.
1045-1145	Meet Mrs. Sunanda Sengupta and Mrs. Gauri Chowdhury and visit Action India Project at Nav Seemapuri Resettlement Colony.
1215	Return to Rashtrapati Bhavan.

Wednesday, November 10, 1976

Hrs.	
0900	Depart Rashtrapati Bhavan accompanied by Mrs. Huda Kraske.
0930-1030	Meet Mrs. Mira Mahadevan and visit mobile creche project at Kirby Place.
1045-1145	Visit Harinagar sites of mobile creche project.
1215	Return to Rashtrapati Bhavan.
1530	Depart Rashtrapati Bhavan accompanied by Mrs. Huda Kraske.
1545	Meet Begum Habiba Kidwai. Visit Matia Mahal Project of the Delhi Social Welfare Board.
1645-1745	Meet Mrs. Shanta Mayor and visit Majnu ka Tilla Project.
1800	Return to Rashtrapati Bhavan.

MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

	Telephone Numbers	
	Office	Residence
Shri R.N. Malhotra Joint Secretary	372901	387235
Shri Vineet Nayyar, Director	376744	382841
Shri Arvind Pande, Deputy Secretary	372154	671917

PROTOCOL

Shri Surendar Singh Protocol & Hospitality Officer	376724	226882
Shri T.S. Ahluwalia Liaison Officer	376724	

Monday, November 8, 1976

Hrs.

1600-1800 Sightseeing (Visit to Golconda Fort is suggested)

Saturday, November 6, 1976

Hrs.	
1025	Arrival at Dumdum Airport by BG 491
1045	Departure Airport
1115	Motijheel arrival to see unimproved slum
1135	Motijheel Departure
1140	Railway Overbridge to inspect tanneries
1150	Leave Railway Overbridge
1215	Ekbalpur - improved slum
1235	Leave Ekbalpur
1245	Hooghly Bridge approach Return via Strand Road - Brabourne Road flyover Harrison Road via Chittaranjan Avenue to Raj Bhavan at 1-15 p.m.
1315	Lunch - quiet - with Governor & Wife
1500	Briefing at CMDA
1700	Meeting Chief Minister
1730 to 1830	Meeting the Industrialists (S/Shri K.K. Birla, Gopilal Mehta, B.N. Khaitan, S.B. Roay, K.P. Goenka, Shantanu Ray, A. Paul Chaudhary, Chairman Engg. Industries Assn.; J. Sengupta).

Saturday, November 6, 1976

Hrs.	
1500-1730	Meet Mother Theresa; Visit Nirmal Hriday and Prem Dean, homes for the dying and destitute in the company of Mrs. Ray.
1730-1830	Visit Ramakrishna Mission Hospital.

Sunday, November 7, 1976

Hrs.

0800 Leave Raj Bhavan for Calcutta RCTC Helipad.

0855 Arrive St. Xaviers School Ground Helipad, Burdwan.
(Reception by officials and briefing by Commissioner, Agri. & C. D.)

0920 Leave St. Xaviers School Ground Helipad for Nundur Village
(Field visit and discussion with farmers)

1040 Leave Nundur Village for Shaktigarh Village
(Visit training session of Farmers conducted by Village Level Workers)

1155 Leave Shaktigarh Villages for Sheikhpur Village
(Field visit and discussion with a new set of farmers)

1245 Leave Sheikhpur Village for Kanainatsal Guest House

Lunch

Contd.

SEPARATE PROGRAMME

FOR

MRS. McNAMARA

Hrs.

1415 Meeting with Agri. Research Officers of State Govt. at Guest House.

1445 Leave Guest House For St. Xaviers School Ground Helipad

(Visit training Session of Agricultural Extn : Officers and village level Workers conducted by Subject Matter Specialists and Research Experts)

1530 Leave St. Xaviers School Ground Helipad for Dumdum Airport

Monday, November 8, 1976

Hrs.	
0600	Depart. Calcutta for Hyderabad by IAF Charter
0805	Arrive Hyderabad - Departure for Patancheru
0900	Arrive ICRISAT
1145	Leave ICRISAT FOR BHEL
1200	Arrive BHEL
1300	Leave BHEL
1330	Arrive Raj Bhavan for Lunch with the Governor
1530	Depart for R.R.L.
1545	Arrive R.R.L. for briefing by Prof. Nayudamma Director General, CSIR on Karimnagar Rural Development Project.
1645	Leave for Secretariat
1700	Meeting with Chief Minister and Officers of State Government (Mrs. McNamara will go to Raj Bhavan or Lepakshi Handicrafts Emporium)
1815	Reach Raj Bhavan (Mrs. McNamara will join)
1830	Departure for Airport
1845	Arrive Airport Hyderabad
1900	Departure Hyderabad for Delhi by IAF Charter
2105	Arrive Delhi - Stay at Rashtrapati Bhavan

Thursday, November 11, 1976

Hrs.	
0830	Ford Foundation, 55 Lodi Estate
1000	FICCI & Industrialists at Federation House, Tansen Marg
	M/s. Arunachalam. Harish Mahendra B.M. Birla Raunaq Singh Bhoothalingam H.P. Nanda Bharat Ram
1200	Shri P.N. Haksar Deputy Chairman, Planning Commission, (130, Yojna Bhavan)
1530	Dr. Karan Singh, Minister of Health & Family Planning (Minister's Chamber, Nirman Bhavan)
1645	President—Rashtrapati Bhavan
1900	Depart by PK-681 for Lahore.

Tuesday, November 9, 1976

Hrs.	
0800	Leave Delhi Airport by Air Force Plane
0910	Arrive Suratgarh Airport
0915	Leave Suratgarh by helicopter for Matoriawali via Bhakra and Gang Canal Areas, head reach of lift canal.
0945	Arrive Matoriawali to visit Farmer's fields and see results of extension and command area developments
1145	Leave Matoriawali for Chhatargarh by helicopter flying over the main canal and low level command area
1230	Arrive Chhatargarh Helipad
1330	Arrive Rest House for Lunch and discussions on achievements of Rajasthan Canal Stage I and scope of Stage II
1415	Inspection of Canal by station wagon.
1500	Leave Chhatargarh for Bikaner by helicopter inspecting flow and lift areas of the Second Stage of Rajasthan Canal

Contd.

Hrs.	
1800	Prof. D.P. Chattopadhyaya, Room No. 146 Udyog Bhawan
2000	Dinner by Mr. J. Kraske, Resident Representative. 34, Friends Colony East.

Hrs.	
1600	Arrive Bikaner
1615	Leave Bikaner by Air Force Plane
1730	Arrive Delhi
2015	Dinner by Finance Minister - Ashoka Hotel

Wednesday, November 10, 1976

Hrs.	
0800	Breakfast with Shri L.K. Jha at Rashtrapati Bhavan
1000	Meeting with Shri C. Subramaniam Finance Minister 134, North Block
1100	Briefing on Integrated Rural Development programme by Prof. Nayudamma, Dr. Swaminathan, and Dr. Ramchandran in F.M.'s room, 134, North Block.
1230	Call on Prime Minister (South Block)
1315	Lunch by Prime Minister at Hyderabad House
1600	Meeting with Shri Jagjivan Ram, Minister for Agriculture and Irrigation (Parliament House - Room No. 37, Gate No. 9).
1700	Meeting with Shri T.A. Pai, Minister of Industry (at Residence No. 2, Krishna Menon Marg)

Contd.

ITINERARY

Mr. McNamara's Visit to India

Saturday November 6, 1976

1025	Arrive Calcutta Airport
1045	Depart Airport
1115	Arrive Motijheel to see unimproved slum
1135	Depart Motijheel
1140	Arrive Railway Overbridge to see informal tanneries.
1215	Arrive Ikbalpur to see improved slum.
1235	Leave Ikbalpur
1315	Arrive Raj Bhavan via Hooghly Bridge, Strand Road, Harrison Road and Chitaranjan Avenue.
1330 - 1500	Lunch (private) - Host: Governor of West Bengal and Mrs Dias.
1500 - 1645	Briefing on CMDA Program at CMDA's office.
1700 - 1730	Meeting with Chief Minister at Writers' Building.
1730 - 1830	Meeting with representatives of tea, jute and engineering industries at Writers' Building.
2000	Dinner - Host: Governor of West Bengal

Sunday, November 7, 1976

0800	Depart Raj Bhavan
0815	Depart by helicopter from Calcutta Racecourse
0850	Arrive at Burdwan. Reception at the helipad on St. Xaviers School Ground and briefing by Agricultural Commissioner.
0920	Depart St. Xaviers School
0935	Arrive at Nundur Village. Field visit - rainfed and irrigated paddy and potato sowing; discussions with farmers.
1045	Depart Nundur Village
1055	Arrive Shaktigarh Village. Training session with village level workers and farmers.
1155	Depart Shaktigarh Village
1205	Arrive Sheikhpur Village. Visit paddy, wheat and potato fields.
1240	Depart Sheikhpur Village
1300	Arrive Kanainatsal Guest House
1300 - 1415	Lunch
1415	Meeting with Agricultural Research Officers at Kanainatsal Guest House
1440	Leave Kanainatsal Guest House
1445	Arrive St. Xaviers School. Training session of village level workers and agricultural extension officers.
1530	Depart by helicopter
1615	Arrive Calcutta airport
Evening	Free at Calcutta Airport Hotel

Monday, November 8, 1976

0600	Depart Calcutta
0815	Arrive Hyderabad Airport
0835	Depart Hyderabad Airport
0900	Arrive ICRISAT
1145	Depart ICRISAT
1200	Arrive at Bharat Heavy Electricals Ltd.
1300	Leave Bharat Heavy Electricals Ltd.
1330	Arrive Raj Bhavan
1330 - 1530	Lunch - Host: Governor
1545 - 1645 (15 15)	Briefing on Karimnagar Rural Development Project.
1630 - 1730 ~~1700 - 1800~~	Meeting with Chief Minister and State Government Officials.
~~1815~~	Return to Raj Bhavan
~~1845~~	Depart for airport
~~1900~~	Arrive Hyderabad airport
18[illegible] ~~1930~~	Depart Hyderabad
1955 ~~2125~~	Arrive Delhi Stay at Rashtrapati Bhavan

Tuesday, November 9, 1976

0730	Depart Rashtrapati Bhavan
0800	Depart Delhi by Air Force plane
0910	Arrive Suratgarh
0915	Depart by helicopter and see headworks of Rajasthan Canal.
0945 - 1145	Arrive Matoriawali. Tour by car to see canal construction and command area development. First stop: inspect canal lining work Second stop: visit village, inspect cotton fields, discussion with farmers followed by a 20 minute drive along the main canal and secondary canals to observe various standing crops (mustard, gram, barley, jowar), land levelling activities and reclamation of sand dunes. Third stop: observe on-farm development works on individual farms and discussion with farmers.
1150	Depart by helicopter
1230	Arrive Chhatargarh
1230 - 1400	Lunch at Government Rest House. Discussion of achievements of Rajasthan Canal Development Stage I and of scope for Rajasthan Canal Development Stage II.
14~~00~~15 - 1500	Inspection of Rajasthan main canal by station wagon including various stops to observe land development activities.
1500	Depart Chhatargarh by helicopter. See area to be developed by flow and lift irrigation under second stage of Rajasthan Canal Project.
1600	Arrive Bikaner
1615	Depart Bikaner
1730	Arrive Delhi Airport
20~~00~~15	Dinner at Ashoka Hotel - Host: Minister of Finance

Wednesday, November 10, 1976

0800	Breakfast with Governor L.K. Jha at Rashtrapati Bhavan
1000	Meeting with Finance Minister (North Block)
1100	Meeting with Finance Minister attended by Prof. Y. Nayudamma, Director General, Council of Scientific and Industrial Research; Dr. M.S. Swaminathan, Director General, Indian Council of Agricultural Research; Dr. A. Ramachandran, Secretary, Ministry of Science and Technology to discuss integrated rural development.
1230	Meeting with Prime Minister at her office
1315	Lunch at Hyderabad House - Host: Prime Minister
1600	Meeting with Minister of Agriculture and Irrigation (Parliament House, Gate No. 9, Room 37)
1700	Meeting with Minister of Industry (at his residence, 2 Krishna Menon Marg)
1800	Meeting with Minister of Commerce (Room 146, Udyog Bhavan)
2000	Dinner - Host: Mr. and Mrs. Jochen Kraske 34 Friends Colony East

Thursday, November 11, 1976

0830	Ford Foundation
1000	Meeting with industrialists (Federation House, Tansen Marg)
1200	Meeting with Deputy Chairman Planning Commission (Room 130, Yojana Bhavan)
	Lunch - free
1530	Meeting with Minister of Health and Family Planning (Room 151, A Wing, Nirman Bhavan)
1645 - 1730 1745 Pai	Meeting with President and Begum Abida Ahmed at Rashtrapati Bhavan
1800	Depart Rashtrapati Bhavan
1820	Arrive Delhi airport
1900	Depart Delhi
2000	Arrive Lahore

~~Ministers~~

recent Bangla

Khan no Zia

at that stage [illegible] [illegible] [illegible]

from [illegible]

steps now: [illegible] [illegible]

[illegible] [illegible]

D [illegible] [illegible] prob[illegible] recent [illegible]

UN[illegible]

[illegible] removed from agenda

then [illegible] [illegible]

Farak[illegible] + long-term

Accent [illegible] [illegible]

[illegible] [illegible]

~~Long-term~~

water

Food

[illegible] [illegible]

accel - [illegible] [illegible]

Agri Res

Exports

Industrial - Cal, Hyder, Delhi

3 [illegible] ago

Promotion - [illegible] [illegible] efforts - [illegible] attack

[illegible]

[illegible] for [illegible] rapid growth -

[illegible] [illegible] [illegible] because

~~[illegible]~~ [illegible] [illegible] [illegible] [illegible]

[illegible] [illegible] to support [illegible]

efforts - [illegible] & [illegible] - [illegible]

Airport Arrival Statement

India

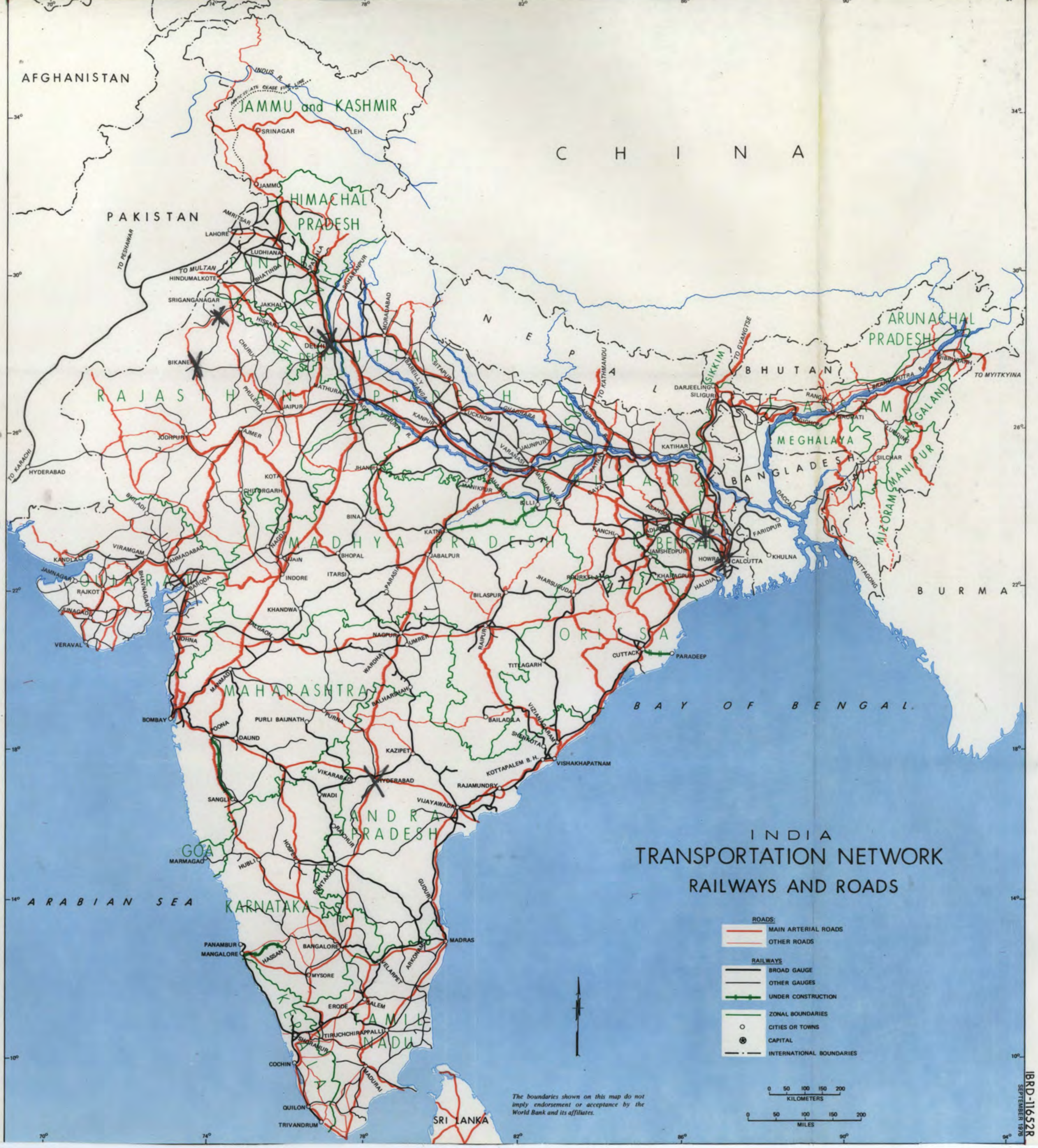
I am delighted to be back in India for my fourth visit as President of the World Bank. We have been partners in development through good times and bad. It is very gratifying that my present visit coincides with a very healthy economic outlook for India. After successive droughts and the worldwide inflation, the present balance of payments and foodgrain situation is very heartening for me. You have once again demonstrated to the world the resilience of the Indian people and their determination for progress in the face of extreme adversities.

India is, as you know, the largest recipient of Bank Group assistance. The Bank and the International Development Association have committed a total of $5,800 million for India's development -- more than $3,200 million of it in the last five years. As a consequence, what happens in India is closely watched and has a major impact on how the rest of the world views the prospects of developing countries and the future role of development assistance. This alone is enough reason for my keen interest in what happens here. It is not, however, the only nor the most important reason. What brings us together is our mutual awareness of the needs of India's urban and rural poor and a commitment to ease their burdens. Equally importantly what we learn together in India helps make the World Bank a more effective development institution in helping others.

Additional Paragraph for

Calcutta

It is very appropriate that I should start my visit to your country in Calcutta. The solutions to the world's urban poverty problem will have to be devised right here, but not just in the city but in an integrated effort involving the surrounding agricultural areas. I look forward to seeing and meeting the people of Calcutta and the farmers of West Bengal in the next two days.


INDIA
TRANSPORTATION NETWORK
RAILWAYS AND ROADS
ROADS:
MAIN ARTERIAL ROADS
OTHER ROADS
RAILWAYS:
BROAD GAUGE
OTHER GAUGES
UNDER CONSTRUCTION
ZONAL BOUNDARIES
CITIES OR TOWNS
CAPITAL
INTERNATIONAL BOUNDARIES
KILOMETERS
MILES
AFGHANISTAN
PAKISTAN
CHINA
NEPAL
BHUTAN
BANGLADESH
BURMA
SRI LANKA
ARABIAN SEA
BAY OF BENGAL
JAMMU and KASHMIR
HIMACHAL PRADESH
RAJASTHAN
UTTAR PRADESH
MADHYA PRADESH
MAHARASHTRA
ANDHRA PRADESH
KARNATAKA
TAMIL NADU
GOA
ORISSA
MEGHALAYA
ARUNACHAL PRADESH
SIKKIM
MIZORAM
MANIPUR
SRINAGAR
LEH
JAMMU
AMRITSAR
LAHORE
LUDHIANA
DELHI
BIKANER
JAIPUR
JODHPUR
AJMER
KOTA
BHOPAL
INDORE
UJJAIN
JABALPUR
KANPUR
LUCKNOW
VARANASI
NAGPUR
RAIPUR
BILASPUR
CUTTACK
PARADEEP
CALCUTTA
HOWRAH
HALDIA
KHULNA
CHITTAGONG
DARJEELING
SILIGURI
GAUHATI
SILCHAR
BOMBAY
POONA
DAUND
HYDERABAD
KAZIPET
VIJAYAWADA
RAJAMUNDRY
VISHAKHAPATNAM
MADRAS
BANGALORE
MYSORE
MANGALORE
PANAMBUR
HASSAN
HUBLI
MARMAGAO
SANGLI
ERODE
SALEM
TIRUCHCHIRAPPALLI
MADURAI
COCHIN
QUILON
TRIVANDRUM
AHMADABAD
BARODA
RAJKOT
JAMNAGAR
KANDLA
VERAVAL
VIRAMGAM
BHAVNAGAR
KHANDWA
ITARSI
BINA
KATNI
JHANSI
BAREILLY
MORADABAD
KATIHAR
JAMSHEDPUR
KHARAGPUR
RANCHI
TITLAGARH
BAILADILA
KOTTAPALEM B.H.
PURLI BAIJNATH
VIKARABAD
WADI
HINDUMALKOTE
SRIGANGANAGAR
TO PESHAWAR
TO MULTAN
TO KARACHI
TO KATHMANDU
TO GYANGTSE
TO MYITKYINA
The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.
IBRD-11652R
SEPTEMBER 1976

background notes

India

department of state * august 1976

OFFICIAL NAME: Republic of India

GEOGRAPHY

India, located midway between Africa and Australia, dominates the South Asian subcontinent geographically. It is bounded on the east by Bangladesh, Burma, and the Bay of Bengal, on the west by Pakistan and the Arabian Sea, and on the north by the People's Republic of China, Nepal, Bhutan, and the protectorate of Sikkim. The island of Sri Lanka lies to the south.

India's three major topographical areas are: (1) the sparsely populated Himalaya Mountains which extend along the whole of the northern border; (2) the heavily populated Gangetic Plain, a well-watered and fertile area in the north; and (3) the peninsula, including the Deccan Plateau, which is generally of moderate elevation.

The climate varies from tropical in the south to temperate in the north, with three well-defined seasons throughout most of the area: the cool season from November to March; a dry, hot season from March to June; and a hot, rainy season during the remainder of the year. In addition, much of southern India is subject to a second rainy period during the cool season. Precipitation ranges from more than 400 inches annually in the northeast (Assam Hills) to less than 5 inches in the northwest (Rajasthan Desert).

PROFILE

Geography

AREA: 1,211,000 sq. mi. (about twice the size of Alaska). CAPITAL: New Delhi/Delhi (pop. 3.6 million). OTHER CITIES: Calcutta (7 million), Bombay (6 million), Madras (3.2 million).

People

POPULATION: 600 million (1976). URBAN: 20%. ANNUAL GROWTH RATE: 2.08%. DENSITY: 495 per sq. mi. ETHNIC GROUPS: 72% Indo-Aryan, 25% Dravidian, 3% Mongoloid, others. RELIGIONS: 84% Hindu, 10% Muslim, 2.6% Christian, Sikh, Jain, Buddhist, Parsi. LANGUAGES: Hindi, English, 14 official languages. LITERACY: 29%. LIFE EXPECTANCY: 51 yrs.

Government

TYPE: Federal republic. INDEPENDENCE: August 15, 1947. DATE OF CONSTITUTION: January 26, 1950.

BRANCHES: *Executive*—President (Chief of State), Prime Minister (Head of Government), Council of Ministers (Cabinet). *Legislative*—bicameral Parliament (Council of States, House of the People). *Judicial*—Supreme Court.

POLITICAL PARTIES: Congress Party, Indian People's Party, Opposition Congress, Freedom Party, People's Party of India, Socialist parties, Communist parties. SUFFRAGE: Universal over 21. POLITICAL SUBDIVISIONS: 22 States, 9 Union Territories.

FLAG: Saffron, white, and green horizontal bands with a blue spoked wheel in the center. Saffron symbolizes courage and sacrifice; white, peace and truth; green, faith and chivalry; and the spoked wheel, India's ancient culture.

Economy

GNP: $80.2 billion (1974-75). REAL GROWTH: 1.1% (FY 71-75). GNP PER CAPITA: $134 (1974-75). REAL GNP PER CAPITA GROWTH: 3.4% (1975-76).

AGRICULTURE: *Land* 54%. *Labor* 70%. *Products*—rice, pulses, oilseeds, cotton, jute, tea, wheat.

INDUSTRY: *Labor* 20%. *Products*—textiles, processed food, steel, machinery, transport equipment, cement, jute.

NATURAL RESOURCES: Iron ore, coal, manganese, mica.

TRADE (1975-76): *Exports*—$4.4 billion: tea, jute, iron ore, cotton, leather, sugar. *Imports*—$5.85 billion: machinery and transport equipment, petroleum, iron and steel, grains and flour, fertilizer. *Partners*—US, UK, USSR and Eastern Europe, Japan, Iran, FRG.

OFFICIAL EXCHANGE RATE: 8.77 rupees=US$1 (Oct. 1975).

ECONOMIC AID (1947-75): *Total*—$22.1 billion: OECD countries, multinational lending agencies, Soviet bloc. *US only*—$9.7 billion: AID $3.8 billion, PL 480 $5 billion, Peace Corps $45 million, Exim Bank loans $532 million, other loans $298 million.

MEMBERSHIP IN INTERNATIONAL ORGANIZATIONS: UN, nonaligned movement, the Commonwealth, Colombo Plan, Asian Development Bank (ADB), International Atomic Energy Agency (IAEA), IMF, International Bank for Reconstruction and Development (IBRD).

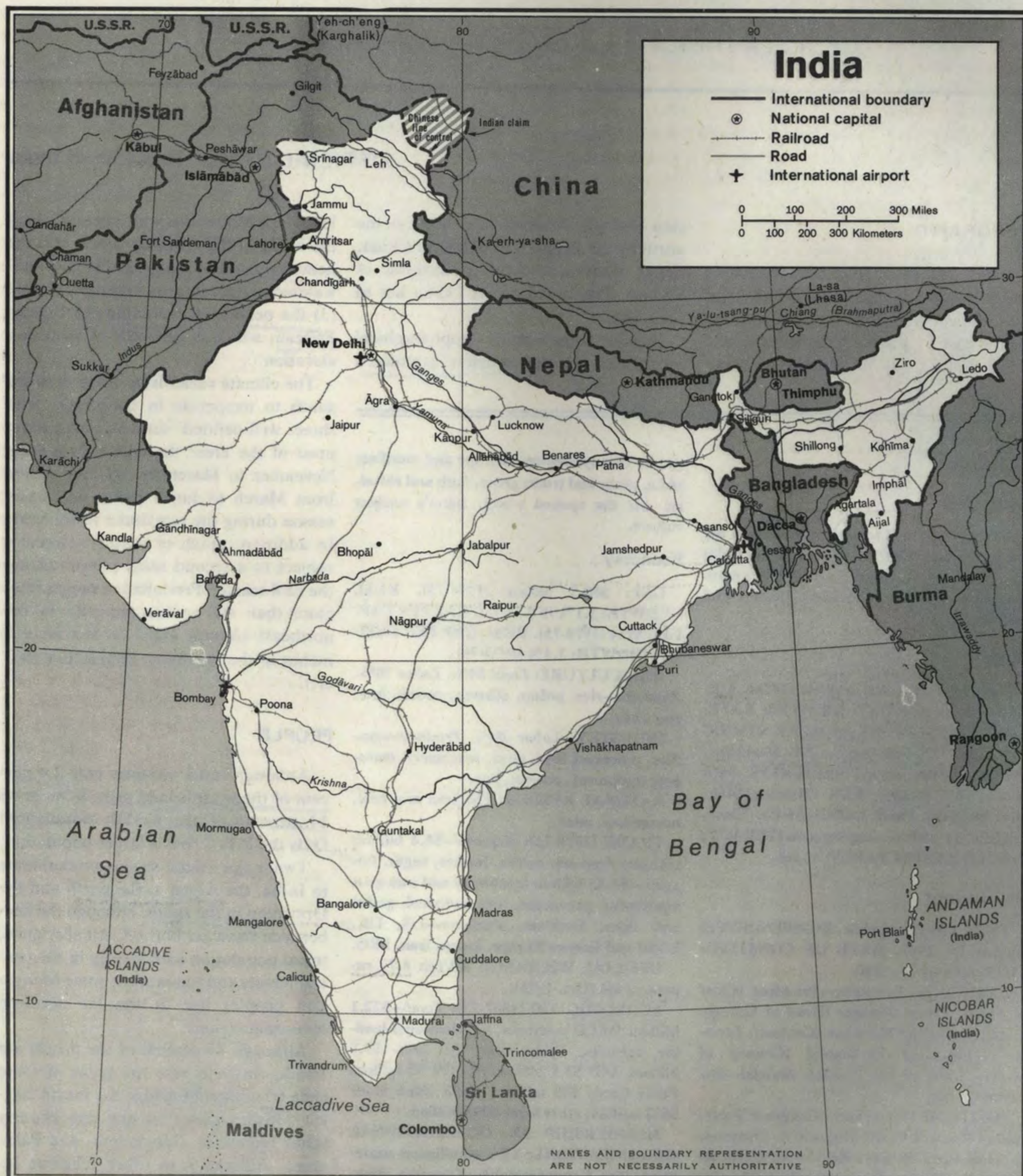
PEOPLE

Although India occupies only 2.4 percent of the world's land area, it supports 14 percent of the world's population. Only the P.R.C. has a larger population.

Two major ethnic strains predominate in India, the Aryan in the north and the Dravidian in the south, although the lines between them are blurred. An aboriginal, tribal population lives largely in the central forests and mountains; some Mongoloid peoples live in the far northern mountain regions.

Although 84 percent of the people are Hindu, India is also the home of more than 60 million Muslims, the fourth largest Muslim group in any one country (after Indonesia, Bangladesh, and Pakistan). Adherents to other religions include Christians, Sikhs, Jains, Buddhists, and Parsis.

The caste system, which encompasses the various "classes" of Indian society, is


India
International boundary
National capital
Railroad
Road
International airport
0 100 200 300 Miles
0 100 200 300 Kilometers
U.S.S.R.
U.S.S.R.
Yeh-ch'eng (Karghalik)
Feyzābad
Gilgit
Afghanistan
Kābul
Peshāwar
Islāmābād
Chinese line of control
Indian claim
Srīnagar
Leh
China
Jammu
Qandahār
Fort Sandeman
Lahore
Amritsar
Chaman
Pakistan
Quetta
Simla
Chandīgarh
Ka-erh-ya-sha
La-sa (Lhasa)
Ya-lu-tsang-pu
Chiang
(Brahmaputra)
Indus
New Delhi
Sukkur
Nepal
Kathmandu
Ganges
Bhutan
Thimphu
Ziro
Ledo
Āgra
Yamuna
Jaipur
Lucknow
Gangtok
Siliguri
Kānpur
Shillong
Kohīma
Karāchi
Allahābād
Benares
Patna
Bangladesh
Imphāl
Agartala
Aijal
Gāndhīnagar
Kandla
Ahmadābād
Bhopāl
Jabalpur
Jamshedpur
Asansol
Dacca
Jessore
Calcutta
Baroda
Narbada
Mandalay
Burma
Irrawaddy
Verāval
Raipur
Nāgpur
Cuttack
Bhubaneswar
Puri
Godāvari
Bombay
Poona
Hyderābād
Vishākhapatnam
Rangoon
Krishna
Bay of Bengal
Arabian Sea
Mormugao
Guntakal
ANDAMAN ISLANDS (India)
Port Blair
Bangalore
Madras
Mangalore
LACCADIVE ISLANDS (India)
Cuddalore
Calicut
NICOBAR ISLANDS (India)
Madurai
Jaffna
Trincomalee
Trivandrum
Sri Lanka
Laccadive Sea
Maldives
Colombo
NAMES AND BOUNDARY REPRESENTATION ARE NOT NECESSARILY AUTHORITATIVE

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theoretically based on employment-related categories ranked on a theocratically defined hierarchy. However, many caste observances, notably ritual prohibitions on interdining, are breaking down under the impact of urbanization, industrialization, modern communications, and wider educational opportunities. Discrimination against castes on the lower end of the ritual hierarchy is outlawed by the Constitution.

India has 14 official languages; a dozen of these are spoken by more than 10 million people. Hindi and its dialects are spoken by 38 percent of the population. English continues to be widely used in government, business, and education.

HISTORY

The people of India have had a continuous civilization since about 2500 B.C., when the inhabitants of the Indus River Valley developed an urban culture based on commerce, trade, and to a lesser degree, agriculture. This civilization declined about 1500 B.C., and Aryan tribes originating in central Asia absorbed parts of this culture as they spread out over the South Asian subcontinent. During the next few centuries India flourished under several successive empires. The Arabs expanded into western India in the seventh and eighth centuries A.D., bringing with them the Islamic faith and beginning a period during which the two systems—the prevailing Hindu and the Muslim—mingled, leaving lasting cultural influences on each other. In the period before the arrival of the British the Mogul Empire (a Muslim dynasty) controlled virtually the entire subcontinent.

The first British outpost in South Asia was established in 1619 at Surat on the northwestern coast of India. Later in that century permanent trading stations were opened by the East India Company at Madras, Bombay, and Calcutta, each under the protection of native rulers. The British gradually expanded their influence from these footholds, until by the 1850's they controlled almost the entire area that was later to become the independent countries of India, Pakistan, and Bangladesh. A widespread mutiny in 1857 led the British Government to remove the last vestiges of political power from the East India Company. From then until independence in 1947 the United Kingdom administered most of India directly and controlled the rest through treaties with local rulers.

Mahatma Gandhi was the Indian leader who, beginning in 1920, transformed the Indian National Congress into a mass movement and used it to mount a popular campaign against British colonial rule. The Congress used both parliamentary and extraparliamentary means—nonviolent resistance and noncooperation—as it sought its goal.

Independence was finally attained on August 15, 1947, and India became a dominion within the Commonwealth of Nations with Jawaharlal Nehru as Prime Minister. Longstanding frictions between the Hindus and Muslims caused the British to create two countries out of British India: (1) India and (2) Pakistan as the homeland for the Muslims (see map and the Background Note on Pakistan, pub. 7748). India's Constitution was promulgated on January 26, 1950, when the country became a Republic within the Commonwealth.

GOVERNMENT

According to its Constitution, India is a "sovereign democratic republic." The success of India's democracy has been remarkable, given the size of the electorate (more than 270 million), the high illiteracy rate (about 70 percent), the lack of deep democratic traditions, and the physical problems of organizing elections in a country of India's size.

Like the United States, India has a federal form of government. However, the central government in India has greater powers in relation to its States, and government is patterned after the British parliamentary system rather than after the American legislative system.

The government exercises its broad administrative powers in the name of the President of India, whose duties are largely ceremonial. Both he and the Vice President are elected indirectly for 5-year terms by a special electoral college.

The real locus of national executive power is the Council of Ministers (Cabinet), led by the Prime Minister. The President appoints the Prime Minister, who is designated by legislators of the political party, or coalition of parties, commanding a parliamentary majority. He then appoints subordinate ministers on the advice of the Prime Minister.

India's bicameral Parliament consists of the Council of States (upper house) and House of the People (lower house). The Council of Ministers is responsible to the lower house of Parliament.

The legislatures of the States and Union Territories elect 228 members to the Council of States, and the President appoints another 12. They serve 6-year terms, with one-third retiring every 2 years. The House of the People consists of 521 members, 518 of whom are directly elected to 5-year terms; the remainder are appointed.

India's independent judicial system had its beginnings under the British, and its concepts and procedures resemble those of Anglo-Saxon countries. The Supreme Court consists of a Chief Justice and 13 other Justices, all appointed by the President.

India has 22 States and 9 Union Territories. At the State level the legislatures are largely bicameral, patterned after the two houses of the national Parliament. The States' Chief Ministers are responsible to the legislatures in the same way the Prime Minister is responsible to Parliament.

Each State also has a Governor, appointed by the President, who is vested with ceremonial powers in normal times but who assumes certain broad powers during any period of breakdown of State parliamentary government. The central government exerts greater control over the Union Territories than over the States, although some territories have gained more power to administer their own affairs.

Local governments in India have somewhat less autonomy than their counterparts in the United States. India has experimented with *Panchayati Raj*, which seeks to revitalize the traditional village councils and to introduce "grassroots democracy" at the village level, where 80 percent of the people live.

Principal Government Officials

President—Fakhruddin Ali Ahmed
Vice President—Basappa Danappa Ja'ti

Council of Ministers

Prime Minister; Minister of Atomic Energy; Electronics; Planning; Science and Technology; Space—Indira Gandhi
Agriculture and Irrigation—Jagjivan Ram
Chemicals and Fertilizer—P.C. Sethi
Commerce—D.P. Chattopadhyaya
Communications—Shankar Dayal Sharma
Defense—Bansi Lal
Education, Social Welfare, and Culture—S. Nurul Hasan

Energy; Irrigation and Power—K.C. Pant
External Affairs—Y.B. Chavan
Finance—C. Subramaniam
Health and Family Planning—Karan Singh
Home Affairs—K. Brahamananda Reddy
Industry and Civil Supplies—T.A. Pai
Information and Broadcasting—V.C. Shukla
Labor and Employment—K.V. Raghunatha Reddy
Law, Justice, and Company Affairs—H. R. Gokhale
Parliamentary Affairs; Works and Housing—K. Raghuramaiah
Petroleum—K.D. Malaviya
Railways—Kamlapati Tripathi
Shipping and Transport—Gurdial Singh Dhillon
Steel and Mines—Chandrajit Yadav
Supply and Rehabilitation—Ram Niwas Mirdha
Tourism and Civil Aviation—Raj Bahadur
Ambassador to the U.S.—Triloki Nath Kaul
Ambassador to the U.N.—Rakhi Jaipal

India maintains an Embassy in the U.S. at 2107 Massachusetts Ave., NW., Washington, D.C. 20008, and Consulates General at San Francisco and New York.

POLITICAL CONDITIONS

The Congress Party (previously known as the Indian National Congress), led the struggle for independence and has governed India continuously since then. India's first Prime Minister, Congress Party leader Jawaharlal Nehru, served from 1947 until his death in 1964. He was succeeded by Lal Bahadur Shastri. Following Mr. Shastri's death in 1966, Mrs. Indira Gandhi, the widowed daughter of Prime Minister Nehru, became Prime Minister.

In the 1967 general elections the Congress Party lost the monopoly of political power it had held since independence. It suffered setbacks in the State elections, a number of which fell under the control of unstable coalition governments or regionally based parties. At the national level the Congress Party's share of the seats in the lower house of Parliament dropped from the more than 70 percent it had held since independence to 55 percent.

In 1969 Mrs. Gandhi successfully opposed other Congress Party leaders on several issues, including the election of the President of India. The party split, with more than three-fourths of the members of the Congress Party in the lower house of Parliament siding with Mrs. Gandhi, the remainder siding with a group of the party's organizational leaders. Although her supporters were thus reduced to a minority in Parliament, Mrs. Gandhi continued to rule with support from smaller parties.

Mrs. Gandhi called an early national election in March 1971, which resulted in a two-thirds majority for her party in the lower house of parliament (350 seats). The old party leaders who had split with Mrs. Gandhi in late 1969 were routed, and several opposition State governments fell as their supporters left to join Mrs. Gandhi's party. Mrs. Gandhi repeated this success in State legislative elections in 1972, in which the Congress Party improved its position throughout India.

India's non-Communist opposition parties in late 1974 offered support to an anticorruption drive directed against the ruling Congress Party. Following Prime Minister Gandhi's conviction of minor violations of the election law in early June 1975, these parties called for her resignation and announced a national campaign to achieve this end. On June 26, 1975, the government declared a state of national emergency, and a number of the opposition leaders were arrested under the authority of the Maintenance of Internal Security Act. India's Parliament ratified the emergency, and elections scheduled for March 1976 were postponed.

Political Parties

The Congress Party is a heterogeneous grouping of interests espousing secularism and a loosely defined democratic socialism. Although it has dominated Indian politics, other parties have survived and in some cases have even enjoyed power at the State and district level.

The *Bharatiya Jana Sangh* (Indian People's Party), the largest and best organized opposition party, espouses a Hindu-oriented nationalist political philosophy. In the 1971 elections it won 22 seats in the lower house of Parliament.

Opposition Congress, whose members split with Mrs. Gandhi in 1969, won only 16 seats in the lower house in the 1971 elections.

The *Swatantra Party* (Freedom Party), which advocates greater freedom for the expansion of private enterprise, won only eight seats in the lower house of Parliament in the 1971 elections.

The *Bharatiya Lak Dal* (People's Party of India), formed after the 1971 general elections, brought together a number of regionally based parties and elements of the national *Swatantra Party* and the *Samyukta* Socialist Party. The constituent groups which came together were

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generally conservative, advocating private enterprise and a reliance on the market.

The two major Socialist parties in India, now reunited, emerged from the 1971 elections with only five seats.

The three Communist parties are: the pro-Soviet Communist Party of India (CPI), the internationally nonaligned Communist Party of India/Marxist, and the pro-Chinese Communist Party of India/Marxist-Leninist. The first two participate in parliamentary democracy and have held power, either alone or heading coalitions, in the States of West Bengal and Kerala, which hold 24 and 25 seats, respectively, in Parliament. The Communist Party of India/Marxist-Leninist, whose supporters are often called Naxalites after the West Bengal town of Naxalbari, where an abortive uprising was held in 1967, advocate violent revolution and have intermittently fomented urban terrorism in Calcutta.

There are also a number of regional or State parties. Of these, the *Dravida Munnetra Kazhagam* (Dravidian Progressive Federation, DMK), from the State of Tamil Nadu (formerly Madras), has significant representation in the lower house of Parliament.

There have been several unsuccessful attempts to unify the various opposition parties. The most recent was in mid-1976 when Jaya Prakash Narayan, leader of the 1974-75 anticorruption movement against the central government, called on the major non-Communist opposition parties to unite.

Political Regionalism

The variety and strength of caste and religious, linguistic, and regional groupings have produced strong divisive forces in India. While tension between different religious groups has largely been kept under control since 1948, it has not been eradicated. Regional and linguistic differences have also assumed great importance and have on occasion led to violence. As a result of political agitations, beginning in 1956 the boundaries of India's States were redrawn so that they coincide with the borders of the linguistic regions. Differences have sometimes become focused on the question of whether Hindi (a north Indian language) should become the sole national language. Another recurrent problem has been demands to limit employment opportunities for migrants.

ECONOMY

Since 1947 India has made considerable economic progress. The introduction of modern methods that combine more extensive irrigation facilities with greater inputs of fertilizer, improved seed, pesticides, and insecticides has benefited agriculture, still the mainstay of 70 percent of the population. The pace of industrialization has also quickened. While percentage increases in agriculture and industry have been impressive, only modest gains in per capita GNP have been achieved because of continued high population growth.

Although cotton and jute textiles continue to dominate the industrial sector, many basic industries, including steel, heavy equipment, and chemicals, have come into prominence since 1960. In addition India now manufactures a variety of finished products, including aircraft, railway equipment, automobiles, telephones, and typewriters. Mineral resources are substantial but have yet to be fully exploited. Iron and manganese deposits are making a significant contribution to industry and exports.

India's 5-year economic plans, initiated in 1951, seek the balanced development of power facilities, industry, mining, transportation, communications, and agriculture. Much of the capital required for the 5-year plans has been raised internally, but a large proportion of the foreign currency has come from foreign grants or loans, primarily through the aid-to-India consortium of the International Bank for Reconstruction and Development (IBRD).

Foreign Assistance and Trade

Through low-interest loans and grants the United States has assisted specific projects, such as dams and power plants, and has supported general industrial development by providing loans for commodity imports. The United States has also provided technical assistance in a wide range of fields, including the establishment of agricultural universities. Private U.S. institutions have also given assistance.

Additional foreign aid comes from other OECD countries—principally the United Kingdom, Canada, the Federal Republic of Germany, Japan, and France—and from the IBRD, IDA (International Development Association), and various U.N. specialized agencies. Soviet bloc commitments are principally in loans for public sector projects.

In 1958 an aid-to-India consortium was formed by the U.S., U.K., Canada, Japan, F.R.G., and IBRD. Twelve countries and IBRD and IDA are now associated with the consortium.

India's major trading partners are the United States, the U.S.S.R., Japan, and the United Kingdom. The United States had a favorable balance of trade with India in 1974-75; U.S. exports to India were $914.1 million, mostly in foodgrains, and imports were $471.2 million.

Family Planning

India's population growth (10-year average of 2.5 percent, or about 12 million a year) places a burden on economic resources which might otherwise go toward accelerating growth of per capita income. Thus far India has cut the birth rate per thousand from 43 in 1963 to 36 in 1974.

Agriculture

For decades India's economic progress was hampered by the simplicity of the agricultural sector. Food production rose slightly higher than population during the first two 5-year plans (1951-61), and the government gave lower priority to agriculture in favor of industrialization.

During the third 5-year plan (1961-66), when food production leveled off and prices began to rise, more attention was given to the agricultural sector. The government made a major policy decision in late 1965 to make India self-sufficient in foodgrain production by the end of 1971. Droughts in 1965 and 1966 postponed implementation of this program until 1967, but the results thereafter were encouraging. The surge in production at the end of the 1960's became known as the "green revolution."

In 1971 India announced the end of concessional imports of foodgrains, such as under the U.S. P.L. 480 program. However, foodgrain production declined from 108 million tons (1970-71) to 105 million tons (1971-72) to below 100 million tons (1972-73). India again had to import foodgrains commercially.

Production increased significantly in 1975 with a favorable southwest monsoon that provided a rainfall pattern comparable to 1970. Largely as a result of this monsoon, India is expected to harvest a record 114 million tons in the July 1975-76 period, an increase of 13 million tons over the official 1974-75 estimate of 101 million tons.

FOREIGN RELATIONS

Since independence India has played an important role in world affairs. It has been active in the United Nations as a leader of Third World countries and has made important contributions to U.N. peacekeeping operations in Korea, the Gaza Strip, the Congo, and Cyprus. In addition, India served as Chairman of the International Control Commissions that were established in Laos, Viet-Nam, and Cambodia under the 1954 and 1962 Geneva agreements.

India's role in world affairs has derived from its size and population, the prestige and influence attained as a result of its successful independence struggle, and the personal influence of Jawaharlal Nehru, the architect of "nonalignment." After Nehru's death in 1964, India played a less prominent role in international affairs. However, since the 1971 war with Pakistan, India has again begun to focus its interest on the nonaligned movement and now clearly hopes to regain the status held during the early years of the movement.

Pakistan and Bangladesh

India's relations with Pakistan have been troubled from the beginning by the centuries-old rivalries between the Hindus and Muslims of the subcontinent, a situation which led to the partition of British India in 1947. Until 1971 the most sensitive issue was the dispute over Kashmir, whose Hindu maharaja acceded to India, although the majority of his subjects were Muslim. India has maintained that his accession and the subsequent elections in Kashmir have led to its becoming an integral part of India. Pakistan has asserted the right of self-determination in accordance with an earlier Indian pledge and a U.N. resolution. The dispute triggered open warfare between the two countries in 1947-48 and 1965.

In December 1971, following the crisis in what was then East Pakistan and the flight of millions of Bengali refugees to India, India and Pakistan again went to war. The brief conflict ended with the creation of the new nation of Bangladesh in the east, which quickly established relations with India, and the Pakistani acceptance of an Indian cease-fire offer in the west. In July 1972 Indian Prime Minister Gandhi and Pakistani President Zulfikar Ali Bhutto met at Simla to begin a lengthy process of negotiations to resolve problems resulting from the war and to seek a more stable basis for long-term relations.

In August 1973 India and Pakistan, with the concurrence of Bangladesh, agreed to a repatriation of prisoners of war. India and Pakistan withdrew troops from occupied territory in December 1973. The two countries agreed to reestablish mail, travel, and telecommunications links in September 1974 and agreed to a resumption of shipping in January 1975. On May 15, 1976, India and Pakistan agreed to restore diplomatic relations.

People's Republic of China

After independence, India initially sought to maintain friendly relations with the P.R.C. However, competition and tension between the world's two most populous states developed toward the end of the 1950's and ultimately led to military conflict in October 1962. After a month's fighting, in which the Chinese forces made deep penetrations into Indian territory, the Chinese proclaimed a cease-fire and generally withdrew to positions held prior to the outbreak of hostilities. Some areas of the border remain disputed. Between 1962 and early 1976 relations remained cool and at the level of chargé d'affaires. The P.R.C. has developed a close relationship with Pakistan, to whom it has given military assistance and diplomatic support. Sino-Indian relations were also strained by the Indo-Pakistan war of 1971.

On April 15, 1976 India's Foreign Minister announced that India would send an Ambassador to Peking after a 15-year hiatus. The Chinese confirmed on April 17 that it would send an Ambassador to New Delhi.

Soviet Union

Since independence, India and the Soviet Union have built a relationship based on a general coincidence of views—on international political problems, their mutual proximity to the P.R.C., Soviet support for the Indian position on the Kashmir issue in the United Nations, and Soviet economic and military assistance. In August 1971 the two countries signed a 20-year Treaty of Peace, Friendship, and Cooperation, which India viewed as an important support of her position in the Bangladesh crisis of that year. India's special relationship with the Soviet Union was confirmed during Prime Minister Gandhi's visit to Moscow in June 1976.

U.S.-INDIA RELATIONS

The United States was a strong supporter of Indian independence, and Indo-U.S. economic and political relations have been active since 1947. Economically, the United States has been the primary contributor of foreign assistance for Indian economic development, making India the largest recipient of U.S. assistance. Politically, relations have fluctuated, depending on differing assessments of the regional and international situation. India has been particularly

TRAVEL NOTES

Climate and Clothing—Wear summer clothing year round in the south. In the north, wear lightweight woolens from mid-Dec. to mid-Mar.

Customs and Currency—Travelers must have a valid visa for the duration of their stay and current international health certificate showing smallpox and cholera inoculations. Tourists landing at Indian international airports may obtain a 21-day visa on arrival. All currency and travelers checks must be declared at customs on arrival. Indian rupees may not be imported; however, there is no limit on other currencies.

Health—Tap water is unsafe throughout India. In hotels and restaurants, drink only carbonated water and avoid ice cubes. Typhoid, tetanus, and diphtheria shots are recommended.

Telecommunications—Telephone service within India and to international points is fair. Telegraph service tends to be unreliable.

Transportation—Many international carriers provide service to New Delhi, Bombay, Calcutta, and Madras. Indian Airlines has daily flights to all major Indian cities. An extensive railway system provides comfortable service between most major cities. The 900-mile trip from Delhi to Calcutta or Bombay takes about 24 hours. The 1,535-mile trip from Delhi to Madras takes 40 hours. It's possible to travel almost everywhere by road; however, outside urban areas, roads are narrow. Local transportation includes buses, taxis, three-wheeled scooters, cycle rickshaws, horse-drawn tongas, and bicycles. Buses are overcrowded and service is irregular. Taxis are plentiful.

critical of U.S. military support for Pakistan.

Indo-U.S. relations were strained in the 1971 South Asian crisis. Since then, an Indo-U.S. dialogue has aimed at developing a new pattern of relations based on greater mutual understanding and reciprocal concern for each other's interests. Both countries have expressed their interest in better relations on this basis. To further this aim, both countries agreed to establish a U.S.-India Joint Commission. Three subcommissions were subsequently established: Economic and Commercial, Science and Technology, and Education and Culture. These subcommissions meet at periodic intervals to identify mutual interests and to work out guidelines for programs of mutual benefit.

Principal U.S. Officials

Ambassador—William B. Saxbe
Deputy Chief of Mission—David T. Schneider
Counselor for Public Affairs (USIS)—Jay W. Gildner
Counselor for Economic Affairs—Peter Lande
Counselor for Political Affairs—Paul Kreisberg
Counselor for Administrative Affairs—Charles R. Wilds

Consuls General

Bombay—William F. Courtney
Calcutta—David A. Korn
Madras—Charles W. McCaskill

The U.S. Embassy is located at Shanti Path, Chanakyapuri 21, New Delhi.

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Materials

C. GENERAL REFERENCE MATERIALS

1. Political and Economic Situation
   (Extract from CPP, August 30, 1976)

2. Present Economic Situation and Prospects
   (Note on economic developments since
   preparation of last CPP)

3. Agriculture
   (Note on recent developments)

4. Twenty-Point Economic Program

5. Foreign Assistance and Debt

6. India's Population and Family Planning Situation
   (Attachment - National Population Policy)

7. Annual Meeting Brief

8. Notes on Manila Meeting with
   Finance Minister and Mr. Kaul

9. State Department Notes

10. Map

THE POLITICAL SITUATION

1. The State of Emergency declared in June 1975 is still in force. Even if it were to end formally, the consolidation of power in the Prime Minister's hands and her demonstrated willingness to use it is likely to perpetuate the Emergency's main features. The political opposition, never very strong, has been virtually eliminated through the mass arrest of its leaders. The two States not initially controlled by the Congress Party have been placed under President's Rule. No effective opposition has emerged from the civil service, the judiciary, the press, the universities, or the business community. Consequently, there seems to be no immediate threat to the stability of the present Government. However, in the longer term, the highly personal nature of the Prime Minister's rule is a potentially destabilizing factor.

2. Although the Emergency seems to be a definitive event in India's political history, its economic significance must be viewed in perspective--it should be neither exaggerated nor ignored. The year 1975/76 was strikingly successful, but most of the improvement was the result either of luck or of policies first put into effect before the Emergency. For example, the tight counter-inflationary policy, the effort to improve the performance of public sector enterprises, the drive to exploit India's oil resources as rapidly as possible, and the increased emphasis on exports, all date back to before June 1975. The one direct economic contribution of the Emergency has been a significant reduction in labor disputes, which has no doubt made a contribution to increased productivity in public and private sector enterprises. Governmental efficiency also has improved. The Emergency has also brought few significant changes in the Government's long-standing economic and social objectives and major policies. The significance of the Twenty-Point Program announced by the Prime Minister in July 1975 has been small; in any case, it was mostly a re-hash of well-known Government policies and programs. In the area of land reform, there has been talk about more active implementation of land ceiling laws, but so far there is little evidence that much is happening. There has been increased attention to the problems of the private sector, more generous export and investment incentives for it, and a loosening of controls, although India remains a highly controlled economy. One area on which the Government has concentrated fresh attention is population policy. All in all, progress in the last year should be viewed as a continuation in directions chosen immediately following the crisis faced by India in 1973, and policy changes are essentially variations on long-established themes.

THE ECONOMIC SITUATION

3. An analysis of recent events is contained in "Economic Situation and Prospects of India" - No. 1073-IN of March 29, 1976.

4. The adverse shift by 30% in the terms of trade that occurred following 1973 exacerbated deep-seated problems of agricultural and industrial stagnation. In our recent economic work, the adjustments required to tackle the

immediate crisis, as well as to lay the foundations for solution of the long-run problems, were analyzed extensively, stressing action in the three key sectors of agriculture, energy and exports. With the marked improvement in India's situation during 1975/76, the immediate crisis appears to have been successfully managed. This permits a longer-term view of growth prospects, and of the key issues - social and economic - facing India in its attempt to raise the rate of growth of GDP above the 3% per annum average of the past decade and to improve the lot of its poor.

Developments in 1975/76

5. As a result of an excellent monsoon, increased foreign support and successful policy implementation, India finished 1975/76 in a better condition than expected a year ago. The most significant favorable factors have been a bumper harvest; a continued fall in the price level; increases in production of key inputs, such as oil, coal, electric power, steel, cement and fertilizers; and a marked improvement in the balance of payments, which allowed India to add US$800 million to its foreign exchange reserves. GDP growth was about 6%, thanks to the good monsoon. However, to put this performance in perspective, it should be noted that GDP growth has twice before come close to this level in the 1970's, in years of good harvest, without ending long-term stagnation.

6. The record harvest follows years of poor or modest agricultural output. (The previous record was 108 million tons in 1970/71.) At about 116 million tons in the agricultural year just ended (July 1975 - June 1976), foodgrain production was some 13 million tons higher than in 1974/75. The size of the harvest, combined with foodgrain imports of more than 7 million tons in 1975/76, has had a marked deflationary effect, with wholesale prices of food falling by 15% in the year ending May 1976. Public food stocks have reached the record level of 16 million tons. Although the principal cause of the production increase in 1975/76 was the weather, Government programs played a small part by successfully beginning a program to replace imported high-yielding varieties of wheat, which had become susceptible to rust; through reductions in the price of fertilizers, which led to increased use in the rabi season; and through increased emphasis on efficient use and accelerated development of irrigation facilities. It should be noted, however, that, although the 1975/76 harvests set a new record, the peak-to-peak annual rate of growth of foodgrain production was only 1.5% between 1970/71 and 1975/76. The trend in this period, therefore, remains highly unsatisfactory and well below the 1960/61-1975/76 trend of 2.4%.

7. The major factors in India's price inflation of 1972 to 1974 were domestic, namely rapid growth of the money supply and successive poor harvests. The world inflation in oil, food, and fertilizer prices added to these domestic factors. Starting in 1974 the Government has placed overriding emphasis on reducing inflation, which had reached an annual rate of 32% by September 1974. As a result of Government monetary and fiscal policy and of recent excellent harvests, price inflation has turned into deflation. During the fiscal year 1975/76 wholesale prices fell by 8.3%, while consumer prices, which had lagged

somewhat, fell by 10.9%. Although the fall in food prices is the most important cause of the decline in prices, price developments have also been favorable in other areas. For example, wholesale prices of industrial raw materials fell by 8.8% between May 1975 and May 1976; those of chemicals fell by 5.7% and those of capital equipment by 0.7%; while prices of manufactures as a whole rose by only 2.1%. Appropriately enough, the only major rise was for fuel and power, by 12.8% over the year. If food is excluded, the underlying rate of inflation is close to zero (0.4% from May 1975 to May 1976). It should be noted, however, that the curbing of inflation is far from an unmixed blessing. The tight credit policy has undoubtedly been a factor in prolonging industrial stagnation. Furthermore, although 20-30% inflation is excessive, undue concern does nothing to improve India's inadequate long-term growth, which is the more significant problem. Upward pressure on prices is bound to emerge as the economy expands and the benefits of an excellent harvest work themselves out. Indeed, such price rises appear to have occurred in recent months. It is important that the Government not react by choking back a vitally needed expansion.

8. Marked improvements in the production of key inputs occurred during 1975/76. Coal production rose by 11% to almost 100 million tons, following a 13.5% increase in 1974/75; power generation from thermal plants increased by 13%; and hydroelectric generation also rose significantly, because of the excellent rainfall; production of crude oil rose by 10.7% over the level of 1974/75; production of finished steel rose 16%, or by 0.8 million tons, to turn India into a net exporter; and production of fertilizers rose by 0.3 million nutrient tons, or by 20%. The weighted average growth in public sector production was about 15%.

9. During the greater part of 1975/76 industrial growth was quite low, in spite of public sector successes, the long history of stagnation and consequently low base, and the favorable input position. Sluggish export and domestic demand was the main explanation. This conjunction of a favorable environment with sluggish performance appeared to emphasize the fundamental weakness of India's industrial sector. However, because of improved performance in the last few months of the year, growth over the year reached a fairly creditable 5.7%.

10. Further, there has been a significant improvement in the balance of payments, which allowed India to accumulate more than US$800 million in reserves during 1975/76. The trade deficit fell by US$326 million between 1974/75 and 1975/76; gross aid disbursements rose by US$444 million (excluding the IMF); and "net miscellaneous capital and invisibles" rose by US$407 million.

Balance of Payments
(US$ millions)

	1974/75	1975/76	Change 1974/75-1975/76
Merchandise Exports	4,143	4,530	+387
Merchandise Imports	-5,739	-5,800	- 61
Trade Balance	-1,596	-1,270	+326
Debt Service	- 779	- 785	- 6
Gross Aid Disbursements	1,766	2,210	+444
IMF Transactions (net)	530	205	-325
Miscellaneous Capital and Invisibles (net)	41	448	+407
Use of Reserves (-= increase)	38	- 808	-846

11. Perhaps most encouraging is the indication of improving export performance. In a poor year for world trade, exports grew by about 7% in volume and 9% in value, achieving the Government's target for the year. In fact, in 1975 India kept pace with high flyers like Brazil, whose exports grew by 9% in value, and Yugoslavia, whose exports grew by 8%, but not with superstars like South Korea, the value of whose exports grew by 14%. The most important factors in India's export performance were increased exports of sugar, silver, and surplus steel. While this success is encouraging, especially as an indication of the Government's determination, it is definitely not an indication that the major problems have been solved -- a point to which we return below. Meanwhile, imports were held to almost exactly the same value as in 1974/75. Petroleum imports continued to fall in volume terms, because of restraint on consumption and increased production; and there was a fall of more than US$400 million in imports of steel and non-ferrous metals. The latter sharp fall allowed India to spend more on food, fertilizers, and "other imports" than in 1974/75 within roughly the same overall total.

12. The rise in "net miscellaneous capital and invisibles" from US$41 million in 1974/75 to about US$400 million in 1975/76 is the most striking change in India's balance of payments, and little is known of its causes. The flow may indicate that there has been a very large increase in exports of services, especially to OPEC countries; foreign exchange remittances that previously entered the country by illegal means may now be going through legal channels; the high real interest rates being offered in India may attract deposits from Indians resident abroad, or lead to postponement of dividend outflows by foreign firms operating in India; or the rapid recent devaluation of sterling may have led to "leads and lags", with importers of Indian goods accelerating payments and Indian exporters correspondingly postponing them. While there are several possible explanations - none mutually exclusive - it is impossible to tell whether this level is likely to be sustained or whether it is merely a "one-shot" affair.

13. The result of 1975/76 is that India starts 1976/77 with foreign exchange reserves equal to more than four months' imports, with foodstocks

equal to more than the entire average annual demand from the public distribution system, with an improving export performance in a more favorable world trading environment, with excellent opportunities for increased production and reduced import requirements for petroleum, fertilizers, and steel, and with a sustained build-up in the aid pipeline. These factors constitute a basis for a more dynamically oriented development program if the long-term structural problems can be dealt with. In agriculture, in industry, in social sectors and in development strategy there remain many obstacles to more rapid growth.

Prospects for the Medium Term

14. As indicated in the current Economic Report, the balance of payments constraint on India's development is likely to be substantially reduced during the next three years.

15. If India is able to achieve sustained export volume growth of 6-7%, if global inflation is as currently projected by the Bank, and if aid commitments can be maintained roughly in real terms, India's nominal import capability will rise by about 14% per annum between now and 1978/79. As far as exports are concerned, the large number of policy decisions taken during the year indicate the seriousness of India's intention to accelerate export growth. These measures include greater freedom to import goods needed for export production when the goods produced domestically are uncompetitive in terms of price, quality or availability; greater freedom to expand capacity for purposes of export production; and the extension of incentives to a much larger range of export goods than had previously been the case. While all this is encouraging, accelerated growth of manufactured exports produced by the private sector is still constrained by the industrial and import licensing regimes, and by overall trade and exchange rate policy. For example, after getting the benefit of a 25% devaluation between 1971 and September 1975, as a result of linking the rupee to the pound sterling, the rupee is now in a managed float. Consequently, it has revalued by 14% against the pound and remained at roughly constant exchange rates against the US dollar, the yen, and the DM. Since India's exports have not been adequately profitable at any of the recently prevailing exchange rates, the decision to stabilize the exchange rate ensures a long-term dependence on incentives. However, given their uncertain duration, incentives provide an unsatisfactory basis for investment decisions designed to expand export capacity. Although such qualifications are important for the longer term, a medium-term export target of 6% per annum volume growth is attainable with current improved policies, given that 5% volume growth has apparently been achieved over the past six years, and given prospects for immediate increases in exports of iron ore, leather and leather goods, handicrafts, and engineering goods. This is so even though recent rates of growth of sugar, silver, and steel exports, on which 1975/76 performance depended, cannot be maintained because of supply constraints.

16. Aid prospects are far from certain because of apparent stagnation in bilateral Consortium commitments for 1976/77 compared with 1975/76 commitments,

the likelihood that the very high level (almost US$500 million) of OPEC disbursements will not be maintained, and the decline in IDA commitments expected this year. However, taking into account the US$600 million or so expected from the IMF's sale of gold and the associated Trust Fund, and the cushion provided by the present level of external reserves, the 14% projected growth in import capability seems a plausible best estimate.

17. This apparently modest nominal rate of growth translates into a 25% real rate of growth of imports other than food, fertilizers, petroleum, and steel and non-ferrous metals. Given the adequate level of foodgrain stocks on hand, it is extremely unlikely that India will need to import more than 5-6 million tons per annum of foodgrain over the next three years (which, though more than was imported on average over the past three, is less than was imported in 1975/76). Large fertilizer production capacity is coming on stream and, consequently, production growth in the same order of magnitude as the 20% registered in 1975/76 is probable. Also, import prices are expected to be very much lower than the peak levels reached for India in 1975/76. Thus, it is very likely that expenditures on fertilizer imports will fall below those of 1975/76. Total domestic oil production should rise by 5.5 million tons per annum between 1975/76 and 1978/79, as the find in the Bombay High area comes on stream. Consequently, in spite of a projected 22% rise in the consumption of petroleum products between 1975/76 and 1978/79, the volume of crude imports should stabilize, while the value is expected to rise, in line with inflation, by about US$300 million. Finally, India is expected to continue to have very little need for imports of steel. It is, therefore, extremely unlikely that nominal expenditures on these four categories of imports will rise during the next three years above the level of US$3.7 billion reached in 1975/76 (65% of total imports). Therefore, a 14% annual growth in India's import capability implies an increase in the value of "other imports" (excluding non-factor services) from US$2.1 billion in 1975/76 to US$5.1 billion in 1978/79, or real growth of over 25% per annum. ask

Medium-Term Balance of Payments Projections
(millions of current US$)

	1975/76	1976/77	1977/78	1978/79
Exports (incl. NFS)	4,950	5,378	6,248	7,146
Aid Flows /a				
Disbursements	2,210	2,346	2,564	2,760
Debt Service	783	886	943	994
Net Transfer	1,427	1,460	1,621	1,766
IMF Transactions (net) /b	205	-391	236	17
Miscellaneous Transfers (net)	486	500	500	500
Use of Reserves (- = increase) /c	-808	-	-	-150
Import Capability (incl. NFS)	6,260	6,947	8,605	9,279

/a Assuming that commitments by the Bank Group follow the lending program, commitments by Consortium countries are maintained in real terms, and disbursements by OPEC and Eastern European countries are maintained in real terms.

/b Assuming that India will receive $300 million in 1977/78 and $150 million in each of the following two years from the IMF's sale and restitution of gold and the associated Trust Fund.

/c Assuming that sufficient reserves are held to finance at least three months' imports.

18. Given the suppressed and low level of industrial imports and the need for additional investible resources, India should be able to absorb productively such an increase in "other imports". From the mid-60s until 1974/75, the growth of the industrial sector was constrained by a severe shortage of raw materials, components and spare parts. Over the period 1965/66 to 1972/73, expenditures on imports of intermediate goods (other than petroleum, fertilizers, and steel) fell on trend by 0.2% per annum, and imports of machinery and equipment fell by 7% per annum. From 1972/73 to 1974/75, with the general shortage of foreign exchange and rapid increases in world prices, the real level of these imports fell 20%. Even with the policy emphasis on import substitution, domestic production was unable to provide the multitude of inputs, at competitive prices, required to fuel faster expansion of the industrial sector. Although in 1975/76 the constraint to growth in the industrial sector appeared to come from the demand side, a revival - both from higher utilization and the expansion of capacity - during the next few years would increase substantially the demand for intermediate and capital goods. Even with a 25% per annum increase over the next three years, the real level of "other imports" in 1978/79 would still be only 70% higher than in 1972/73, or an annual increase of 9.3%.

19. In order to realize such an unprecedented increase in imports, the Government will have to consider further import liberalization measures. It is impossible to prescribe in detail what these adjustments need to be. However, especially since the ratio of imports of raw materials, machinery, and components to industrial value-added must rise, it will be necessary to change policies that restrict the import of goods which are also produced in India. Such a change will also be necessary if the efficiency of India's industry is to be improved by increased exposure to competition. A gingerly step in these directions has already been taken in this year's import policy, which includes several measures aimed at increasing the ease of importation. For example, the whole of the import replenishment license given to exporters can now be used to import machinery for replacement, modernization, or balancing investments; the rate of replenishment license has been raised for many products, and the scheme has also been extended to many new ones; imports of leather machinery have been placed under open general license; the schemes for automatic and supplementary licensing for actual users have been further liberalized; and, as has been stated above, exporters may in certain circumstances import goods produced in India. In our view, it would have been appropriate if (i) an element of automatic growth had been introduced into the automatic licensing system, and (ii) imports of goods other than inputs into exports had been permitted, whenever the Indian product was uncompetitive and the infant-industry stage had been passed.

20. There are large uncertainties surrounding the medium-term balance of payments forecast. Foreign exchange availability could be reduced by slower-than-expected export growth or by a fall in the inflow of aid. Foreign exchange requirements could increase sharply with a run of poor harvests or slower-than-forecast realization of import-substitution possibilities. The gross financing requirement at about US$2 billion remains huge by historic standards. Account must be taken of the risk of things going wrong; it is for this reason that the Bank in its role as chairman of the Consortium has urged other donors to take the most generous possible view of India's requirements. On the other hand, uncertainties cut both ways. A significantly better outcome is also possible, as has been demonstrated in 1975/76.

21. The opportunities for accelerated medium-term growth do not exist only on the foreign exchange side. With considerable industrial excess capacity, as well as price stability, there is room for expansion of the economy. In this context, the Budget for 1976/77 is disappointing, since it appears to have no overall expansionary impact. However, a rise in investment is more important because of its priming effect, because of its direct relationship to growth through expansion of productive capacity, and because it tackles one of India's most severe structural problems, namely chronic excess capacity in the capital goods industry. Overall Plan outlay stagnated in real terms between 1972/73 and 1974/75. Because of a still-unknown amount of spending in 1975/76 in excess of the Budget estimates, there was a sharp rise in real Plan expenditure in that year. Corespondingly, however, Budget-estimate levels of Plan expenditure for 1976/77 imply a much lower rate of increase over actual 1975/76 expenditures than the 31% rise hailed by the Government, when using 1975/76 budget estimates as a base. It appears that

the increase in Central Plan spending is 16% over 1975/76 revised estimates, which, after inflation, is likely to imply a fairly modest real increase of about 10%.

22. In the Indian economy, private investment has a vital role to play. The Government has recently taken a number of decisions to promote it, including introduction of an investment allowance, a reduction in capital gains tax on companies, a reduction of corporate profit taxes, and excise duty reliefs. Combined with a liberalization of industrial licensing and acceleration in procedures, the environment for private investment is certainly improved. In this context, the further reduction of the highest rate of marginal income tax from 77% to 66% may have a psychological effect, since at least part of the explanation for past stagnation in private investment has been unease about the Government's attitude to private pursuit of profit. Whether all this will be sufficient is, of course, uncertain, since the private sector needs to believe that there will be sustained expansion of the domestic economy and sustained profitability in exports. Given the disappointing experience of the last decade, it is not surprising that confidence is lacking.

23. To sum up: Not only has performance in 1975/76 provided evidence of a successful adjustment process and the basis for expansion, but foreign exchange availabilities for the next three years further support this view. India has the opportunity to use present excess capacity, price stability, and the prospect of a relatively relaxed foreign exchange position to promote growth. That such an opportunity exists does not mean it will be exploited. Economic growth in 1976/77 will not be particularly rapid in any event, given the high base of foodgrain production and the continued problems of industry; but whether the trend rate of growth can be shifted upward in the medium term depends upon a resolution of the strategic issues, and the associated requirements for external assistance, discussed below.

Long-Term Growth Prospects and External Assistance

24. Over the past decade growth of India's GDP in constant prices has averaged only 3.3% per annum, and since 1969/70 growth has averaged only 2.1%, which is not quite adequate to keep up with population. There has been a steady deceleration in the rate of increase in per capita GDP, which rose by 16% in the fifties, 13% in the sixties, and not at all in the seventies. Since 1965 industrial growth has been little more than 3%, and agricultural growth has barely kept up with population. Furthermore, in the seventies foodgrain production growth has been only 1.6% per annum. Per capita availability of cereals, pulses, vegetables, milk, meat and poultry was lower in 1970/71 than in 1931/32. This was true also of per capita availability of protein and per capita calorie intake. While the labor force increased by about 42 million in the sixties, the number of workers increased by only 5-8 million.

25. While many features of India's performance have been very disappointing, there have been successes. Between 1950 and 1970 the literacy rate

rose from 16 to 30%; life expectancy increased from 32 to 50 years; the percentage of 6-11 year olds in school rose from 43 to 79. India's income distribution compares well with that prevailing among countries in the same per capita income range, and appears to have improved. India's share of domestically financed investment has been consistently more than 80%. Over the past three years net aid to India has averaged only US$1.50 per capita or less than 1.5% of GNP: it was US$8 per capita to Pakistan (5.5% of GNP), and US$7.50 per capita to Indonesia (or 4.5% of GNP).

not in notes

26. Perhaps the most important factor undermining India's effort is population growth. The essence of the problem is that while mortality rates have declined from 25 per 1,000 in 1950 to 14 in 1975, births have declined much more slowly, from 42 to 39 per 1,000. The population growth rate is currently about 2.3% per annum and, even if present efforts succeed, population is likely to exceed one billion by the end of the century. This is the backdrop against which India's performance must be judged.

ask Singh's staff

27. We consider accelerated growth to be a necessary, if not sufficient, condition for improving the position of India's poor. In the past, various palliatives have been used in an attempt to offset the impact on the poor of low growth. For example, the Government has in the recent past imported large quantities of food to supplement local production. While India has had to pay a heavy price for this food in terms of foreign exchange, it has probably been of considerable benefit to the poor. The value of other measures is more questionable. The Twenty-Point Program includes components such as implementation of land ceiling laws, provision of home sites to landless laborers, abolition of bonded labor, liquidation of rural indebtedness to private money lenders, and implementation of minimum wage laws for agricultural labor. Unfortunately, although these are catchy slogans, several of the measures may actually be harmful. For example, the money lender is the main source of vital consumer credit in years of bad harvests. Any action likely to make this source of credit dry up, when no institutional replacement exists, is bound to make the lot of the poor still more insecure. Similarly, the imposition of minimum wages in a competitive labor market is likely to aggravate rural unemployment. Bonded labor is, of course, a reflection of the labor surplus situation; abolition of the status will not change the condition of dependency and insecurity. The provision of home sites is useful although, with 50 million landless laborers and the distribution of only 6 million sites so far, the coverage is small. Land reform is also useful, both as a means of redistributing income and as a way of increasing agricultural efficiency by removing the disincentive to invest implicit in most sharecropping arrangements and by providing easier access to credit through clearer land title. However, only one million acres of land have been declared surplus since the Emergency. This will not go very far among 50 million landless households. Moreover, even a more dramatic land reform will not alter the fundamental long-term situation of growing population and growing land scarcity. Thus, such palliatives, even when useful, cannot make more than a small contribution to solving the problems.

not in notes

28. Looking at India's overall growth performance, the most striking feature is that while gross domestic investment over the past decade averaged 17.5% of GDP at market prices, the trend rate of growth has been 3.3%. The ICOR has, consequently, been 5.3. On a sectorally disaggregated basis, the ICOR for value-added at factor cost in the primary sector (agriculture and mining) has been about 5, that for the secondary sector (manufacturing, construction, electricity, gas and water supply) has been 8, and that for the service sector has been 6. 1/

[illegible]

29. As is indicated in the table below, India's investment and savings performance has been quite creditable, even when compared with some of the most successful LDCs. In 1973, for example, India's gross investment rate was 16.4% according to the World Tables. In that year the average for higher-income LDCs was 21.9%, for middle income LDCs was 19.6%, and for lower-income LDCs (including India) was 15.6%. Because of the low contribution of foreign savings to the financing of India's investment, India's savings performance is still more noteworthy. India's average savings rate between 1968 and 1973, at 14.4%, places it 68th among the 125 countries listed in the World Tables. India's average marginal savings rate, at 26.3%, places it 38th. Considering India's poverty, this is impressive.

Investment, Savings, and Growth - Some International Comparisons

	Average Domestic Investment Rate % (1968-73)	Average National Savings Rate % (1968-73)	Average GDP Growth Rate % (1968-73)	Average ICOR (1968-73)
Brazil	18.5	16.4	10.3	1.8
India	15.6	14.4	3.1	5.0
Kenya	22.8	18.9	6.7	3.4
Korea	25.6	17.2	11.5	2.2
Pakistan	15.4	12.0	4.8	3.2
Yugoslavia	29.2	28.0	7.6	3.8

why so large

Source: World Tables

30. Of course, use of the ICOR measure for cross-country comparisons is fraught with danger. Nevertheless, India's relatively high ICOR may be regarded as an indication of its general inefficiency in the use of resources. If India could have achieved Yugoslavia's investment rate at current ICORs, its growth could have been 6% per annum. However, with Brazil's ICOR and India's

1/ For the purpose of computing sectoral ICORs it is necessary to use value-added at factor cost. Since GDP at factor cost is lower than GDP at market prices, the investment rate is higher; and the ICOR is also higher.

current investment rate, growth could reach 8.7%. The latter is an appropriate comparison since Brazil was a country which had pursued an inefficient industrialization strategy and had substantial excess capacity. Following policy change, Brazil was able to achieve very high rates of growth with low rates of investment, partly because of the available capacity.

31. Raising the level of investment above its historic average is, of course, highly desirable. Since the net aid transfer is about 2% of GDP, and is very unlikely to increase significantly, raising the investment rate entails raising the rate of gross domestic savings. Because of an impressive effort to raise public revenues and improve earnings of public sector enterprises, public savings as a proportion of GDP have risen from 1.7% in 1971/72 to 3.0% in 1974/75. This rise has offset to some extent a sharp fall in household savings, which appears to have been largely the result of inflation. In the future a further rise in public savings should be possible, especially through increased earnings of public sector enterprises, which are still at very low levels in relation to capital employed. Household savings should rise if inflation is kept under control and high real rates of interest are maintained. However, even if the savings rates were to be raised by 3-4% of GDP in this manner, which is all that can reasonably be expected, the growth rate would only rise by about 0.6-0.8% unless the efficiency of resource use is improved substantially.

32. What accounts for the poor efficiency with which resources are used and what can be done about it? Many explanations have been advanced: poor export performance has led to acute foreign exchange scarcity, which in turn has made it extremely difficult to supplement inadequate domestic supplies of key inputs, like steel, when needed. An overvalued exchange rate and consequent poor export profitability has made it difficult to export goods for which domestic demand is inadequate, the capital goods industry being a clear example. The growth of industrial demand has been slow, which has resulted in excess capacity in industries planned under the assumption that growth targets for the economy would be achieved. The control system has imposed numerous shortages and, in addition, induced "preemptive" investment, in which firms install capacity to increase their foreign exchange allocations for raw materials and to forestall investment by competitors. A large proportion of investment resources have gone into major public sector industries, which are not only intrinsically capital intensive, but have been very poorly managed - the best example being steel, whose output did not increase at all between 1963/65 and 1973/74, despite a 50% increase in capacity; this problem is well illustrated by the fact that, while the public sector accounted for 60% of industrial capacity in 1970, it accounted for only 22% of valued added. In agriculture, efficient use of resources has also been inhibited by inadequate extension services, poor planning at State and Central levels, and inefficiency in the distribution of essential inputs, such as fertilizer. A pricing policy which lowers the incentive to produce foodgrains in high-potential "surplus" States is also a factor. Fragmentation of land holdings and insecure tenure affects the willingness and ability of many small farmers to adopt "Green Revolution" technology. Finally, there has been a

strong tendency to start major investment projects without the resources to complete them sufficiently rapidly, perhaps the most striking example being the ten-year gestation period of the Bokaro steel plant.

33. The basis of improvement in overall performance must be found in the two key sectors of agriculture and industry. In the case of agriculture a broad strategy to accelerate growth and make better use of existing capacity has been worked out between the Bank, under the leadership of Sir John Crawford, and the Government of India. Two particularly important components are clearly designed to improve the efficiency with which existing resources will be used: namely, command area development and extension. Through command area development, water is brought to the farm level and farmers are helped to improve their techniques of irrigated agriculture. Although these improvements take time, they are expected to yield very considerable returns with small additional investments. The potential to be reaped from an improved extension service is even more striking. There is already in place across India a Community Development system with adequate numbers of basically well-educated staff, who have been burdened by a multitude of duties. A system of effectively concentrating available staff on agricultural extension, first introduced in a Bank assisted CAD project, has achieved impressive yield increases in a very short time through an extremely cheap reorganization and practical training. There are no doubt similar opportunities for greatly improving the effectiveness of other existing agricultural support institutions at a low relative cost. As discussed in more detail below, the Bank is already involved in programs to improve national seed production, research, planning, credit and groundwater development. If these elements are expanded and blended into a comprehensive strategy, it could be the basis for agricultural growth of over 3% per annum and a much higher return to capital.

34. While the basis for a strategy exists, a workable program requires something more, namely, a full and effective commitment from the Government. It is still unclear whether the Government is prepared to allocate the required resources, especially to CAD; whether it is willing to make the effort to improve service institutions, such as cooperatives, when necessary; whether it will permit the private trader to operate freely in the distribution of vital inputs; whether it will act expeditiously to resolve problems created by anomalous tenure situations; and whether it will improve its own planning. There continues to be plenty of talk along these lines, but action is still tentative.

35. In industry the major requirement in the public sector is a continued improvement in management. Progress made on this score in the past year is encouraging. For the private sector the key issue is the policy environment. Improved performance in both the public and private sectors will require greater freedom from ad hoc bureaucratic interference, more secure incentives, a reform in trade policy to increase further the incentive to export and to subject domestic industry to increased competition, and further reduction in constraints imposed by industrial licensing. It should be noted that steps in these directions have been taken. The private sector

is now less constrained, both by input shortages and by red tape, than for a long time. Thus, improvements in efficiency should occur, provided the inevitably slow response to new opportunities does not lead to yet another change in direction by an impatient and suspicious government. Another key issue is the allocation of industrial investment, and, in particular, the place of "heavy industry." Clearly, in a country where capital is scarce and employment a major problem, the amount that should be allocated to such industry is a critical issue. It is necessary to analyze such investments very carefully and try to promote more labor-intensive industries.

36. There is at least one reason for believing that a basis exists for increased growth in both agriculture and industry with small incremental investment. It has been the past tendency to start projects and then experience long delays in completion or in full capacity operation because of lack of financial resources or poor management. For example, this has occurred in major irrigation, in steel, in fertilizers and in port development. India is now in a position to reap the fruits of these investments. In the steel industry, Bokaro is at last beginning to make a significant contribution; in irrigation, CAD investments can enormously increase both the effective use of water and crop yields; in fertilizer production, not only is there a very large increase in capacity coming on stream in the next three years (approximately 75%), but there are considerable opportunities for small investments to increase capacity utilization in existing plants, opportunities which are being explored to some extent by IDA's recent fertilizer industry credit; in the case of ports, the investments in Haldia, Paradeep, and Vizag Outer Harbor will soon bear fruit in a large growth in iron ore exports. Thus, there exist considerable opportunities for high return investments in the near future.

37. While the basic features of strategies to improve the efficiency of resource use are clear in outline and will be further refined in prospective economic work, the effects of such growth on India's poor is far from clear. In particular, an agricultural strategy based in large part on "Green Revolution" technology implies unbalanced growth, with most progress occurring in irrigated areas. It is perfectly possible that, despite a growing total production of foodgrain, the lot of many dry-land farmers will worsen. Industrial growth is not likely to have any direct effect at all on the poor in the foreseeable future. In this context, it is worth noting that employment in factories and mines is currently not more than six million. 1/ It is necessary, therefore, to consider means of distributing the benefits widely, including land reform, social service expenditures, and distribution of subsidized foodgrains. Of course, the growth strategy will have some direct benefits for the poor. For example, agricultural wages should rise, and a modernized extension service will lead to improved agricultural incomes even where the full modern package cannot be applied.

1/ Factories are defined as establishments employing 10 or more workers and using power, or 20 or more workers and not using power.

38. Perhaps the most important single determinant of the benefits to the Indian population from increased GDP growth is growth of population itself. Estimates of population growth rates vary widely, between 1.8% and 2.4% per annum. However, whatever the truth may be, it is clear that, while the growth rate itself is not exceptionally high, the absolute annual increase is very large. In the past year the Government has shown greatly increased interest in this area. The National Population Policy announced on April 17, 1976, included the following proposals: (i) that the population problem be given top priority in the attack on poverty; (ii) that the aim of policy be to reduce the birth rate to 25 per 1,000 by 1984, and the population growth rate to 1.4%; (iii) that the marriage age be raised to 21 for males and 18 for females; (iv) that compensation for sterilization be raised to Rs 150 if there are two living children, Rs 100 if there are three living children, and Rs 70 if there are four or more; (v) that group incentives be granted to doctors and others involved in the program; (vi) that population issues be stressed in education; (vii) that education for women be promoted and child nutrition programs be expanded; (viii) that 8% of assistance to State plans depend on family planning performance; (ix) that there be a major promotional campaign; (x) that representation in Parliament be frozen on a 1971 population basis until 2001; (xi) that Central financial assistance based on population numbers also be frozen on a 1971 basis; (xii) that aid be granted to voluntary organizations; (xiii) that more funds be devoted to research on reproductive biology and contraception; (xiv) that Union Government employees be expected to adopt small family norms; and (xv) that States be left free to promote compulsory sterilization and special incentive/disincentive measures. Several States have, in fact, been talking about such measures. Whether or not the implementation of these measures will be effective enough to have any significant effect remains to be seen, but the enhanced interest is an encouraging sign.

39. In considering aid requirements we have tried to take account of the issue of efficiency in resource use, which turns out to be a far more significant determinant of performance than variations in aid. A "two gap" model of the economy has been used. (See Annex I, "Development Prospects and Creditworthiness," for details.) There are three basic GDP growth assumptions - 2%, 4%, and 6%. The 2% growth rate is included only in order to analyze creditworthiness and is, therefore, reviewed later in the context of the amount of Bank Group assistance. In the case of 4% GDP growth, it is assumed that agricultural growth will be 2.75% and growth of the secondary sector will be 6%. With 10% growth in the secondary sector, an economic growth rate of 6% could be sustained provided agricultural growth is increased to 3.75%. Export growth is projected alternatively at 4%, 6% and 8%, with 6% being considered the best estimate. Imports of food, fertilizers, and POL are projected independently. In the case of food, imports are the gap between demand, which is the product of population growth (assumed to be 2% per annum in the long run) and an income elasticity of 0.5, and supply, which depends on the agricultural growth rate assumed. Imports of iron and steel and other intermediate inputs, capital goods, and "other imports" are related to industrial production, investment and GDP, respectively, with an elasticity of unity after 1979/80. The elasticities are higher in the period

before 1978/79. These relationships imply a much higher growth of imports than in any of our previous projections. Three alternative weighted average ICORs are employed: namely, 6 (the long-run average), 3.8 (the probable best performance), and 3 (the most optimistic, which is used only to see if 6% GDP growth is feasible).

40. The results are illustrated in Table 1 of Annex I. The most significant is the importance of the incremental capital-output ratio. If it does not improve, gross aid requirements to attain 4% growth reach US$11 billion by 1990/91 (in constant 1975/76 prices). However, with an improvement in the efficiency with which domestic resources are used (to an ICOR of 4.5 or lower), aid requirements to reach 4% growth do not rise above present levels, even in nominal terms.

41. If the export growth rate falls to only 4%, with low ICORs, aid requirements rise to US$3 billion by 1990/91 (in constant 1975/76 prices). With a target growth of 6%, even a reduction in the ICOR to 3.8 is insufficient to adjust the domestic resource gap, and aid requirements rise rapidly to US$13 billion by 1990/91 (in constant 1975/76 prices). The ICOR must fall further, to 3, before the domestic resource constraint is removed. However, with this higher rate of economic growth, a foreign exchange gap emerges in the late 1980s, even with 8% export growth. These projections show clearly the importance both of investment efficiency and of exports, if India is to improve its growth performance.

PRESENT ECONOMIC SITUATION AND PROSPECTS

1. As mentioned in the latest CPP on India, dated August 30, 1976, the country started the present fiscal year under economically favorable circumstances. With an easing of the foreign payments situation following in the wake of a bumper crop, the economy was able to acquire a sizeable cushion against future adversities in the form of a 17 million tons foodgrain buffer stock and foreign exchange reserves amounting at the end of September to US$2.9 billion. The latter amount represents six months' worth of imports or another 17 million tons of foodgrains. This is the most comfortable cushion India has ever enjoyed, except maybe in the early years after Independence when large sterling balances were being held.

Production Trends and Prospects for 1976/77

2. The southwest monsoon this year, although not quite as good as in 1975/76, has probably been better than normal. Nevertheless, because the application of fertilizer on the kharif (autumn) crop has increased by 32% compared to last year, the autumn foodgrain crop may be nearly as high as it was in 1975/76. Excess rainfall and flooding in parts of the country are also likely to enhance the prospects of a good rabi (spring) harvest, so that Government officials now think that the foodgrain output for the year as a whole could reach 116 million tons, only 2 million tons short of the estimated record level of last year.

3. The combination of a good harvest and a significant step-up in public plan expenditures is beginning to show its impact on industrial activity. Industrial output in the first five months of 1976 was 12% above the level reached in the corresponding months of 1975. This compares to increases of about 3% in the same periods of the two preceding years. The growth rate was particularly impressive for fertilizers (28%) and basic industries (25%); but in recent months there has been a tendency for consumer goods industries to respond to the overall expansion in demand as well. This has been particularly true for textiles, radios, TV sets, bicycles and cars. A rapid increase of 17% has also been registered in recent months in the production of electrical machinery, presumably as a result of the step-up in spending by the State Electricity Boards. The increase in the production of non-electrical machinery remains disappointingly low (5%).

4. This increase in effective demand, combined with a dramatic reduction in the number of mandays lost on account of labor disputes, has led to increased industrial capacity utilization and greater profitability, especially in the public sector enterprises. In the steel industry alone, capacity utilization went up from 73% in 1974/75 to 84% in 1975/76. In the first three months of 1976/77 it reached as much as 92%.

5. On the whole, provided the rabi crop turns out to be reasonably good, the economy can be expected to grow in 1976/77 by about 4-4.5%. This rate of growth -- although below the revised Fifth Plan target for the 1976-79 period (5.2%) -- would still be quite commendable for a year following upon a bumper crop. It would have been achieved thanks to a more intensive use of inputs

in agriculture, and thanks to a more vigorous expansion of industrial production.

Prices

6. While trying to stimulate the economy to higher investment levels and more rapid growth, the country's economic policy-makers are extremely keen to keep inflation from being reactivated. The experience of 1973/74 and 1974/75, when inflation rates reached as much as 30%, has been traumatic. Rapid inflation led to severe hardship for the poorer classes as well as to a fall in public resources for investment. Having managed to reverse the price trend drastically from sharp increases to a steady fall, followed by a stabilization, the authorities are determined to prevent inflation from re-appearing. In fact, there is probably no other economic indicator which Indian policy-makers watch as closely and to which they react as quickly as the price index.

7. Starting from end-March 1976 wholesale price index had again shown a tendency to rise quite sharply. By July 10, the increase amounted to nearly 11% in three-and-a-half months' time. However, the rise in prices was heavily concentrated in four commodities under short supply: raw cotton, groundnuts, groundnut oil and sugar. A series of measures were taken to increase the supply of these commodities, by restricting exports, accelerating imports and raising incentives for domestic production. As of the moment the rate of price increase has again considerably decelerated (1.0% between July 10 and Sept. 18), but all political authorities, from the Prime Minister down, have warned that the vigilance on the price front will be maintained.

The Balance of Payments

8. Detailed foreign trade data are now available for the first two months of the fiscal year. These data show that exports during these months exceeded exports in the corresponding period of last year by 29%, whereas imports declined by 4%. Consequently, the balance of trade improved from minus US$234 million in April-May 1975 to minus US$16 million in April-May 1976. But, contrary to the general belief, the balance continued to be negative in those months.

Foreign Trade[a/]

(in US$ million)

	April-May 1975	April-May 1976	Percentage change
Exports	623	805	+29%
Imports	857	821	- 4%
Trade balance	-234	- 16	

a/ Using a trade conversion factor of Rs.7.985 to the dollar for April-May 1975 and of Rs.9.073 to the dollar for April-May 1976.

9. At first sight it may appear rather surprising that, in a period of economic revival, imports should decline. Yet, a closer look at the comparison of imports for the two above-mentioned months, shows that the overall decline is mainly due to a fall in food and fertilizer imports and that a rapid increase in the import of some investment-related goods has in fact taken place.

Selected Imports (in US$ million)

	April-May 1975	April-May 1976	Percentage change
Total Imports	857	821	- 4%
of which:			
Wheat and rice	211	168	-20%
Fertilizers and Raw materials	124	25	-80%
POL	209	251	+20%
Iron & Steel	59	39	-34%
Non-ferrous metals	13	25	+92%
Non-electrical machinery	82	119	+45%
Electrical machinery	31	28	-10%
Transport equipment	19	16	-16%

This table shows that, although shipments of wheat and rice continued to arrive in the first two months of 1976/77, the import bill on account of foodgrains was beginning to fall off. The data also indicate that, because of the fertilizer build-up at the end of last fiscal year and because of the rapid increase in domestic production of fertilizer, foreign shipments have been drastically cut, with the import bill dropping from US$124 million in April-May 1975 to US$25 million in April-May 1976. On the other hand, a notable increase from US$82 million to US$119 million (or 45%) has been registered in the import of non-electrical machinery; the import of non-ferrous metals has nearly doubled, from US$13 million to US$25 million. The import of electrical machinery and of transport equipment, has fallen off very slightly.

10. As far as the composition of exports is concerned, data are available for the first three months of the year. These data are as follows:

Selected Exports (in US$ million)

	April-June 1975	April-June 1976	Percentage change
Total exports	1,005	1,163	+ 16%
of which:			
Sugar	106	66	- 38%
Tea	39	39	-
Tobacco	57	54	- 5%
Iron ore	59	63	+ 7%
Silver	21	12	- 43%
Leather & Leather goods	57	86	+ 51%
Mill made cotton textiles	25	41	+ 64%
Jute manufactures	85	50	- 41%
Iron & steel	12	73	+508%
Engineering goods	115	118	+ 3%
Clothing	42	82	+ 95%

These data show that the increase in exports for the first three months of the year is considerably smaller than the one registered in the first two months (29%), but continues to be quite high (16%). These figures also indicate that the increase in exports of iron and steel -- made possible through the very large expansion of domestic production -- accounts to a large extent for the overall increase in exports. Excluding iron and steel, the overall increase in exports is reduced to 10%. Furthermore, as was to be expected, the large export of sugar in 1975/76 was a temporary phenomenon and has fallen back significantly in the first months of 1976/77. Nevertheless, it is encouraging to note that the export of some non-traditional items, with great long-term potential, is beginning to pick up quite significantly. This is particularly true for clothing (ready-made garments), and leather goods. Exports of these goods increased by 95% and 51%, respectively.

12. Following (a) a favorable trend in India's foreign trade, (b) a probable increase in the flow of invisibles and (c) a likely rise in foreign aid disbursements (of which US$149 million by the World Bank Group in April-June of this year), foreign exchange reserves in the first quarter of this fiscal year increased by US$272 million (from US$2.17 billion at end-March to US$2.44 billion at the end of June), after repayment of about US$75 million to the IMF on account of the Compensatory Facility.

Foreign Exchange Reserves				(in US$ million)
	Gold	SDRs	Foreign Exchange	Total
end March[a/]	281	234	1,657	2,172
end June	278	217	1,949	2,444
end August[b/]	279	217	2,318	2,814
September 10[b/]	279	217	2,370	2,866

a/ End March data are based on IMF statistics; others on RBI data.
b/ Gold and SDR figures are those for the end of July. Foreign exchange holdings have been converted to US dollars using the IMF par or central rate for June 1976.

More recent data show that the rise in foreign exchange is continuing unabated, and in fact accelerating. Whereas the accumulation of reserves amounted to US$347 million in the first quarter of the year (before repayment of US$75 million to the IMF), the increase during the second quarter had already reached US$422 million on September 10, with still one half month to go.

13. This acceleration in the accumulation of foreign reserves probably indicates that the balance of trade has continued to be balanced or may even be in slight surplus, which in view of the expected further decline in food imports in recent months is very likely. If this trend continues, India's balance of trade for the fiscal year as a whole would -- like in 1972/73 -- show a small surplus.

14. Given the present rate of accumulation of reserves, foreign exchange holdings could easily reach US$3.5 billion by the end of March 1977, even after the announced repayment of US$270 million (i.e. 235 million SDRs) to the IMF on account of oil facility and first credit tranche drawings. This would represent an increase of over US$1.3 billion, or over 60% in the course of one year. At that level the reserves would represent about seven months' worth of imports.

Policy Issues

15. A major policy concern for the Indian economy is how to make the most of the favorable circumstances prevailing at present. Good harvests, increased productivity in basic industries, rising foreign exchange reserves and the prospects of continuing improvements in these areas for at least one more

year have broadened the policy options and precipitated the urgency of fundamental policy decisions.

16. One set of issues relate to India's demand for foreign aid under present circumstances. At one extreme, a target of net zero aid has been part of the plan rhetoric for some time. Although such a target looks more realistic now than was the case at the time the Fifth Plan was drafted, its economic rationale is no less questionable. If a high political importance was attached to this goal, India could reduce its dependence on external aid, but at the cost of sacrificing growth potential. There are no indications that India will decide to reduce its demand for foreign aid. On the contrary, the recent revision of the Plan eliminated the net zero aid target from the strategy and projected continuing net aid inflows. However, the evolution of a somewhat more discriminating attitude towards aid offers should not be ruled out.

17. Another option would be to take advantage of the situation to build up commodity as well as financial reserves against future contingencies. Years of drought and scarcity are part of the Indian scene. Crop failures cause not only human suffering and social unrest, but also economic dislocations which interrupt the growth momentum. In this context, investments in commodity or financial reserves is linked closely with the growth strategy. The accumulation in such reserves over the past year occured not so much as part of a well thought out strategy, but almost fortuitously when supplies turned out to be larger than expected. During the last six months, GOI has paid increasing attention to the medium-term benefits and costs of foodgrain storage, import and procurement policies. An official committee which was appointed to study the economics of optimal storage has recommended that, during the remaining two and a half years of the Plan, the Government should aim at a total foodgrain stock of 22 million tons, of which 11-12 million tons as buffer, 5-6 million tons as normal pipeline to supply the public distribution system throughout the year, and another 3-4 million tons as peak level stock to be reached immediately after the end of the procurement season. If procurement from the present kharif crop were to reach 5 million tons, and given the low present off-take levels, the total stock may well reach 19-20 million tons by the end of January 1977.

18. The third set of issues relate to the cpacity of the Indian economy to absorb increased flow of foreign resources. Even after allowing a comfortable level of commodity and financial reserves -- and provided no drastic reduction occurs in aid inflows -- Indian economy will have resources available to it which can only be absorbed through an increased volume of imports. This poses hard policy options. Import liberalization scope -- particularly in non-consumption goods -- is limited by the existence of a far-ranging domestic capacity which has grown under heavy protection. Therefore, import relaxation can be attempted only selectively in order not to hurt the domestic industry. A high-level committee under the chairmanship of Secretary Kaul is investigating the possibilities of selective import liberalization especially for capital goods. But on a more general level, increased import possibility is also limited by the stagnant demand for industrial products which has characterised the Indian economy for over a decade now. In other words, even if additional imports would not be competing directly with domestic production, they would be diverting purchasing power away from domestic production and lead to

recession unless the aggregate demand in the economy is raised at the same time. Therefore the success of import liberalization even on a selective basis is contingent upon an expansionary expenditure policy. This, however, raises questions as to how compatible such an expansionary policy would be with the objective of maintaining price stability.

19. Although the Government has taken measures in the past 6 months to liberalize the imports and to increase public investments, concern with price stability and the protection of the domestic industry have precluded the emergence of a strong growth oriented strategy. Much more importance seems to be attached to price stability than to taking full advantage of growth opportunities. The latter policy would include higher levels of public sector spending than at present and more liberal credit facilities. Danger of high rates of inflation is not very serious in India in a year of good agricultural output. Given the stock positions, anti-inflationary efforts can be concentrated on supply adjustments rather than reflected in over cautious expenditure and credit policies. Moreover a somewhat higher rate of inflation than what is predicted at present would be a small price to pay for higher rates of growth. Economic conditions this year present a unique opportunity in recent Indian history where an injection of dynamism into the Indian economy seems to be attainable at a reasonable cost. It would be regrettable if this opportunity was not fully exploited.

October 6, 1976

AGRICULTURE

Foodgrain Production and Procurement

1. After reaching a peak of 108.4 million tons in 1970/71, total foodgrain production stagnated between 95 and 105 million tons until 1975/76. The 1975 southwest monsoon was highly favorable, providing timely and well-distributed rainfall for the Kharif crop and good soil moisture conditions for Rabi cultivation. The final production figures for 1975/76 are still being reviewed but all sources agree that the 114 million ton target was exceeded and the present GOI estimate is about 118 million tons.

2. The excellent 1975/76 crop benefitted from the unusually good monsoon. The 1976 southwest monsoon, while better than normal, has not been nearly as good. Although cumulative rainfall between June 1 and September 22, 1976 has been "normal" 1/ or higher in all meteorological subdivisions except Kerala (which usually provides less than 2% of Kharif cereal production), the monsoon got off to a weak and late start in fairly large areas of eastern India. This delayed agricultural operations, possibly reducing both yields and total area sown, particularly for paddy. Moreover, late harvesting of the Kharif crop could also delay Rabi sowing and reduce Rabi yields. Field reports from the recent mission to Bihar, which normally produces about 8.1% of total Kharif cereal output, suggest these factors are at work in that state. In Tamil Nadu, the source of about 9.8% of Kharif cereal production, different problems have arisen: rainfall in the state is well above normal, but rainfall in Kerala, which supplies virtually all of Tamil Nadu's surface irrigation, has been deficient, resulting in drought conditions in areas irrigated by surface water.

3. It is still too early to estimate the impact of the 1976 southwest monsoon on total foodgrain production in 1976/77. On the positive side preliminary estimates of fertilizer offtake show a 32% increase between Kharif 1975 and Kharif 1976 (see below). Moreover, the outlook for Kharif grains other than paddy is reported to be very good. While it is generally granted that production will not reach last year's level, GOI officials expect provisional 1976/77 foodgrain production target of 116 million tons to be reached.

4. The excellent 1975/76 crop has been reflected in record levels of procurement: as of August 1976 about 13.0 million tons had been procured from the Kharif 1975 and Rabi 1976 crops compared with about 7.3 million tons for the previous year. The price index for foodgrains fell by over 25% between May 1975 and May 1976. In some areas the procurement price acted as a support price. The lower cost of foodgrains and their wide-spread availability on the free market led to a sharp (50-60%) reduction in foodgrains issued through the public distribution system. This, combined with record procurement levels and continued arrivals of previously contracted foodgrain imports, led to a ~~rapid~~ build-up of stocks from 5.7 million tons at the end of June 1975 to about

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1/ "Normal" is defined by the Meteorological Department as the range between ±19% of average rainfall.

17.0 million tons a year later. This put a severe strain on storage facilities. Official sources indicate that pucca storage facilities could be found for only about 12-13 million tons. Much of the remainder is reportedly stored in fairly poor conditions and is subject to relatively substantial loss due to weather, insects and rodents.

Other Crops

5. The preliminary reports for other crops are also generally good. Sugarcane area and production are expected to be higher than last year, possibly setting a new record. Production of mill sugar, however, decreased last year and again may not reflect higher sugarcane production levels due to continued diversion of cane to produce the more profitable and less controlled end products of khandsari and gur. With 1975/76 mill sugar production less than originally expected, and a record level of sugar exports, there has been a 30% increase in the price index for sugar between March and August, 1976. The Government has taken a number of steps to slow this price increase, including reducing plans for sugar exports in 1976/77.

6. The fall in foodgrain prices during 1975/76, combined with a 22% increase in the price index for raw jute and mesta, increased the profitability of growing jute relative to paddy. Area planted to jute and mesta has consequently increased substantially and this year's crop is expected to be about 7.0-7.2 million bales compared with about 5.0-5.3 million bales last year. Continued depression in the jute industry, however, should mean that demand for raw jute will remain fairly low, making it difficult to maintain current jute price levels. The Jute Corporation of India is expected to purchase some 1.0-1.2 million bales to build up a buffer stock this year. Storage may be a constraint on this operation.

7. Initial reports on Kharif oilseed production have been encouraging, with some official sources suggesting that last year's record groundnut crop may be exceeded. The final outcome, however, will depend on showers at the end of the monsoon period for which data are not now available.

8. Production prospects for tea are also good this year. Production during the first six months of 1976 is running well above 1975 levels. It is likely a new record crop of about 500,000 tons may be reached. Given the prevailing favorable world market prices, India should have little difficulty in meeting its tea export target this year.

Fertilizer Offtake

9. Realized level of agricultural output will, of course, be affected by the weather during the remaining months of the crop year. However, if foodgrain production turns out to be, as expected by GOI, around 116 million tons in a year of not very exceptional monsoon, and if the yields in other crops happen to be as good as expected, this will raise the question of whether we are witnessing an upward shift in the normal trend of agricultural growth and

to what extent this may be due to increased inputs. The effect on productivity of stepped up public investments is difficult to trace from one year to the next. However, the continued recovery of fertilizer demand, which began during the last Rabi season has been encouraging, and the larger amount of fertilizer used during Kharif 1976 is expected to offset, at least in part, the less favorable weather conditions compared to 1975. On-going studies initiated by the Bank on fertilizer demand, public investments, and agricultural pricing policies are expected to provide further insights into the sources of long-term productivity in Indian agriculture.

10. A sharp increase in fertilizer prices during 1974 caused fertilizer off-take in 1974/75 to drop by about 8%. Due to the price increases, however, farmer's total cash expenditure on fertilizer rose by roughly 65-70%. When fertilizer offtake fell again in Kharif 1975, despite ideal weather conditions, the Government began to reduce fertilizer prices. By April 1976 nitrogenous and phosphatic fertilizer prices had been reduced below their peak prices by 13% and 42% respectively. The reduction in phosphatic prices was achieved primarily through the granting of a cash subsidy to domestic producers of Rs.1,250 per ton of P_2O_5 and by reducing the selling price by an identical amount. The Government intends that these fertilizer subsidies should be temporary. The budgetary impact will be offset in part by profits made on sales of nitrogenous fertilizers.

11. While these price reductions have no doubt helped to stimulate demand, their effect on the profitability of fertilizer use has been offset by the decline in foodgrain prices over the past year. The fertilizer:foodgrain price ratio is no lower than it was when fertilizer prices were at their peak. This suggests that the farmers' improved financial position following three successive good crops may have been the main force behind the recovery of fertilizer demand.

6 October 1976

TWENTY-POINT ECONOMIC PROGRAM

1. Shortly after proclaiming the Emergency in late June 1975, Mrs. Gandhi went on the air and announced "some economic programs which the Government proposes to follow. Some of them are new. Others were set forth earlier, but require to be pursued with greater vigor and determination". This package of programs soon became known as the 20-Point Program or the New Economic Program (NEP). Actually the NEP consisted of a rather disparate set of commitments to take steps aimed at tackling selected current, as well as long-standing economic and social problems. It is said that the program was hastily put together at Mrs. Gandhi's behest by asking various Ministries to supply one or two essential action programs. As a result, the NEP does not amount to any comprehensive, well structured and internally consistent plan of action, either within or beyond the Fifth Plan framework. It has the merit, however, of focusing attention on some important outstanding issues pertaining mostly to the rigidities in the rural sector.

2. Many of the items included in the NEP fall within the responsibility of the State Governments and call essentially for legislative and administrative action rather than large financial outlays. Their unifying objective is to take up in earnest the task of removing poverty, which was an essential component of Mrs. Gandhi's 1971 election platform, but with a new emphasis on hard work, strict discipline and all-round austerity. Under the general objective of alleviating poverty, the various points can be regrouped into three broad and partly overlapping categories.

(i) Measures to hold the line on the price front;
(ii) Measures to step up agricultural and industrial production;
(iii) Measures to ease the lot of specific target groups, including the rural poor, industrial workers and the middle class.

Measures Aimed at Maintaining Price Stability and Increasing Production

3. The "points" included in the first two categories are largely a reiteration of some of the steps already taken before the Emergency went into force. With regard to anti-inflationary policies, they comprise the careful regulation of credit on a selective basis, a vigorous campaign again hoarders, smugglers and other assorted economic offenders, as well as instructions to Government departments and public sector undertakings to cut out inessential expenditures. No doubt the implementation of these measures has contributed to the Government's success in checking inflation, but they were part of a much broader overall strategy, and prices had started stabilizing about 9 months before the NEP was announced.

4. The steps to increase agricultural and industrial production mainly concerned the irrigation and power sectors. Mrs. Gandhi announced that action was being taken to bring under irrigation at least 5 more million hectares and to increase generating capacity by 2,600 megawatts, but did not specify the dates by which these targets should be fulfilled (the Draft Fifth Five-Year Plan envisaged the addition of 6.2 million hectares of irrigated land and of 16,500 megawatts of generating capacity). Translated into concrete

action, these measures resulted in a 5% increase of the 1975/76 budget allocation for irrigation and power, in order to speed up certain selected irrigation and power projects. Similarly, the 1976/77 outlay was again raised by about 18% over the previous year's estimated level of expenditures. Other measures of a more specific nature or longer term impact included the introduction of a system of nation-wide permits for road-haulers 1/ and the simplification of industrial investment licensing procedures.

Measures Aimed at Improving the Welfare of the Poor

5. Among the third category of measures, those directed toward the rural poor come closest to forming a comprehensive program. Taken together, they could theoretically lead to a substantial improvement in the welfare of the poorest rural sections, particularly the landless laborers and their families. The measures include:

(i) the redistribution of surplus land to the landless;
(ii) the provision of house-sites to the landless;
(iii) the liquidation of rural indebtedness;
(iv) the abolition of bonded labor;
(v) the review and enhancement of minimum wage rates for agricultural labor;
(vi) the protection and development of the handloom industry.

Although official returns may overstate some of the achievements, there is no gainsaying that on all these fronts Central and State governmental machineries have girded themselves for an unprecedented level of activity, under the close monitoring and constant prodding of the Central Cabinet. However, the pace of progress is brisk only in comparison with the leisurely ways of the past and not in relation to the needs. Obviously progress on these fronts is also constrained by the difficulties or even the impossibility of implementing these reforms without changing the social and political fabric of the rural and urban communities.

6. Prime among the rural programs is the commitment to "implement ceiling laws and distribute surplus land among the landless with redoubled zeal." Whereas only 2.31 million acres had been declared surplus and 1.25 million acres distributed since the introduction of ceiling legislation (in the 1950s and early 1960s) until 1972, the Deputy Finance Minister was able to announce in Parliament in August 1976, that under the renewed drive, 1.3 and .83 million acres had already been taken over by the States and distributed. The pace of work is probably still gaining momentum as various States have

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1/ At present, road transport licenses are only issued on a state-wide or regional basis. A greater constraint to the rapid movement of goods by road is the proliferation of octroi and other check-posts on Indian highways.

taken steps to speed up the distribution of surplus land by toning up the revenue agencies and setting up special land reform tribunals, by streamlining legal procedures and by updating land records. Moreover, most of the State laws dealing with land reform have been included in the 9th Schedule of the Constitution, thus placing them beyond litigation and court injunctions. It has been estimated that the implementation of the State ceiling laws will yield some 4.4 million acres of surplus land; this represents about 1.1% of the total land area available for cultivation in India and only 3.7% of the land operated by holdings of 25 acres and above. Even if this much land is in fact declared surplus and distributed to the landless at the rate of say, 3.5 acres per household, this would benefit only about 1.26 million households, a mere 5% of the current landless households.

7. A larger number of landless families stands to benefit from the provision of house-sites. According to official returns, over 6 million house-sites had been allotted to the landless and other weaker sections by July 1976. In a number of States the work has been substantially completed. Besides, the States of Kerala, Karnataka, Tamil Nadu, Madhya Pradesh, Maharashtra, Andhra Pradesh, Orissa and West Bengal have taken up programs for construction of houses on the house-sites allotted to the landless and for providing financial assistance to the allottees for construction of houses. Over 200,000 houses have so far been constructed. States are also taking action to grant ownership rights to persons already in possession of houses and to protect them from unauthorized eviction.

8. Similarly, the liquidation of rural indebtedness could affect vast numbers of rural poor. On the basis of guidelines issued by the Ministry of Agriculture, most of the States have issued orders imposing a moratorium on the recovery of debt incurred by small and marginal farmers, agricultural laborers and rural artisans, excepting debts from cooperatives, commercial banks and government agencies. The worst exploited among debtors are the bonded laborers who are apt to spend a lifetime working for their creditors at absurdly low wages in order to redeem a debt that might have been incurred by their father or grandfather. A law abolishing bonded labor has now been enacted providing for the extinction of all debt and the rehabilitation of bonded laborers. Returns from 8 States indicate that 75,000 bonded laborers have been identified so far, of which 55,000 have been freed and 3,000 fully resettled. In order to provide alternative sources of credit, 19 rural banks have been established and 31 more, each with one hundred branches, have been planned. Moreover, cooperative credit institutions and commercial banks are being encouraged to extend credit to the weaker sections of society. It is very doubtful, however, that institutional credit will be able to displace the traditional money lenders who are deeply engrained in the fabric of rural society.

9. Similarly, although most States have recently revised upward the legal minimum wage rates for agricultural laborers, the chances that they will be paid out in full are not very good; not only were the lower rates not being adhered to in most cases, but with the rapid and inexorable swelling of the

ranks of agricultural laborers, even a strengthened enforcement apparatus as envisaged by some State Governments is unlikely to be of much avail. Indeed, the lot of the farm laborers often grows worse as a result of more stringent laws, as the higher wage rates constitute an inducement for the large farmers to adopt mechanization and other labor-saving technology.

10. In order to stimulate rural employment, the development of the handloom sector is receiving special attention. A comprehensive program for revitalization and development of the industry has been undertaken and a Central scheme for setting up of 13 intensive development projects and 20 export promotion centres is being taken up. Adequate supply of yarn to weavers is being arranged, and five more items have been reserved exclusively for the handloom sector. The Central Government has appointed a Development Commissioner to look after the implementation of this program. Handloom exports, especially of ready-made garments, have witnessed encouraging growth.

11. In contrast to agricultural workers, industrial workers did not figure among the direct beneficiaries of the NEP, except to the extent that they have been given a greater say in the operation of the plants under a scheme of workers' participation at the shop floor and plant levels in units employing 500 workers or more. In fact, union activities as well as some of the industrial workers' rights (i.e. bonus payments) appear to have been curtailed following the Emergency.

12. The so-called middle-class, however, which belongs already to the minority of better off income groups, benefitted from the increase in the exemption limit for personal income tax from Rs.6,000 to Rs.8,000 under the Finance Amendment Act of 1975; this affected an estimated 1.6 million taxpayers. In the Central Budget for 1976/77, the rates of income tax and wealth tax have been further reduced. Moreover, the measures to provide essential commodities, stationery and text books to students at controlled prices must have primarily benefitted middle-class families who supply the bulk of the student population.

13. While the NEP has generally instilled a new sense of urgency, particularly in some of the rural programs, it does not amount to a coherent program for the removal of poverty as outlined in the introduction to the Draft Fifth Plan, which would have required a "considerable reduction in the prevailing inequality in consumption" (and presumably wealth). The NEP is much more limited in scope. Even then, the Government's success in achieving some of the NEP's important objectives, such as the enforcement of minimum agricultural wages and the liquidation of rural indebtedness, remains highly problematical, as reliance on mere legislative fiats and administrative follow-up machinery would seem to be misplaced in the face of problems which are part of the existing social and economic circumstances rather than the result of individual, immoral actions.

14. Surprisingly, the NEP did not contain any reference to family planning programs. Subsequently, however, they were given a prominent place in Sanjay Gandhi's 5-point program.

6 October 1976

INDIA

A Background Note on Foreign Assistance and Debt

1. India has received substantial amounts of aid in absolute terms. Between 1960 and 1975 the cumulative net aid transfer was US$ 14 billion. Although this is an impressive figure, it is much less so when considered in relationship to India's size. Over the past three years, for example, net aid to India has averaged US$ 1.50 per capita, or just over 1% of GNP, while it has been US$ 8 per capita to Pakistan (5.5% of GNP), and US$ 10 per capita to Bangladesh (8% GNP). Between 1969 and 1974 India, with a third of the population of countries receiving DAC assistance, received only 11% of the total concessional aid flow to LDCs from DAC countries and multilateral agencies.

2. India's poverty and size provide the necessary perspective on the large aid flow in absolute terms. Two hundred million Indians live in extreme poverty with incomes of less than US$ 80 per capita. The per capita income for the country as a whole is about US$ 150. Thus, the need for large amounts of concessional assistance is very great. On the other hand, in spite of its extreme poverty, India's total GNP is the largest of any borrower from the Bank, and was tenth largest in the world in 1973. Thus, large sums are dwarfed by the scale of the country and its problems.

3. Because aid has never been very large in relation to its needs, India has consistently financed more than 80% of gross investmnnt from domestic savings and between 1970 and 1975 the level reached just over 90%, which is extremely high by international standards. The contribution of aid fell steadily between 1965/66 and 1972/73 from 14% of Gross Domestic Investment to 3%, but rose to 7% in 1974/75, as a consequence of the international response to the recent balance of payments crisis.

4. Although aid has been quite small in relation to India's needs and its size, it has played a valuable role -- especially in the context of the balance of payments. In 1965/66, 42% of India's import capability was provided by net aid. The contribution fell to 11% in 1972/73, but has again risen sharply to 21% in 1975/76.

Aid and the Balance of Payments

(US$ Billions)

	1965/66	1972/73	1974/75	1975/76[1]
Exports	1.7	2.6	4.1	4.5
Net Aid Transfer	1.3	0.3	1.0	1.4
Net Miscellaneous Capital and Invisibles[2]	0.1	-0.1	0.6	0.7
Import Capability[3]	3.1	2.8	5.7	6.6
Ratio of Net Aid Transfer to Import Capability (%)	42	11	18	21

1/ Estimate

2/ Includes IMF

3/ Assumes no change in reserves in each year.

5. The international community has played a crucial role in assisting India to manage the crisis that developed after 1973. After reaching a low level of US$ 273 million in 1972/73, the net transfer has grown to US$ 1,425 million in 1975/76. This effort has been shared between the Consortium, whose net transfer increased by US$ 527 million and OPEC countries, whose net transfer grew from zero to US$ 470 million.

6. India's foreign exchange reserves have risen from US$ 1,311 million at the end of 1972/73 to US$ 2,186 million at the end of 1975/76 and are currently over US$ 2.5 billion, equal to 5 months imports. Because of inflation, India's debt service ratio has fallen from 27% in 1970/71 to 15.8% in 1975/76. Since India has avoided contracting much short and medium term debt in the past three years, and almost none of it was on commercial terms, the debt service ratio is not projected to rise above 17% in the foreseeable future. The strength of India's current and projected balance of payments position should enable it to meet the foreseeable debt service requirements without undue strain. In view of India's present comfortable foreign exchange situation, GOI is aware that we no longer find it possible to push for a formal debt relief exercise in the consortium.

7. Two main issues face the donors and India in aid management. For the donors the problem is that, since a general debt relief agreement is unlikely to be obtained this year, there may, in certain cases, be a negative net transfer to India in 1977/78, unless debt relief is maintained unilaterally or effectively replaced. As the attached table shows, Austria, Germany, Italy and Japan would all have been in this position in 1975/76, had there been no debt relief, and Austria and Italy were in this position even with debt relief. Failing an adequate effort to raise commitments and disbursements, the same situation will arise in the future. We have been urging and will continue to urge these countries to avoid such a situation.

8. The aid issue now facing India is not that of getting as much aid as possible but, the reverse, of using effectively what it has. According to the projections made for the CPP, use of projected import capability requires a 25% per annum real increase in imports other than food, fertilizers and POL over the next three years. This, in turn, demands changes in India's import policy going far beyond anything we have seen so far. If these changes do not occur, it is likely that India will continue to accumulate reserves which may, in the longer run, affect the willingness of aid donors to make special efforts to assist India.

October 15, 1976

INDIA: External Debt and Debt Service
(In US Dollars Millions)

Debt Outstanding To	Debt Outstanding Committed	Debt Outstanding Disbursed	Debt Service 1976/77	1977/78	1978/79	1979/80	1980/81
	as of March 31, 1976						
ALL CREDITORS	17,145.5	12,724.8	863.9	891.8	914.1	1,064.1	1,117.0
INTERNATIONAL ORGANIZATIONS:	5,128.2	3,212.9	113.2	118.5	127.9	139.0	134.3
GOVERNMENT 1/	11,908.0	9,491.0	742.7	760.6	772.4	910.8	968.7
Government Loans Excluding Suppliers Credits	11,464.2	9,185.41	668.1	689.0	710.1	856.8	926.9
Austria	35.7	31.5	3.8	3.5	3.4	3.0	2.3
Bahrain	1.0	0.1	--	--	--	--	--
Belgium	54.1	43.0	1.4	1.4	1.4	1.6	1.9
Canada	523.9	469.6	16.1	17.3	16.6	16.6	16.3
Czechoslovakia	58.6	44.7	9.4	9.3	6.5	6.4	6.2
Denmark	34.8	25.1	1.4	1.4	1.4	1.8	1.8
France	461.4	298.2	31.4	33.8	33.8	34.0	33.3
Germany	1,642.1	1,359.4	132.0	130.5	126.6	121.7	116.4
Italy	42.2	39.8	7.2	7.0	6.7	6.5	6.3
Japan	889.5	697.4	81.6	84.5	93.7	81.4	83.1
Netherlands	263.7	215.9	10.7	11.1	11.5	13.4	14.5
Poland	44.7	13.8	6.9	7.0	5.0	5.0	4.9
Qatar	5.0	4.0	1.2	1.2	1.1	1.1	--
Sweden	153.0	109.9	1.7	1.9	2.8	3.0	3.3
Switzerland	43.4	24.3	3.2	3.4	3.5	3.7	3.8
United Kingdom	1,451.1	1,387.5	61.7	67.1	71.9	73.2	78.3
United States	3,572.5	3,469.7	152.6	156.2	169.5	173.3	170.0
U.S.S.R. 2/	979.8	612.6	123.7	123.8	123.6	123.1	122.6
Yugoslavia	7.9	5.3	2.8	2.7	--	--	--
Other OPEC	1,200.0	475.0	19.3	26.2	31.2	188.3	262.0
Supplier Credits	443.8	305.6	74.6	71.6	62.3	54.0	41.8
Australia	0.02	0.01	0.01	--	--	--	--
Austria	3.1	1.3	0.1	0.4	0.5	0.4	0.4
Belgium	7.8	5.5	2.4	1.5	0.8	0.7	0.4
Bulgaria	2.3	0.04	0.01	0.01	0.01	0.1	0.2
Czechoslovakia	0.6	0.5	0.2	0.2	0.2	--	--
Denmark	5.2	4.5	1.0	1.0	0.9	0.9	0.8
Finland	0.8	0.5	0.3	0.3	--	--	--
France	48.7	37.7	12.0	9.0	7.9	4.4	3.8
Germany, Dem. Rep. of	24.0	28.8	1.6	1.7	1.7	1.6	1.5
Germany, Fed. Rep. of	63.8	44.9	10.1	9.8	8.1	8.3	8.8
Hungary	1.2	0.7	0.1	0.2	0.2	0.1	0.1
Italy	105.9	81.3	18.1	17.7	16.1	15.4	7.6
Japan	28.8	23.7	6.6	5.9	5.3	3.9	2.7
Netherlands	7.7	5.7	2.2	1.6	1.2	1.0	0.4
Norway	1.7	1.4	0.4	0.3	0.3	0.3	0.3
Romania	27.4	9.4	2.0	2.0	2.1	2.2	2.2
Sweden	2.9	1.3	1.1	0.6	0.1	--	--
Switzerland	0.04	0.03	0.01	0.01	0.006	--	--
United Kingdom	2.2	0.7	1.6	0.7	0.01	--	--
United States	5.3	2.9	1.1	1.2	0.5	0.4	--
U.S.S.R.	4.2	2.8	1.0	0.9	0.4	0.4	0.2
Yugoslavia	100.2	51.9	12.7	16.6	16.3	13.9	12.4
PRIVATE	109.3	20.9	8.0	12.7	13.8	14.3	14.0

1/ Government total does not include suppliers credit totals.
2/ Includes estimated value of wheat loan debt and repayment.

INDIA'S POPULATION AND FAMILY PLANNING SITUATION

The Population Picture

1. Changes Since 1961 Census: Between the censuses of 1961 and 1971 the population increased from 439 to 557 million, the average net growth being 2.3% per year. The present population is estimated to be 620 million, growing at around 2% annually.

2. The latest official estimate of the crude birth rate is 34.5 per thousand[1/] for 1974, a drop of 23% from the high level of 45 now calculated for 1961. But in the same period the reported crude death rate dropped 27%, from 19.8 to 14.5 per thousand. If these figures indeed reflect demographic reality, the effect has been to reduce the population growth rate by just 20%, from 2.5% in 1961 to 2.0% in 1974. However, indications over the past 2-3 years are that the fall in the birth rate is accelerating while that in the death rate is slowing down. These changes, if they continue, will begin to pull the growth rate down more rapidly in future.

3. Population changes vary markedly from state to state and between urban and rural sectors. In 1974, 13 of the 21 states, with 61% of the population, had birth rates below the national average, but 11 of these same states also had lower death rates. These differences produce wide variations in population growth. During the 1960s the fertility rate for urban areas began, for the first time, to drop significantly below the rural level, in part because of contraceptive practice linked to a smaller family norm. This development may begin to take hold in the rural areas, depending on the long-term impact of the family planning program and basic fertility determinants.

4. Actually, considering the still-limited practice of contraception the fertility level is surprisingly low, with an average birth interval of 30-36 months. This is explicable in terms of nearly universal and prolonged lactations, low coital frequency, and physical separation due to migration. Undernutrition may also contribute, mostly by interfering with female development and ovulation. If these factors should change in the "wrong" direction fertility would rise, unless family planning provided a sufficient offset.

5. Population Outlook to 2001: At least five projections have been made by qualified demographers covering the period 1971-2001, including one by the Bank. The forecasts range from a low of 917 million to a high of 1,249 million, depending on the fertility/mortality assumptions employed. The most recent and possibly the best effort points out that the current population is already about 620 million and will exceed 660 million by the 1981 census. For the year 2001 the most probable range is given as 922-970 million, based on a fairly slow mortality decline and a modest rate of fall in fertility.

1/ Some analysts assert the birth rate has not fallen to this level, and may still be as high as 37-39. The death rate may also be significantly higher, perhaps around 16. Such figures yield a current growth rate in the range of 2.1-2.3%.

6. The interesting set of forecasts is made that the population could eventually stabilize somewhere between 1,200 in the year 2073 and about 1,800 million in the year 2094. However, these projections were done just before the recent step-up in the national family planning program which, if successful, will necessitate revisions utilizing more rapidly falling fertility rates. The projections would then be substantially reduced, especially those made over longer time spans.

Developments in Family Planning and Population Control

7. Major Policy/Action Stages: Policies and actions have evolved through several stages since India's First Plan for 1951-56 included a program for "family limitation and population control":

Period	Predominant approach or major innovation	Expenditure on fp (Rs.million) Planned	Actual
1952 to late 50s	Setting up clinics focused just on fp	Plan I (1951-56)	
		6.5	1.4
		Plan II (1956-61)	
		49.7	21.6
Early 1960s	Approach broadened to family welfare and community involvement. Broader methods choice.	Plan III (1961-66)	
		269.8	248.6
1965-68	Aim to reach CBR of 25 by 1976; major effort with IUD.	Annual Plans (1966-69)	
		829.3	704.6
1968 onwards	Mass marketing of condoms (Nirodh program).		
1969 onwards	Pf placed with items of "highest national priority" integration of fp and MCH; mass vasectomy camps.	Plan IV (1969-74)	
		2,857.6	2,844.3
1971 onwards	Broader policy on abortion.		
1974 onwards	Concentration on sterilization as most cost-effective method; further integration of fp/MCH with health and nutrition; introduction of multipurpose worker.	Plan V (1974-79)	
		610.0 (74/75)	620.5
		632.0 (75/76)	741.9
		701.4 (76/77)	-
		1,943.4	1,362.4
Early 1976	Re-formulation of national pop/fp policy; launching of "all-out" drive to limit family size.		
	Totals (1951 through 1975/76)	5,956.3	5,182.9

8. In most years, external funding has supplied between 10-14 percent of annual expenditure on fp. Primary responsibility for formulating and implementing health/fp programs lies with the states. Up to 1966 the Centre funded 75 percent of these activities; since then it has funded 100 percent, and also has a significant promotional and advisory role.

9. The fp program is carried on through a network of 334 district FP Bureaus, 7,107 Family Welfare Planning Centers (1,975 urban, 5,132 rural), and 33,370 rural subcenters. Another 17,000 rural subcenters are needed to meet the present goal of 1 per 10,000 population (2,000 couples in fertile age range), and the target is now being moved up toward 1 per 5,000 population. Nearly 80,000 fp posts are sanctioned, plus another 70,000 health posts linked to fp activities; about 80 percent of these are presently staffed. The most critical shortages are for doctors (some 2,500 needed, mostly women to reach 9,000 total) and lady health visitors, who have the vital task of supervising the rural subcenters (some 4,000 needed to reach 7,000 total).

10. A majority of the 105 million couples of fertile age are aware of at least one fp method. But actual practice is still quite low in comparison to awareness levels, partly because the average family norm is still 5-6 children, partly because fp motivation and services still do not effectively reach the bulk of the fertile-age population. Up to mid-1975, before the current intensification effort was launched, the national level of fp practice through regular fp services was put at 16.5 percent, representing some 17,300,000 couples of fertile age. Of these, 75 percent were sterilized, 23 percent used IUDs, condoms and other conventionals, and the rest relied on abstinence or withdrawal. Considering the reliability of the various methods, it is estimated that 14.6% of the nation's 105 million couples were effectively protected. Again, considerable variation in proportion of couples protected was in evidence, with six states showing 20 to 49 percent, another six with 10 to 20 percent, a third six with 5 to 10 percent, and the other three below 5 percent. Such differences are about equally due to socioeconomic factors and program inputs.

11. The mid-term targets for reducing fertility are presently set at achieving a crude birth rate of 30 by 1979 and 25 by 1984 (from official estimate of 34.5 at present), reducing the growth rate of about 1.4% a year. This would require the proportion of protected couples to rise to about 33 percent and 45 percent by those years, which means the 16.5 percent level of contraceptive practice in 1975 would have to double by 1979 and almost triple by 1984. Whether this can be done hinges on the outcome of the recently expanded fp effort.

12. Program Intensification Since Mid-1975: A State of Emergency was declared in June 1975. In the months following, fp policies and programs were intensively reviewed with the aim of markedly accelerating fp progress. Family size limitation was made one of Sanjay Gandhi's Five Points, which supplement the PM's 20-Point Program for socio-economic progress. In April 1976 a New Population Policy was announced, the major features of which cover higher ages of marriage, allocation of political representation and federal-state subventions frozen at 1971 population levels, subventions dependent on fp performance, higher monetary incentives to fp acceptors and motivating groups, special

efforts for raising female education levels and childrens' nutrition, and a major step-up in mass communication for fp. Even before this, and more rapidly after it, state after state adopted strong incentive and disincentive measures through legislation or administrative rulings, some aimed at public employees, others at the general public. Maharashtra has passed, and three other states are proposing, some form of compulsory sterilization with penal sanctions, but the Centre has not yet given approval. Six states have stipulated family norms of two (or three) children for employees, with loss of most fringe benefits for violation. The federal government followed suit in September with a limit of three, affecting its nearly three million employees. The 1976/77 target for fp acceptors has been set at 10.13 million, 20 percent above the 75/76 level. The sterilization goal is especially featured at 4.3 million, 72 percent up from the preceding year. For the first time, responsibility for meeting fp targets has been placed on political leaders, civil service administrators and senior people in public enterprises and the military, on pain of career penalties for shortfalls. Poor performance in meeting targets has already led to some dismissals, more suspensions, and large-scale hold-ups of salary checks.

13. What are the results of this expanded effort after five months? The figures show a very marked jump over 1975/76, which itself had outperformed 1974/75 by impressive margins of 30 percent in conventionals, 12 percent in IUDs and 96 percent in sterilizations.

14. This new effort appears to be producing impressive increases in fp acceptor recruitments compared with a year ago. Figures released by the Government for the five months April through August are(in millions):

Method	Target (12 months)	Achieved (April-July)	Increase over year ago(%)	% Proport. Target
Sterilization	4.299	2.004	350	112
IUD	1.137	.192	43	40
Conventionals (equiv.)	4.690	1.896	32	97

15. The sterilization achievements stand out especially, running 3½ times ahead of a year ago and already surpassing the five-month target level. Three states and Delhi Municipality have passed their full-year targets for 76/77, with performance levels 10 to 20 times higher than a year ago, and a dozen or so other areas are following closely. The Government is now saying 5 million sterilizations will be achieved for 76/77, and is talking of a target of 10 million for 77/78.

Two Basic Questions

16. After 24 years of trial, error and limited success in tackling its population growth problem, India is now trying an all-out effort with strong support from the entire political-administrative complex. The leaders are

saying: We are in a crisis situation, with rapid population growth seriously impeding the development program. In the long run, development is the best contraceptive, but we cannot wait. Population control and economic-social development must be vigorously promoted at the same time. Initial results suggest that a break-through may be underway, though another six months of activity will make the picture much clearer.

17. Tentatively accepting the performance figures for the new effort, with mi nor allowances for some double-counting and the inclusion of acceptors who would not be parents again in any case, two basic questions emerge:

(1) Can this new level of effort be sustained? Up to now the responses down the various chains of command have been vigorous, yet it is not easy to maintain such a pace and intensity month after month, even with the special authority provided by the Emergency. Also the insistence that fp targets be met is inevitably drawing resources away from normal health and MCH services, and even from many other services whose administrators and staff are distracted by fp target pressures. Attainment of the various goals becomes increasingly competitive. If the new campaign falters, perhaps because the Emergency is ended, or because the operational demands become too great, there might soon follow a serious slackening of fp effort and a major shortfall in planned achievement. In view of the heavy commitments made to the effort by India's top echelons this would be more than emb rrassing -- it could set off the idea that fertility reduction on the scale needed is simply unattainable. If, on the other hand, the campaign can be sustained, and becomes the accepted pattern for the fp program, India may find itself on the road to slowing population growth far more effectively and rapidly than was thought possible a year ago.

(2) Will the stepped-up approach be accepted? Assuming the resolution and capacity exist to keep the expanded fp effort on target, will the country in general go along? A great deal is being asked of the people, with significant rewards for compliance and stiff penalties for resistance. The official norm of three children, or even two in some jurisdictions, is being pushed throughout the country, an unprecendented intervention in a matter viewed as a family decision. Escalating pressures approach coercion, are being exerted on employees at all government levels, on staff of semi-public institutions, and on the general public wherever the individual has some entitlement to government services or seeks some particular action. Inevitably some abuses must be occurring, though the Centre and a few states have said stern action would be taken against "over-zealous officials". To date no public defiance has surfaced, but it is significant that there are fairly frequent warnings by states, municipalities and the Centre that "rumor-mongering and opposition of any kind will be severely dealt with". If serious and widespread resistance were to develop, the new effort would surely be doomed to failure, with all the unfortunate long-term effects suggested in (1) above. But if, somehow, the people accept the drastic limits to family size and continue to go along with the program, the Government's bold strategy will have won, and India will have blazed a new trail in national action to restrain population growth. The outcome cannot be foreseen at this time.

October 6, 1976

NATIONAL POPULATION POLICY

Statement

by

Dr. KARAN SINGH

Minister of Health and Family Planning

NEW DELHI

16 April, 1976

With 2.4 per cent of the world's land area, India has about 15 per cent of the world's people. It is estimated that our population as on 1st January, 1976 has crossed the 600 million mark, and is now rising at the rate of well over one million per month. Since Independence 250 millions have been added, equivalent to the entire population of the Soviet Union with six times the land area of India. The increase every year is now equal to the entire population of Australia which is 2-1/2 times the size of our country. If the present rate of increase continues unchecked our population at the turn of the century may well reach the staggering figure of one billion. Indisputably we are facing a population explosion of crisis dimensions which has largely diluted the fruits of the remarkable economic progress that we have made over the last two decades. If the future of the nation is to be secured, and the goal of removing poverty to be attained, the population problem will have to be treated as a top national priority and commitment.

2. Our real enemy is poverty, and it is as a frontal assault on the citadels of poverty that the Fifth Five-Year Plan has included the Minimum Needs Programme. One of its five items is integrated package of health, family planning and nutrition. Far reaching steps have been initiated to reorient the thrust of medical education so as to strengthen the community medicine and rural health aspects, and to restructure the health care delivery system on a three-tier basis going down to the most far-flung rural areas where the majority of our people reside and where child mortality and morbidity are the highest. Similarly, ignorance, illiteracy and superstition have got to be fought and eliminated. In the ultimate analysis it is only when the underlying causes of poverty and disease are eliminated that the nation will be able to move forward to its desired ideals.

3. Nonetheless it is clear that simply to wait for education and economic development to bring about a drop in fertility is not a practical solution. The very increase in population makes economic development slow and more difficult of achievement. The time factor is so pressing, and the population growth so formidable, that we have to get out of the vicious circle through a direct assault upon this problem as a national commitment. The President in his address to the Joint Session of Parliament this year reiterated the importance of stepping up family planning efforts, and the Prime Minister has on several occasions laid stress upon the crucial role that population control has to play in the movement towards economic independence and social transformation, specially in the light of the 20-Point Economic Programme.

4. Considerable work has been done in our country in the field of family planning, but clearly only the fringe of the problem has so far been touched. In this context, after a thorough and careful consideration of all the factors involved as well as the expression of a wide spectrum of public opinion, Government have decided on a series of fundamental measures detailed below which, it is hoped, will enable us to achieve the planned target of reducing the birth rate from an estimated 35 per thousand in the beginning of the Fifth Plan to 25 per thousand at the end of the Sixth. Allowing for the steady decline in the death rate that will

continue due to the improvement in our medical and public health services and the living standards of our people, this is expected to bring down the growth rate of population in our country to 1.4 per cent by 1984.

5. Raising the age of marriage will not only have a demonstrable demographic impact, but will also lead to more responsible parenthood and help to safeguard the health of the mother and the child. It is well known that very early pregnancy leads to higher maternal and infant mortality. Also, if the women of our country are to play their rightful role in its economic, social and intellectual life, the practice of early marriage will have to be severely discouraged. The present law has not been effectively or uniformly enforced. It has, therefore, been decided that the minimum age of marriage should be raised to 18 for girls and 21 for boys, and suitable legislation to this effect will be passed. Offences under this law will be cognizable by an officer not below the rank of a Sub-Divisional Magistrate. The question of making registration of marriages compulsory is under active consideration.

6. It has been represented by some States that while on the one hand we are urging them to limit their population, those States which do well in this field face reduction of representation in Parliament while those with weak performance in family planning tend to get increasing representation. It is obviously necessary to remedy this situation. It has, therefore, been decided that the representation in the Lok Sabha/and the State Legislatures will be frozen on the basis of the 1971 census until the year 2001. This means in effect that the census counts of 1981 and 1991 will not be considered for purposes of adjustment of Lok Sabha Legislature seats. Necessary constitutional amendment will be brought forward during the current year. Appropriate legislation for other elective bodies will also be undertaken.

7. In a federal system, the sharing of Central resources with the States is a matter of considerable importance. In all cases where population is a factor, as in the allocation of Central assistance to State Plans, devolution of taxes and duties and grants-in-aid, the population figures of 1971 will continue to be followed till the year 2001. In the matter of Central assistance to State Plans, eight per cent will be specifically earmarked against performance in family planning. The detailed procedures in this regard will be worked out by the Planning Commission.

8. While there is a direct correlation between illiteracy and fertility, this is particularly marked in the case of girls' education. Wherever female literacy improves, it has been seen that fertility drops almost automatically. It is, therefore, necessary that special measures be taken to raise the levels of female education, particularly above the middle level for girls as well as non-formal education plans for young women especially in certain backward States where the family planning performance so far has been unimpressive. The same is true with regard to child nutrition programmes, as high infant mortality and morbidity have a direct impact on fertility. The Ministry of Education is urging upon the State Governments the necessity to give these matters higher priority than has

been accorded so far and fully earmarking adequate outlays both for girls education upto the middle level and child nutrition.

9. My Ministry is also in close touch with the Education Ministry with regard to the introduction of population values in the educational system, and the NCERT has already made a beginning in bringing out some text books on these lines. It is essential that the younger generations should grow up with an adequate awareness of the population problem and a realization of their national responsibility in this regard. Indeed, if I may venture to say so, exhortations to plan families are more important for the younger generations than for those who have already made their contribution to our demographic profile.

10. The adoption of a small family norm is too important a matter to be considered the responsibility of only one Ministry. It is essential that all Ministries and Departments of the Government of India as well as the States should take up as an integral part of their normal programme and budgets the motivation of citizens to adopt responsible reproductive behaviour both in their own as well as the national interest. A directive to this effect is being issued by the Prime Minister to all Ministries of the Government of India, and a letter will also be addressed by her to all Chief Ministers. The performance of family planning in the the States will be more carefully and intensively monitored than in the past, and the Union Cabinet will review the situation in depth at least once a year.

11. Experience over the last 20 years has shown that monetary compensation does have a significant impact upon the acceptance of family planning, particularly among the poorer sections of society. In view of the desirability of limiting the family size to two or three it has been decided that monetary compensation for sterilization (both male and female) will be raised to Rs.150/- if performed with two living children or less, Rs.100/- if performed with three living children and Rs.70/- if performed with four or more children. These amounts will include the money payable to individual acceptors as well as other charges such as drugs and dressings,etc.,and will take effect from 1st May,1976. Facilities for sterilization and MTP are being increasingly extended to cover rural areas.

12. In addition to individual compensation, Government is of the view that group incentives should now be introduced in a bold and imaginative manner so as to make family planning a mass movement with greater community involvement. It has, therefore, been decided that suitable group incentives will be introduced for the medical profession, for Zila and Panchayat Samitis, for teachers at various levels, for cooperative societies and for labour in the organized sector through their respective representative national organizations. Details of these group incentives are being worked out in consultation with the concerned organizations.

13. Despite governmental efforts at Union, State and Municipal level, family planning cannot succeed unless voluntary organizations are drawn into its promotion in an increasing measure, particularly youth and women's organizations. There is already a scheme for aiding voluntary organizations, and it has been

decided that this will be expanded. Also, full rebate will be allowed in the income tax assessment for amounts given as donations for family planning purposes to Government, local bodies or any registered voluntary organization approved for this purpose by the Union Ministry of Health.

14. Research in reproductive biology and contraception is under way in several of our scientific institutions, and there are some very promising developments which, we hope, will lead to a major breakthrough before too long. This is a great challenge to our scientists, and efforts in this direction will receive special attention so that necessary research inputs are ensured on a long range and continuing basis.

15. The question of compulsory sterilization has been the subject of lively public debate over the last few months. It is clear that public opinion is now ready to accept much more stringent measures for family planning than before. However, the administrative and medical infrastructure in many parts of the country is still not adequate to cope with the vast implications of nation-wide compulsory sterilization. We do not, therefore, intend to bring in Central legislation for this purpose, at least for the time being. Some States feel that the facilities available with them are adequate to meet the requirements of compulsory sterilization. We are of the view that where a State legislature, in the exercise of its own powers, decides that the time is ripe and it is necessary to pass legislation for compulsory sterilization, it may do so. Our advice to the States in such cases will be to bring in the limitation after three children, and to make it uniformly applicable to all Indian citizens resident in that State without distinction of caste, creed or community.

16. Some States have also introduced a series of measures directed towards their employees and other citizens in the matter of preferential allotment of houses, loans, etc. for those who have accepted family planning. In this sphere also we have decided to leave it to each individual State to introduce such measures as they consider necessary and desirable. Employees of the Union Government will be expected to adopt the small family norm and necessary changes will be made in their service/conduct rules to ensure this.

17. In order to spread the message of family planning throughout the nation, a new multi-media motivational strategy is being evolved which will utilize all the available media channels including the radio, television (specially programmes aimed directly at rural audiences), the press, films, visual displays and also include traditional folk media such as the jatra, puppet shows, folk songs and folk dances. The attempt is to move from the somewhat urban-elitist approaches of the past into a much more imaginative and vigorous rural-oriented approach. In this context my Ministry is working in close co-ordination with the Ministry of Information and Broadcasting, and is also trying to draw the best media talent available in the country into the structuring of the new programme.

18. This package of measures will succeed in its objective only if it receives the full and active co-operation of the people at large. It is my sincere hope that the entire nation will strongly endorse the new population policy which, as part of a multi-faceted strategy for economic development and social emancipation, is directed towards building a strong and prosperous India in the years and decades to come.

1976 ANNUAL MEETING BRIEF

INDIA

I. Issues

1. Introduction. As you will have the opportunity for detailed discussion with the Minister in New Delhi in November, the Annual Meeting discussion can be relatively brief and limited in coverage. Through the New Delhi Office we have been informed that the Minister will concentrate on the broader issues of IDA replenishment and general capital increase. He might also raise the question of a program credit this year. Even though no indication has been given, as the subject of agriculture is close to the Minister's heart, he may also touch on some agricultural subjects including some prospective operations on which information is provided below.

2. In addition to commenting on the subjects raised by the Minister, you might wish to use this opportunity to describe briefly the subjects that will be foremost in your mind when you visit India.

3. IDA Replenishment and General Capital Increase. The Minister, both in his speech at the Meeting and in his discussion with you is expected to express strong support for the Fifth Replenishment and the general capital increase for the Bank. In thanking the Minister for his Government's support it may be appropriate for you to underline the importance of India's support not only as the most influential spokesman of the Third World but also as the largest recipient of development assistance. In the latter connection, it may also be appropriate to emphasize the importance of avoiding the impression that India's present relatively comfortable balance of payments position (see paragraph 5) has any implications for India's longer term development assistance needs.

4. With respect to the Fifth Replenishment the Minister may express his concern about a hiatus and enquire how one would be handled. In addition to providing your assessment of the situation, you may wish to reassure the Minister that there has been no slowing down of project processing in anticipation of a hiatus, and urge that there be no slowing down on the Indian side.

5. Economic Policy. Partly as a result of fortuitous circumstances and partly due to the Government's efforts, India's present economic situation is now stronger than it has been for some time. Significant progress has been made over the past 18 months in the key areas of the balance of payments, agriculture, industry, energy and in curbing inflation. In the case of the balance of payments, exports in 1975/76 increased by 8% in real terms and are continuing to perform well this year. Imports of industrial raw materials increased by only a small amount which, with reductions in requirements for fertilizer, led to little or no increase in the value of imports in 1975/76. These factors combined with an increase of gross aid disbursements of around 25% in 1975/76 and a high level of remittances from overseas, led to a substantial rise in foreign exchange reserves. These trends have extended into

1976/77 with the result that foreign exchange reserves have continued to rise; by the end of June 1976 these reserves amounted to US$2.5 billion or the equivalent of 5 months of expected 1976/77 imports. In the case of agriculture, the record harvest of 1975/76 has enabled GOI to accumulate foodgrain stocks which now stand at the unprecedented level of 17 M tons (the previous high point was 9 M tons in 1971). In the case of industry, recovery took place slowly during 1975 largely on account of weakness in demand. During the first half of this year, industrial output expanded rapidly and is now running at about 10% above 1975. In the case of energy, oil production from Bombay High has already started, a very commendable achievement; while coal production has improved sharply over the past two years. Finally, efforts to curb inflation have been remarkably successful: wholesale prices in January 1976 were 8% below the level of a year earlier.

6. Our major concern is that the Government is not exploiting fully the opportunities afforded by the economy's present unconstrained situation. There is undue concern with the reemergence of inflation and a sense of complacency. The export drive is not being pursued with the same sense of urgency as after the energy crisis, even though the achievement of the past year is largely attributable to two commodities -- primarily sugar and to a lesser extent silver. These are not commodities which can provide the basis for sustained export growth. In agriculture there is considerable euphoria about the good monsoon and a record crop, but as yet no concrete evidence of an upward trend in production. The perception of problems is accurate and the broad outlines of the Government's agricultural strategy are sound. But there is no convincing program which relates longer term production objectives to investments and supportive policy measures. Nor is our own experience with the Seed Project (Ln 1273-IN) reassuring about the Government's determination to deal with key obstacles to higher production (paragraph 12). Similarly in the energy field progress has been woefully slow on the proposed Centrally-owned Singrauli Thermal Power Project, which the Minister was instrumental in promoting for our assistance (paragraph 13). On a broader level, public investment, though larger, does not appear sufficiently expansionist. Industrial policy, though now more pragmatic, does not represent a dramatic break with the past and more importantly does not seem to be inducing a noticeable rise in private investment. Nor is there evidence of any dramatic break with heavily protectionist import policies of the past despite welcome procedural improvements and some degree of liberalization where exporters'import requirements are concerned.

7. While it would be appropriate to compliment the Minister on the turn-around of the Indian economy, it would also be appropriate to voice our concern that the present opportunity is not being fully utilized. You could remind the Minister of his own preoccupation with exports, agriculture and energy -- and enquire how the Government views the present opportunity and what is contemplated in these areas. More specifically, you should enquire whether the Government considers present levels of agricultural investment adequate for altering historical production trends. You should also enquire whether the Minister believes that the expanded import capability made possible by the present favorable foreign exchange situation can be utilized for development without some degree of import liberalization and related changes in industrial policy. You should also indicate that these are subjects you intend to pursue in more detail during your visit.

8. Specific Operational Matters. The matters mentioned below will be discussed by Mr. Stern and Mr. Blobel with the Indian Delegation during the course of the Annual Meeting. We do not expect any issues concerning these matters to be raised with you. But background information is set out below and if, as a result of Regional discussions, there is reason to think that the Finance Minister will raise any of these subjects, you will be briefed as appropriate.

9. Program Lending in FY77. The continuing increase in foreign exchange reserves, the high level which these reserves have already reached, the essentially static level of imports projected for this year and the IMF resources available to India make it exceedingly difficult to argue that, in the immediate future, India has an urgent need for fast disbursing assistance from the Bank Group. We have indicated to the Government that in the absence of a demonstrable need, we do not see how a program credit can be justified this year.

10. Oil Development. The GOI has requested Bank Group assistance for the proposed Bombay High Oil and Natural Gas Pipeline Project. There is little doubt that the proven reserves at Bombay High and the immense economic benefits to India justify this pipeline as well as other projects for the development of the Bombay High field. However, potential problems exist with respect to both timing and financing. If Government intends to have the pipeline in place by mid-1977, as has been suggested, we may not be able to participate in a manner consistent with our normal project development and procurement procedures. Assuming this is not an obstacle, we believe that the principal contributions we can make to this sector are to ensure that there is an overall sectoral financing plan and to assist in the mobilization of external resources for its implementation. We have explained to GOI that a realistic assessment of medium-term investments required for the development of the field and associated infrastructure, as well as a tentative financing plan for these investments, are needed. We have also indicated that, in view of present resource constraints and the nature of this project, financing for it would have to come from the Bank rather than IDA and that we can only provide a relatively small portion of total external financing of the sector. We await the Government's reaction to these points.

11. Grain Storage. The Government considers this a high priority requirement in India's present situation and the Finance Minister is known to be personally interested in getting a project ready for our appraisal. There have been some delays on the Indian side in this preparatory work, but we now expect the project report in mid-October and have scheduled staff for an appraisal in January with a view to being able to process the project in FY77.

12. Seeds. This is another area in which the Minister is personally interested. The first project was approved in May 1976 and we are working on a second project to be appraised in January 1977. However, on the basis of experience with the first project, we are concerned about the lack of

Central Government support for the National Seed Corporation (NSC) and the consequent tendency of State Governments to go their own way. If unchecked, this will seriously undermine NSC's ability to operate a national seeds program.

13. Singrauli Thermal Power Project. This large Centrally-owned power project is the first of a series the Government plans to ease the shortages of power that have occurred in the past and have had detrimental effects on production. The Central ownership and operation of these stations is also designed to strengthen the Government's hand in inducing a national approach to the planning, design and operation of the power system. The project was appraised in January/February of this year. After reviewing the findings of the appraisal mission, we informed GOI that negotiations would be contingent on resolution of certain project related issues as well as action on certain long standing sectoral concerns of ours which the Government has always professed to share. The latter concerned the appointment of a Chairman to the recently reactivated Central Electricity Authority (CEA) and the enactment of certain amendments to the Electricity Supply Act which among other things would define and strengthen the role of CEA vis-a-vis the State Electricity Boards (SEBs) and also provide the framework for putting the financial management of SEBs on a sounder financial footing. The amendments in question were discussed and agreed with GOI in the context of the Fourth Power Transmission Project negotiations in November 1975. The project related issues have now been resolved. The CEA Chairman has just been appointed. Action on the legislation, however, is still pending.

1976 ANNUAL MEETING MINUTES

INDIA

1. On October 6, 1976 a delegation representing the Government of India met in Manila with representatives of the South Asia Region of the World Bank. Present were Mr. M.G. Kaul, Secretary to the Ministry of Finance, Department of Economic Affairs; Dr. S.R. Sen, Executive Director for India, IDA; Mr. R.N. Malhotra, Joint Secretary to the Ministry of Finance; Mr. G. Venkataramanan, Technical Adviser to the Executive Director for India, IDA (India); and Messrs. Stern, Blobel and Brigish (World Bank).

Debt Relief

2. Mr. Kaul asked for clarification of the Bank's view on the possibility of arranging debt relief to India for the forthcoming year. It was his understanding that the World Bank did not wish to co-ordinate a multilateral debt relief agreement this year, and that it would prefer India to negotiate individual agreements with creditor countries.

3. Mr. Stern replied that after consulting major participants in past debt relief exercises, he had concluded that the basis for continuing the current arrangements did not exist. Moreover our attempts to solicit from Consortium members their views as to how they proposed to sustain the net transfer of aid to India in the absence of debt relief had not met with much success. India's economic situation this year did not appear to warrant a special donor effort, and many donors were facing difficulties in finding alternative methods of providing aid at the levels India continues to require. Nevertheless, since the Bank itself felt that debt relief was an important aid instrument, it would continue to encourage individual donor countries to provide debt relief even in the absence of a general debt relief agreement. We would write once again to donor countries pointing out the importance of maintaining net aid disbursements to India at the level recommended by the Bank at the meeting of the Consortium earlier this year.

4. Mr. Kaul stressed the importance of debt relief in providing India with liquidity in its aid package. He was concerned that some countries would find it difficult to increase their non-project assistance in the absence of debt relief. He agreed that another approach to the donors was necessary to solicit their intentions with regard to individual debt relief arrangements or alternative aid measures. It was important also to reiterate the point that debt relief was being sought not because India could not service its current debt obligations but rather because it provided quick-disbursing aid which would help total aid reach the level of disbursements which was essential to the Government being able to take advantage of the current favorable economic circumstances and implement an expansionary development strategy.

Program Lending

5. In response to Mr. Kaul's question whether India could expect to receive a program credit this year, Mr. Stern explained the Bank's view that prevailing economic circumstances - the high level of reserves, relatively good export performance and prospects - did not justify program lending this year. He emphasized that the Bank was not changing its policy regarding program lending to India. It was for purely tactical reasons (which would be beneficial to India in the longer term) that the Bank was proposing a hiatus this year in the absence of a demonstrable need for quick-disbursing commodity assistance. In any event, any program credit the Bank could make to India this year would be for an amount that would be small in relation to India's current level of reserves.

6. Mr. Kaul replied that it was important for the economy and for the beneficiaries of program lending that continuity in this type of aid transfer not be broken. The program credits were structurally important and the mechanisms through which foreign exchange reached recipients would suffer dislocation in the absence of continued program lending. He felt that, with a joint effort, an acceptable program justifying non-project assistance could be formulated — for example, by directing the proceeds more towards export - oriented industries — to make the program credit more palatable to the Bank's Executive Directors.

7. Mr. Stern said that even if a more acceptable basis for a program credit could be formulated, opposition from many Board members to such a loan would remain, because the need for quick-disbursing assistance did not exist this year. The difficulties some industries would face, if the proceeds of a program credit were not available to them this year, were recognized, but in view of the ample foreign exchange reserves the Government could easily allocate free foreign exchange to these industries and thus minimize their difficulties. The Bank intended to asses India's performance and prospects afresh early in fiscal 1978 with a view to formulating a proposal for a program credit then.

8. Mr. Kaul asked that the matter not be decided finally now. The Government would produce a request which he was confident would form an acceptable basis for a program credit this year.

Oil and Gas Development

9. Mr. Kaul said that, despite certain procrastination it had shown to date, the Indian Government was interested in receiving Bank assistance in the construction of pipelines for both natural gas and crude oil from the Bombay High field to the mainland. Since the returns to this kind of investment would be high, the Indian Government viewed the construction of these pipelines as a project requiring expeditious implementation. He agreed that a Bank loan would be appropriate for this project. Regarding downstream projects such as the construction of a petrochemical complex, however, he felt it was premature to consider the nature of Bank Group assistance.

10. Mr. Stern stated that the Bank Group was interested in assisting both construction of the pipelines and development of oil and gas projects downstream. However, the energy sector was a new sector for the Bank and, recognizing its importance and the capital-intensive nature of the investments that would be required, the Bank would, in considering financing the pipelines, need to review the Government's plans for the subsequent development of downstream projects. Such a review would cover the time frame for the proposed investments as well as the financing plan, including the possibility of co-financing with other donors and Government intentions with regard to commercial participation in plans to develop the sector. Mr. Blobel emphasized that in considering financing the pipelines, the Bank would obviously have to satisfy itself that the Government's plans to develop off-shore production as well as projects downstream were suitably phased with the construction of the pipelines and that the related financing plans were appropriate. The Bank was not concerned to know in detail what the oil and gas reserves are or how the Government intends to explore and exploit these reserves.

11. Mr. Kaul welcomed the offer of Bank assistance to the sector and the opportunity to share the Government's thinking on plans for its development. He looked forward to resuming the discussions during Mr. Stern's visit in November.

Singrauli Super Thermal Power Project

12. Mr. Kaul explained that the amendments to the Electricity Act which the Bank was seeking as a condition for proceeding further with processing a loan for this project were in an advanced stage of consideration. The general provisions had been submitted to Parliament; the financial provisions were before the Cabinet, which he hoped would deal with the matter before the end of October. The November Parliamentary session, however, would be concerned exclusively with Constitutional issues. Consequently, Parliamentary consideration of both sets of amendments would have to await the normal winter session in December. He remarked, however, that the decision-making process was virtually complete after Cabinet consideration. On this basis he thought the Bank could proceed with its loan without waiting for Parliament to sanction the Cabinet's decision on the Act's amendments. Mr. Venkataramanan pointed out that if Board presentation were to be postponed pending passage of the amendments, project implementation would be impeded. He therefore requested that passage be made a condition of effectiveness of the loan so that expenditures for project execution subsequent to loan signature would be eligible for financing from the proceeds of the loan.

13. Mr. Stern replied that the Bank attached considerable importance to the amendments in question. Considering our experience with these amendments, we were most reluctant to proceed until we were reasonably certain that no further delays would occur. However, since consideration of the amendments was at an advanced stage, we would be prepared to consider issuing an invitation to negotiate a loan for the project as soon as both sets of amendments had been submitted to Parliament in a form satisfactory to the Bank. However, Mr. Stern noted that he would not submit a loan proposal to our Board of Directors until satisfactory amendments had been passed by Parliament. In order not to delay commencement of the project pending formal passage of the amendments, we would be prepared to consider recommend a limited amount of retroactive financing to our Board should that prove necessary.

14. Mr. Kaul wished to assure the Bank that its concerns regarding the financial viability of the Electricity Boards were shared by the Government.

The Economy

15. Mr. Stern emphasized the need to sustain the rate of growth of the economy. The Bank was also concerned that levels of investment in agriculture be brought to appropriate levels. In this regard Sir John Crawford had recently expressed concern that little had happened to follow up the formal establishment of the project preparation cell in the Ministry of Agriculture.

16. Mr. Kaul replied that some areas of the economy had shown further gains in recent months. With regard to the project preparation cell, necessary staff positions had been sanctioned by the Government but the staff were not yet positioned.

Wheat Storage Project

17. Mr. Kaul undertook on his return to Delhi to approach the Secretary to the Ministry of Food in order to ensure that the project report awaited by the Bank would be sent as soon as possible.

Bank Lending

18. Mr. Stern said that in view of the fact that IDA availabilities were lower than had earlier been anticipated, he wished to plan on a level of IBRD lending higher than $200 million for this (i.e. the Bank's) fiscal year. He explained the advantages of committing higher amounts of Bank funds this year. Circumstances will not in the future be as propitious as they are now for borrowing more from the Bank since competition for Bank funds would increase as the ceiling on total Bank lending would decline in real terms. There were sufficient projects in the pipeline, even without an Industrial Imports Credit, to achieve a level of IDA Commitments of $450-460 million. Moreover, we could see various alternatives that would enable India to borrow $300 million in the Bank's fiscal year and thereby avoid a sharp dip in the level of total Bank Group lending, while limiting Bank borrowing in its own fiscal years 1977 and 1978 to $200 million.

19. Mr. Malhotra refererred to the slow rate of disbursements under the eleventh ICICI Credit which would create difficulties in justifying the commitment of a further credit during this fiscal year. Only $10 million had been disbursed from ICICI XI while commitment charges were accruing for the full $100 million. If another credit were to be committed by the end of June, 1977, further commitment charges would accrue unnecessarily. These charges were burdensome since at present there was about a two-year lag between commitment and disbursements under loans to ICICI. In order to minimize the charges, Mr. Malhotra requested that the appraisal mission not visit India before March or April of 1977. He recognized that this meant deferring Board consideration to the fourth quarter of calendar year 1977. However, if as a result of this delay ICICI found itself short of commitment authority, the Government could underwrite commitments beyond ICICI's present resources. (In a subsequent discussion, Mr. Stern and Mr. Kaul agreed that a mission to appraise ICICI XII should visit India in November and that the question of when the project was to be presented to the Board, would be resolved later.)

20. The discussion then turned to the projects which would be financed with Bank funds in the current fiscal year. Mr. Malhotra said that they would like to see ARDC to continue to receive only IDA funds. He suggested that, instead of allocating $95 million of Bank funds to ARDC II as proposed by the Bank, CAD Maharashtra and the Madras Urban Projects be financed entirely by the Bank. These two projects would, according to present estimates, require $70 and $30 million respectively. Together with the Bombay Urban Project ($25 million) which was being prepared for Board presentation in November, and the Telecommunications Loan of $80 million, which was made in July, total Bank lending would then come to $205 million. Mr. Blobel said that he saw no difficulty in accepting Mr. Malhotra's proposals.

From John Crawford

NOTE FOR PRESIDENT AND VICE-PRESIDENT
(SOUTH ASIA REGION)

1. A lot of ground was covered during my recent visit to India and there were many encouraging signs. These include the following:

a. While the monsoon has been "patchy" (characteristic of a "normal" monsoon) karif production is expected to be close to 1975 (2 to 3 m tonnes less only) and the rabi (mainly wheat) is already very promising. Fertilizer usage in the karif has been 30%+ up on last year and rabi will be up (not so much, as the present improvement began in the last rabi);

b. Grain storage is overfull (some 17m+ tonnes) and imports have ceased;

c. Fertiliser subsidies continue and although the ratio of procurement grain prices to fertiliser is not as favorable as could be desired, the higher yields seem to have left farmers satisfied. (Mr. Subramaniam is very conscious of the importance of this point and, if need arose, would, I believe, make further cuts in fertiliser prices. To raise food prices deliberately would again prompt inflationary wage measures);

d. The Government's priorities are 1 irrigation, and 2 power (for irrigation) and tackling 3 rural poverty (see below).

2. I will not try to review all the matters discussed but, in view of your forthcoming visit, do draw your attention to two problem areas (for the Bank): (a) irrigation and (b) small farmer and village level rural activity.

a. Irrigation (Surface and C.A.D.). The new Secretary for Irrigation, Mr. Patel, has suggested a new procedureal relationship designed to raise the level of Bank activity in a number of states to a level commensurate with the projected flow of funds under this heading. The GOI and the Bank no longer have differences over the technical standards suggested by the Bank. Accordingly, Patel suggested the Bank, after some inspection of projects available (especially where the dispute with Bangladesh is not involved) select States and projects. The agreed projects would each be assigned definite funds making it necessary to handle enough projects in total to match the projected total flow of funds from the Bank. It was agreed that the Bank would examine the proposal and, during my visit in January next, try to reach agreement. The proposal has definite attractions but, when later meeting Mr. Subramaniam (and also senior officials of Planning and Department of Economic Affairs), I was able to illustrate the inherent real problem. Thus, it appears from data given me after the meeting with Mr. Patel that the level of funds available in the State of Andhra Pradesh for the Nagargunasaga Project (not long ago approved by the Bank), is possibly 60 to 70% below the annual levels agreed in the appraisal report. I accept Mr. Subramiam's assurance that he had made clear that funds would not be the constraint. He will investigate the case but I suspect that the State of Andhra Pradesh is spreading all funds made available to it too thinly over too many projects. The matter is important for it could mean a much lower rate of disbursement of Bank Group's funds for irrigation than projected and desirable. The key for Bank projects is that under the new procedure the necessary level of funds must be assured for each project taken on by the Bank.

This problem is well understood in Delhi but it is one you may wish to stress while there. (For Mr. Stern: I am assuming Mr. Tibor will be in New Delhi to give you a more professional briefing.)

b. Small Farmers: The GOI is increasing its activities in this field and also in respect of integrated rural development and rural employment generally. The issue of subsidies for tube-wells for small farmers is making it impossible for the Bank to participate effectively in groundwater development, through the activities of the ARDC. We have the absurdity of the ARDC using its "own funds" for the small farmers and Bank money for the ones with holdings above the defined term of "small". Sivaraman advised me to give up my efforts to find a solution. I declined. However, to me there is only one solution: allow capital subsidies to stimulate small farmer minor irrigation and allow ARDC (Bank money) to support the program in "project" areas (especially "Eastern Foodgrain States") for a defined period of say 5 years. We must remember that small farmers are largely subsistence - their first need is to produce adequate food and their second to market some for limited cash needs. I find it absolutely reasonable to go along, both on welfare and economic stimulus grounds, with the modest levels of income transfer implied in these policies (I agree with the Kraske telex which I did not see before despatch).

3. The nature of all the other "village level" programmes is far from clear: the subsidy question may or may not be an issue. The trouble has been that so little information has been forthcoming in this field. I know of some 19-20 "integrated rural development" projects and also of efforts to promote rural remployment in other ways. But authority is divided[1] and there has been a reluctance to have the Bank involved. I believe much of the programme is by way of "pilot scheme" preparing the way for the SIXTH PLAN. They seem more willing to discuss the whole field in January (when I next go to Delhi) "after decisions have been made".

4. Until we can get a view of the whole operation (which Sam Subramaniam would encourage us to have) it is difficult to say how the Bank can help. I have, however, made it clear that the Bank would wish to examine the scope, if any, for Bank supported activities in this whole area of development for low income farmers, landless laborers and village employed persons.

JGC

J. G. Crawford
26 October 1976

1/ The four authorities interested are Planning Commission (Sivaraman); Agriculture (Narang); Community Development (Nardu); and Research (Dr. M.S. Swaminathan). The last named seems now to have responsibility for strategy for Integrated Rural Development which would seem really to belong to Nardu.

THE FIFTH FIVE-YEAR PLAN (1974-79)

1. On September 24, 1976, just about at midpoint of the current five-year plan period, the National Development Council (NDC), the planning body chaired by the Prime Minister in which all State Chief Ministers are represented, approved the final draft of the plan. An earlier draft had been presented to the NDC in December 1973, but in view of the inflationary trends prevailing at that time, it became soon apparent that a reassessment would have to be made of the domestic financial resource availability. Furthermore, the curtailment in the level of real expenditures and the impact of the oil crisis on the economy made it necessary to re-evaluate plan strategy as well as priorities. This process of re-evaluation and adjustment was reflected in the three annual plans which have been produced so far but, in the meantime, the Fifth Plan itself had awaited finalization.

Strategy and Priorities

2. The new plan is a much shorter and in many ways much less comprehensive document than the 1973 draft. Although the final version of the plan affirms that the Government's twin objectives -- removal of poverty and achievement of self-reliance -- have remained unchanged, there is much less analysis included in the plan to substantiate this point. Whereas the earlier draft had made an attempt, albeit a timid one, to investigate the implications of a reduction in income inequality on both the structure of output and the composition of imports, no such exercises are included, or even implied, in the final text of the plan. The plan does include a summary discussion on prospective demand for foodgrains, fertilizer and energy, but none of these targets are explicitly related to specific income distribution patterns. In fact, the redistribution of income, which was scheduled to be achieved in the original draft through a variety of approaches -- including additional employment creation, land reforms and fiscal policy -- is now almost entirely tied to the creation of additional employment opportunities. The minimum needs program, which occupied an important place in the plan's original thinking, has been deleted and replaced by a few paragraphs on the financial implications of the 20-point economic program. Similarly, the goal of self-reliance, which was previously cast in terms of reducing the country's dependence on net foreign aid, is now overshadowed by policies of selective import substitution (for energy, metals, fertilizers and agriculture) combined with a more aggressive export promotion drive.

3. The new plan remains in real terms significantly below the expectations of the original draft. Nevertheless it must be said that, with regard to the expected mobilization of savings, the achievement of physical targets and the intended reduction in dependence on foreign aid, the original draft was very ambitious and probably unrealistic. The new plan -- a combination of achievements during the first two years, of budget forecasts in the present year and of targets for the last two years -- is in many ways a more realistic, though less far-reaching document.

Financial Outlays

4. In financial terms the public sector plan included in the new draft is 14% above the level included in the earlier version of the plan, but discounting for inflation it appears that, in constant prices, the plan is about 25% smaller than originally envisaged. This shortfall is partly compensated by an expected increase (in real terms) in private investment, but given the

uncertainties surrounding statistics on private investment, the latter increase remains fairly dubious.

Financial Outlays (in Rs. billion)

	Original Draft (1972/73 prices)	New Draft (1974-76 prices)	New Draft (1972/73 prices)
Public sector	372.5	424.0	278.7
Private sector	161.4	270.5	178.0
Total	533.9	694.5	456.7

5. In terms of the public plan proper (excluding some Rs.31 billion for additions to inventories and stocks) the annual distribution of plan spending (Rs.393 billion) shows that in the next two years (1977-79) more will have to be spent (Rs.199 billion) than in the first three years of the plan taken together (Rs.194 billion). This will require a major effort, but does not seem to be ruled out altogether, given that particularly in the first year of the plan, the spending level had been purposely kept very low. The envisaged level of public plan spending this year (1976/77) is Rs.78.5 billion. This level is likely to be achieved or even slightly exceeded. Under such conditions plan spending in real terms would have to increase by 17% per annum in the two remaining years of the plan period for the overall target to be achieved. In nominal terms this would mean yearly increases of around 25%, depending on the levels of inflation which will prevail in the next two years. The achievement of such a target is a stiff order but given that the increase in plan spending this year may turn out to be in that order of magnitude and given the favorable foreign exchange situation, it should be possible to maintain this year's momentum.

6. As shown in the table below, the sectoral distribution of the public sector outlay has also changed significantly by the revision of the plan.

Percentage Allocation of Public Sector Plan

	Original Draft	New Draft
Agriculture and allied programs	13.3	11.8
Irrigation and flood control	7.2	8.8
Power	16.6	18.6
Industry and mining	24.2	26.0
Transport and communication	19.1	17.5
Education	4.6	3.3
Social and community services	13.6	12.1
Hill and tribal areas	1.4	1.1
Other	-	0.8
Total	100.0	100.0

Although the total share of agriculture, including irrigation, has remained more or less unchanged, a pronounced shift has taken place from general agricultural schemes to irrigation programs. The share of the combined power, industry and mining sectors has gone up from 40.8% in the original draft to 44.6% in the present plan. The main beneficiaries of this shift in priority have been the fertilizer industry, electricity generation and oil exploration. On the other hand, in two major sectors relative allocations have gone down. The first is the transport sector, the share of which is reduced from 19.1% to 17.5%; the second is the social services sector (including education, community services, hill and tribal areas, etc.), the share of which has gone down from 19.6% in the original draft plan to 17.3% in the revised version. In real terms, spending on the social sectors is now approximately 40% lower than originally envisaged.

Physical Targets

7. Because of the scaling down of public sector investment in real terms, the physical targets now expected to be reached during the plan remain, in most cases, considerably below the targets laid down in the original draft.

Physical Targets

		Original Draft	New Draft
Investment targets (in whole plan period)			
Irrigation			
major & medium	million ha	6.2	5.8
minor	million ha	6.0	7.3
New generating capacity(installed)	MW	16,548	12,500
Pumps energized	millions	1.5	1.3
Villages electrified	thousands	110	81
Output targets (in 1978/79)			
Foodgrains	million tons	140	125
Coal	million tons	135	124
Steel	million tons	9.4	8.8
Crude petroleum	million tons	12.0	14.2
Sugar	million tons	5.7	5.4
Cotton cloth	million meters	10,000	9,000
Nitrogenous fertilizer	million tons	4.0	2.9
Phosphatic fertilizer	million tons	1.2	0.8
Cement	million tons	25.0	20.8
Railway traffic	million tons	300	250-260

Only for the minor irrigation potential to be created during the plan period and for crude petroleum output does the new plan postulate higher physical targets than was originally the case. Even for fertilizer, which has been receiving increased priority in the last few years, the production target now envisaged for 1978/79 is about 25% below the target set in 1973.

8. The real growth rate of the economy for the plan period as a whole will, of course, also remain below the target of the original Fifth Five-Year Plan (5.5% per annum). In the first year of the plan (1974/75) the growth rate was 0.2%; in the second year (1975/76) it was in the order of 6.0%. It is now expected that in the three remaining years of the plan (1976-79) the economy will grow on the average by 5.2%, bringing the annual growth rate for the Fifth Plan to 4.37%.

Financing of the Plan

9. The rapid inflation witnessed during the first year of the plan has played havoc with the estimates on resource mobilization at existing tax rates and fares. Although the size of the public sector plan is now slightly larger in nominal terms than estimated in the 1973 draft plan, the surplus generated by the Government budget and by public sector enterprises at existing taxation rates is expected to go down from Rs.133 billion to Rs.57 billion only. In order to compensate for this shortfall, additional taxation measures are now estimated to contribute Rs.147 billion to the financing of the plan, as against Rs.68 billion in the 1973 draft. Consequently, total budgetary resources will amount to approximately the same total as originally foreseen, but altogether they will finance a somewhat smaller proportion of the plan (52.0% as against 54.2% in the original draft).

Financing Pattern

	Original Draft	New Draft
	(as percent of total)	
Total budgetary resources	54.2	52.0
of which:		
surplus at existing tax rates and prices	(35.8)	(14.6)
additional taxation and price revisions	(18.4)	(37.4)
Mobilization of domestic financial savings	36.5	28.2
Deficit financing	2.7	5.0
Net foreign aid	6.6	14.8
Total	100.0	100.0

The share of the plan financed with savings mobilized through the financial institutions will go down, whereas deficit financing will increase in importance. Net external resources for the plan are expected to more than double, from Rs.24 billion in the original plan to Rs.58 billion in the revised draft. Their share in the financing pattern of the plan will increase from 6.6% to 14.8%.

Balance of Payments

10. The balance of payments analysis included in the revised plan departs significantly from the strategy of the original draft plan. It does not reflect any attempt to reduce aid dependency as was emphasized in the draft plan; instead the analysis seems to be based on maximum export effort, together with realistic aid flows and invisible earnings determining the feasible import volume. Though the projections for trade deficit, aid flows and invisible earnings are consistent with the trends and prospects put forward in the Bank Economic Report and the CPP, export expectations and hence the import volume are substantially above Bank projections and beyond what would seem realistic in view of present indications.

11. Over the plan period the exports are expected to grow at 8.5% per annum in real terms. In fact the implied growth rate of earnings from exports is even higher than this, presumably because of the expected change in the composition of exports. These rates are above the export growth envisaged in the draft plan (7.6%). Though an export projection (five year totals) broken down into major export commodities is annexed to the plan document, there is no discussion of the policy measures needed to achieve these ambitious targets.

12. Import costs are also expected to rise fast; more than 10% per year in real terms over the next three years, whereas the growth projected in the draft plan was 7.6% per annum. These trade projections produce a trade deficit totalling Rs.68 billion over the five years (at 1975/76 prices) compared to the draft projection of only Rs.15 billion (at 1972/73 prices). The extent of the revision reflects not only the adjustments arising from price inflation that has occurred in between the preparation of the two documents, but also the modified strategy regarding the self reliance objective. Without being at all explicit about this change or the policy implications that need to accompany this new strategy, the revised plan seems to be based on the assumption of continuing dependence on foreign aid and a more liberalized import policy. Indeed, even the import capability levels projected by the Bank would require increased trade liberalization and faster expansion of the domestic demand. The plan import target being 9% higher than the Bank projection raises the questions of whether and how such a high volume of imports can be absorbed by the economy, but the plan document does not attempt to answer them.

13. Over the remaining three years of the plan, the trade deficit will amount to $5 billion (at 1975/76 prices). Three-fourths of the deficit is expected to be financed by net aid receipts, and the rest by miscellaneous invisible transfers -- especially private remittances from abroad. These projections are consistent with the Bank balance of payments estimates. (See table on next page).

Balance of Payments

Totals for the Remaining Three Years of the Plan (1976-79)

(in US$ million)
(1975/76 Prices)

	Plan a/	CPP
Exports	16,701	15,006
Imports	21,781	20,025
Trade Balance	-5,080	-5,019
Misc. Transfers	1,342	1,500
IMF (net)	-602	-138
Use of Reserves (- increase)	379	-150
Gross Aid	6,485	6,630
Debt Service	-2,648	-2,823
Net Aid	3,837	3,807

a/ Calculated by deducting actual figures for 1974-76 from the projected five year totals given in the plan. Rupees converted to dollars at \$1 = Rs.8.653 which is the average for 1975/76.

As can be seen in the table, the plan figures for trade deficit and the gross and net aid flows come remarkably close to Bank estimates even though, as mentioned above, plan projections of both exports and imports are higher than Bank estimates. The plan also differs from Bank projections in assuming a reduction in the foreign exchange reserves of \$379 million over the next three years and reduced dependence on IMF funds.

October 6, 1976

D. West Bengal
Visit

D. WEST BENGAL VISIT

1. Biographical Data
2. Calcutta Project
3. West Bengal Agricultural Development Project
4. Bank Group Involvement in West Bengal

INDIA

Biographical Data on Officials

in

(i) West Bengal

Dr. Zainal Abedin	Minister for Cottage and Small Scale Industries, Public Undertakings and Cooperation
Mr. Anthony Lancelot Diaz	Governor of West Bengal
Mr. T.C. Dutt	Secretary, Public Works (Metropolitan Development) Department
Mr. S.K. Ghosh	Agriculture Commissioner
Mr. B.R. Gupta	Chief Secretary, Government of West Bengal
Mrs. Maya Ray	Member of Parliament, Wife of Mr. S.S. Ray
Mr. S.S. Ray	Chief Minister of West Bengal
Mr. Bhola Nath Sen	Minister for Public Works and Housing
Mr. P.V. Shenoi	Secretary of the Department of Cooperation
Mr. K.C. Sivaramakrishnan	Secretary, Calcutta Metropolitan Development Authority

October 15, 1976

Dr. Zainal Abedin - Minister for Cottage and Small Scale Industries, Public Undertakings and Cooperation

Age 44. Graduated in medicine from the University of Calcutta in 1954, he began medical practice in his village in Dinapur district of West Bengal. He became actively involved in local politics and was elected to the State Assembly in 1962. He served in turn as Deputy Minister for Health in 1962, and Minister for Animal Husbandry, Forests and Fisheries. He was a prominent member of the opposition when a non-Congress coalition government came into power with the 1967 elections. Following President's rule and the 1971 elections, he came back to power as a member of Ray's cabinet as Minister in Charge of Cottage and Small Scale Industries, Public Undertakings and Cooperation. In Cooperation he has with crusader's zeal, threatened dire consequences to officers and farmers alike unless overdues of primary and agricultural credit societies were reduced. With an executive officer like Mr. P.V. Shenoi, the result of this policy has been amazing, and West Bengal today is quoted as an exemplary case in effective management of cooperative finances. As Minister in Charge of Public Undertakings he has also effected dramatic improvements in turnover and profitability of several state government undertakings.

He is articulate, and is reputed to be extremely sensitive, with a tendency to over-react to situations. He is one of Ray's trusted ministers.

Mr. Anthony Lancelot Diaz - Governor of West Bengal

Age 66. Educated at the University of Bombay and London School of Economics. He joined the Indian Civil Service in 1933 and served in various capacities in the State of Maharashtra. He was in turn Secretary of the Food Department, the Home Department, the Education Department and the Agriculture Department. Subsequently, he was appointed Chairman of two Government of India public sector undertakings, such as Modern Bakeries and Central Warehousing Corporation. Between 1960-64, he was also Chairman of the Bombay Port Trust. He came to the

Central Government in 1964 and for a period of six years was the Secretary of Food in the Ministry of Food and Agriculture. Upon retirement from the Civil Service, he was awarded the Padma Vibhushan, the second highest title for distinguished service to the Country. He served for one year as Governor of Tripura, and then came to Bengal in 1971 in the heyday of extremists activity in that State. There was a coalition government in power, but with the dissolution of the assembly, the 1972 elections brought the Congress back in a substantially overwhelming majority to form a government.

Mr. Diaz is keenly interested in problems of development and takes credit for many of the recent economical and political occurrences in West Bengal. Mrs. Diaz is a highly talented musician. She was trained in the Trinity College, UK, and at one time was seriously considering music as a profession. The Diaz are Catholic and a close knit family. Nevertheless, their four talented daughters have married into different religious and linguistic groups in India.

Mr. T.C. Dutt - Secretary, Public Works (Metropolitan Development) Department

Age 43. Had a brilliant academic career in Economics at the University of Calcutta. Joined the Indian Administrative Service in 1956 and was allocated to the State of West Bengal. After the usual postings in the districts, he served in the departments of Food and Finance until he joined the Finance Ministry at the Center in the early seventies. At the Center he was dealing with plan resources and allocation. While on deputation at the Center, he was awarded the Parvin followship at Princeton University to pursue a year's study in developmental economics. He returned to the State Government towards the close of 1975 and since then has been Secretary in charge of Public Works (Metropolitan Development) Department.

An outstanding officer. Extremely thorough in his work, with a high sense of dedication.

Mr. S.K. Ghosh - Agriculture Commissioner

Age 50. Educated at the University of Delhi, he joined the Indian Administrative Service in 1950. As a civil servant he served the usual run of postings in the State governments until he came as Joint Secretary to the Government of India. At the Center he was attached to the Ministry of Finance in charge of agricultural matters, and was also Financial Adviser to the Ministry of Agriculture. With the completion of his term at the Center he reverted back to the parent cadre in 1974. For short periods he served as Special Secretary in the Finance Department, Secretary to the State Electricity Board, and Commissioner of commercial taxes until he took over as Agricultural Commissioner in April 1975. Soon after joining, he suffered from a severe heart attack, but has, nevertheless, taken a great deal of initiative in moving the First Phase of the Bank's Agricultural Development project in West Bengal.

Mr. B.R. Gupta - Chief Secretary, Government of West Bengal

Age 57. After securing a high first class Master's degree in Chemistry from the University of Calcutta, he worked as a University Research scholar under the late Professor S.N. Bose and published two papers for Ph.D. However, in 1943, he joined the RAF as a commissioned officer to serve in the South East Asia Command. In 1948, he was absorbed into the Indian Administrative Services. After completing several years in district administration he went to the UK as a Nuffield Scholar in Public Administration. Upon return to India in 1963, he served successively as Secretary in the Departments of Food, Health, Transport and Home.

During 1971-72, when President's rule was established in the State, he was appointed as Additional Home Secretary to the Government of India, posted in Calcutta. Subsequently, in December 1973, he was selected to head the administration of the State Government as Chief Secretary.

In his various capacities dealing with basic law and order problems in West Bengal, Mr. Gupta has demonstrated tremendous administrative skills. In the quieter years of 1974 and thereafter, he has been actively involved with the Calcutta Metropolitan Development Authority Program, of which he is the Vice-Chairman, and also with the Bank-assisted agricultural development schemes in West Bengal. At the negotiation of both these Credits in Washington, he was the Leader of the West Bengal Team.

Mrs. Maya Ray - Member of Parliament, Wife of Mr. S.S. Ray

Age 50. Educated in the UK, where her father is a practising physician. After three yeras at a medical college she discontinued her studies to return to India with her husband S.S. Ray, who had just completed bar at law. In India she resumed her education, and took a law degree from the University of Calcutta. She joined her husband in legal practice and subsequently carried on independently as he became more and more immersed in politics. In the initial years, through the late fifties and the sixties she generally remained in the background, preferring to campaign for her husband rather than carve out a separate political career for herself. In 1971, however, she was elected as a Member of Parliament, and is now member of several select committees, including external affairs. She is also a member of the Silk Board. In 1975, she was a member of a three-member parliamentary delegation to the UN General Assembly.

She is extremely versatile, a good musician, and deeply interested in economics and politics. She has no children.

Mr. S. S. Ray - Chief Minister of West Bengal

Age 56. Grandson of C.R. Das, one of the stalwarts of the freedom movement. Graduated from the Presidency College, Calcutta. He took his law degree from Calcutta University and was called to the Bar from Inner Temple (UK) in 1947. As a lawyer, he was highly successful, but all the same he gradually drifted into active politics. In 1957, he was elected to the West Bengal Assembly where he served as Minister for Law and Tribal Welfare. In the election of 1967 when a non-Congress coalition government came to power, Mr. Ray became the Leader of the Opposition. With the dissolution of the Assembly and the imposition of President's rule, a subsequent election of 1969 brought him back into power, but this time as a member of Parliament at the Center. For a short spell of about a year he was Minister of Education, and was also in charge of West Bengal affairs and Bangladesh affairs. The unstable political situation and the fluid leadership position in West Bengal necessitated his return to the State as the Chief Minister. His immediate task was to restore law and order and to curb Naxalites activity. During the four years he has headed state administration there has been complete restoration of law and order. In the economic field the State had in the past lagged far behind others such as Maharashtra, Punjab and Tamil Nadu. For the first time a new spirit of achievement was fused into the political leadership, and to a large extent this was due to the careful selection of Cabinet ministers and the appointment of men such as Shankar Ghosh (who has recently joined as Minister of Planning), Dr. Zainal Abedin, Bhola Nath Sen, and Dr. Gopal Das Nag. Mr. Ray has also devoted special attention to the needs of backward regions and tribal and minority communities. He was a close confidant of Mrs. Gandhi during the difficult months following the imposition of the Emergency in 1975.

He is a keen sportsman, his favorite games being cricket, tennis and football.

Mr. Bhola Nath Sen - Minister for Public Works and Housing

Age 53. After taking a Master's degree in Arts from the University of Calcutta, he was trained as a Barrister in UK. Upon return to India in 1950, he started practice in the Calcutta High Court as a junior to Mr. S.S. Ray.

He was eventually appointed as Senior Standing Council, from which post he resigned in 1972 to seek election to the Assembly of West Bengal. Since then, he has been in charge of Public Works and Housing. He is seriously concerned with the problems of the metropolis and has taken personal interest in the affairs of the CMDA and the underground railway system being developed by the Indian Railways with Soviet assistance.

Mr. P.V. Shenoi - Secretary of the Department of Cooperation

Age 41. Educated in the State of Karnataka with a Master's degree in commerce. He joined the IAS in 1958 and has served in various capacities in the State with a concentration in agriculture. After spending five years at the Center with the Ministry of Agriculture, he returned to the State Government in 1974 as Secretary in charge of the Department of Cooperation. Currently, he is also in charge of Home Department (Personnel and Administrative Reforms).

In 1967/68, while on deputation at the Center, he was sent on a year's study to Williams College where he concentrated on developmental planning. He is regarded as an outstanding officer. Capable, thorough in details, and able to exert effective leadership. In Cooperation, he has shown remarkable success in rejuvenating the defunct primary credit societies, and in general reviving the cooperative movement in Bengal. He has recently published a book titled, "Agricultural Development in India - A New Strategy in Management, 1975".

Mr. K.C. Sivaramakrishnan - Secretary, Calcutta Metropolitan Development Authority

Age 41. He has a Bachelor's degree in Economics from the University of Madras. He joined the Indian Administrative Service in 1958. Unlike most civil servants in India, he was allowed to remain in urban planning for a sufficiently long time to emerge as one of the foremost experts in the State Government. Within a short period after the completion of the usual training, he was posted as Additional District Magistrate, Asansol, in 1962, where he was placed in charge of the preparation of a regional plan for the Durgapur-Asansol urban complex. He functioned as Director of the Asansol Planning Organization from 1963-65.

Between August 1964 and May 1965 he spent two semesters as a Parvin Fellow at the Woodrow Wilson School at Princeton where he studied urban administration and planning. Upon return to India in 1965, he joined the Regional Planning Wing of the Calcutta Metropolitan Planning Organization. In April 1966, he was appointed as the Chief Executive Officer of the Durgapur Development Authority, until three and a half years later in 1970 he joined as Secretary to the CMDA.

In January/February 1973, he was invited to conduct a teaching session on urban development at the EDI, and subsequently delivered a series of lectures at Harvard, Princeton and McGill universities. In the following year, in May 1974, he was placed on the Senior Advisory Panel to the Secretary General, UN Conference on Human Settlements, and in October of the same year he participated on an Advisory Panel of the Transportation and Urban Projects Department of the World Bank.

Mr. Sivaramakrishnan has recently relinquished his position as Secretary, CMDA, and has accepted the Homi Bhabha Research Fellowship for a period of two years to study planning and development of new towns in India. He will, however, continue to be associated with the CMDA in an advisory capacity.

INDIA

Bank Group Involvement in West Bengal

1. The State of West Bengal is a beneficiary under various India-wide Bank Group projects such as Power Transmission, the IDBI/SFC project for on-lending through the Industrial Development Bank of India and State Financial Corporations to small and medium-scale industries, and through the line of credit to the Agricultural Refinance and Development Corporation (ARDC).

2. In the late 1950s and early 1960s, a number of projects in West Bengal received Bank Group assistance, namely, power generation for the Damodar Valley Corporation (loans of US$ 18.5 million in 1950, of US$ 19.5 million in 1953, and of US$ 25 million in 1958), private sector coal production (loan of US$ 35 million in 1961 shared with Bihar), Calcutta Port (loans of US$ 21 million and US$ 14 million in 1958 and 1961), Tata Iron and Steel Corporation (loans of US$ 75 million and US$ 32.5 million, both in 1959), India Iron and Steel Corporation (loans of US$ 31.5 million in 1952, US$ 20 million and US$ 19.5 million, both in 1961, and US$ 30 million in 1966). These loans were primarily directed towards the private sector or self-financing agencies and they comprised a significant part of our lending to India in those years. Subsequently, the needs of the rest of India, and also the rather difficult political conditions, meant that specific projects for West Bengal did not start to figure again in our program until the recent and proposed future credits for Calcutta Urban Development and West Bengal Agriculture, already mentioned in Section D.2. and D.3.

October 15, 1976

INDIA

Background Note on the
Calcutta Urban Development Project

1. The Calcutta ~~Metropolitan~~ District (CMD) has an aggregate 1976 population of about 9.2 million, which is expected to increase by 1981 and 1991 to 10.2 and ~~12.3~~ million respectively. Stretching about 25 miles along both sides of the Hooghly River, the CMD is not an administrative unit, but comprises 4 administrative districts of the State Government of West Bengal (GOWB). These districts include 2 municipal corporations, 33 municipalities, and over 500 semi-urban/rural units. Population densities per km. vary from about 33,000 persons[1/] in Calcutta Corporation area (Calcutta City) to about 16,000 in municipalities, and 2,500 in smaller towns on the fringe of the CMD. The proportion of males in the CMD population is high, since the labor force includes many rural migrant workers. Although manufacturing industries predominate in CMD, Calcutta City proper has a large percentage of its work force in service industries, particularly transport, storage and communications. A recent study by GOWB estimated that about 50% of the CMD population in the 15-59 age group is unemployed or only marginally employed.

2. Following political disorder and economic recession in Calcutta and CMD in the late 1960s, the Government of India (GOI) intervened in 1970 to (i) draw up an investment program for rehabilitating urban services in CMD; (ii) create the Calcutta Metropolitan Development Authority (CMDA) to implement this program; and (iii) provide loans and grants for the program from Center and GOWB resources, and encourage GOWB to introduce an octroi tax on goods for entry into the CMD to assist in financing of CMDA and local authorities' services. However, at that time, it was not considered politically expedient to begin local financial and institutional reform in the CMD.

3. The 1971-75 CMDA program included housing, area development component, and bustee improvement components. The latter aimed at improving the physical environment and socio-economic conditions for about 550,000 bustee dwellers. The strategy focused on three measures: (i) slum modernization, or rehousing of the slum dwellers in 4-5 story buildings on the same site; (ii) slum improvement, or upgrading the slum environment; and (iii) relocation of the bustee population. Implementation of these options has been adversely affected by a complicated three-tiered system of land ownership, hut ownership, and tenancies. Progress so far has been much less than forecast by CMDA and GOWB.

1/ In comparison, the densities of Manhattan Island and the most dense sidtricts of Bangkok are 26,000 and 21,000 persons per km. respectively.

Bank Group Involvement

4. In 1972, the Bank decided to participate in the CMD rehabilitation program. IDA appraised part of the CMDA investment program 1973-1976 and the resultant FY 74 US$ 35 million credit to GOI is being used to assist in financing 39 sub-projects in the CMDA program, including water supply (7); sewerage and drainage (14); solid wastes collection and disposal (2); environmental hygiene (3); traffic and transport (11); and area development (2). Technical assistance is being provided for urban planning and for operation and maintenance of infrastructure services in the CMD. The proceeds of this Calcutta 1 Credit are lent by GOI to the GOWB for 10 years at 5% annual interest and are relent by GOWB to CMDA on the same terms.

5. In CMD there are about 2.3 million people living in bustees (slums) and about 200,000 pavement-dwellers. In the Calcutta City, there are about 3,200 bustees, housing about 1 million, with the remainder evenly distributed through the CMD. Bustee populations vary from 5,000 to 80,000; they have in common overcrowding, inadequate or no sanitary facilities, and little access to social services.

6. The first IDA Credit includes one sites and services component, which will ultimately accommodate 30,000 residents. Originally expected to be commissioned in 1975, this component is now expected to be completed in 1980 only, because of land acquisition problems. This project also includes a slum modernization scheme, with an estimated population of 6,000 persons. This scheme has been delayed by litigation and is now scheduled for completion in 1979/80.

7. Disbursements under Calcutta 1 have been slow and currently stand at about US$ 15.4 million (44%). CMDA is projecting 66% completion by March 31, 1977, 83% by March, 1978 and final completion by June, 1979. This is about 30 months later than estimated at appraisal. CMDA has never accorded special priority to "IDA schemes", but for political reasons has tried to expand its program in all sectors as much as possible, but without obtaining additional funds or imposing effective project planning and management techniques. The result is many incomplete schemes or underutilized assets.

Some Problems Facing the Bank Group

8. CMDA has been in operation for about five years only in an urban environment that was completely run down and in a political environment that has created unrealistic expectations. CMDA's dynamic chairman, Mr. Bhola Nath Sen, has in addition to his duties as State Minister of Public Works, also tried to run CMDA almost on a day-to-day basis. GOWB has now recognised the need for a full-time professional chief executive (to be appointed within the next six months) and substantial management reorganization is in progress to produce improved project planning, sanctioning, construction performance and monitoring.

9. Until this year, CMDA's construction program was determined annually between GOI, GOWB and CMDA - a practice which has led to delays in commencement and completion of projects. These authorities have now agreed on a four-year rolling program of about US$ 192 million equivalent through March, 1980, which should facilitate longer-term project planning and improved construction performance.

10. Failure of the 35 key local authorities, including Calcutta Corporation and Howrah Municipality, to perform their functions of providing and operating infrastructure, health and social services was one of the principal causes of the virtual breakdown of public services in CMD by 1970. GOWB , which is responsible for local authorities' performances, has produced a Financial and Institutional Plan, as part of its obligations under the first IDA Credit. The Bank is encouraging implementation of much of this Plan and will seek to obtain further local fiscal and institutional improvement as part of the proposed second IDA Credit. Meaningful institutional reform in CMD cannot take place until GOWB has achieved significant improvements in the fiscal bases, management and staffing standards of these authorities. These are problems which are likely to remain unresolved for some years.

Proposed Second IDA Credit

11. Bank Staff has carried on an extended dialogue with GOI, GOWB and CMDA in order to prepare for a second project[1/] focusing on:

(a) optimizing the CMDA program over the next four years for the benefit of the CMD population, especially among the poor; by emphasizing completion of selected ongoing investment activities and social support programs; and

(b) improving local government services, including institutional and fiscal reform in the CMD; and

(c) improving CMDA's management and operations systems.

12. Included in the proposed improvement of local government services in CMD is the need to ensure adequate operation and maintenance of existing assets and those being constructed by CMDA. Bank staff are continuing to discuss this major problem area with GOWB, and it is hoped that major improvements will commence during the period 1977-80. These will include direct services to be provided by CMDA and by upraking of local authorities' performances, particularly in the Calcutta Corporation.

13. CMDA has identified the location of 22 Area Development Schemes on the fringe of the CMD, totalling 50,000 acres for a combined population of about 2.2 million people. In the 1976/77 - 1979/80 CMDA Investment Program, IDA is expected to assist in developing two of these schemes -- West Howrah (200,000 people/1,600 acres) and East Calcutta (200,000

1/ The current lending program for India includes US$ 30 - 50 million for Calcutta II, as FY 78 standby.

people/7,000 acres). Each will be a self-contained community, offering housing employment, marketing and recreational facilities. Sites and services of different categories and standards with selective, subsidized mass housing facilities for the economically weaker section will be provided. A Bustee Improvement Program in the 1976/77-1978/80 investment program will focus on 50 refugee colonies, with a combined population of about 140,000, at a cost of about US$10 million equivalent. Emphasis would be on an improved physical environment by providing sanitation, water supply, sanitary latrines, streets and pathways.

12. You will no doubt be pressed for early Bank Group assistance for the second project. You should be aware that we have often told the state government and GOI that we will appraise the second project as soon as it is ready. Instead, a preparatory mission is now (October) in the field and appraisal is tentatively scheduled for November provided the present mission finds that satisfactory progress has been made. It would be best if, beyond expressing our readiness to proceed with a second project, you could avoid being dragged into discussions of the timing of the second project. If pressed, you should point out that this is up to them.

13. Extracts from the President's Report and a map of Culcutta are attached.

10.7.76

INDIA

Extract from President's

Report on the

Proposed Credit

to

India

for the

Calcutta Urban Development Project

dated August 1, 1973

Project Description

1. The project forms part of the CMDA US$230 million program for the period July 1973-June 1976. It comprises 44 schemes covering water supply (8 schemes), sewerage and drainage (17), roads and traffic improvements (12), garbage disposal (2), environmental hygiene (3), and housing and area development (2). Technical assistance would be provided in urban planning, and the operation and maintenance of water supply and sewerage services.

2. The schemes have been selected with a view to their priority within the sector and the overall program, and in particular to their functional or geographic interrelationship as well as their state of preparation or execution. The water supply components will contribute towards improving the distribution of filtered water in Calcutta City and its suburbs. The sewerage and drainage schemes will help to reduce the effects of storm flooding during the monsoon in Calcutta City, its northeastern suburbs, and Howrah. The garbage disposal and environmental hygiene schemes will bring about a more tolerable environment in Calcutta City, by providing adequate garbage collection and disposal equipment, and the installation of sanitary latrines in unsewered areas. In urban transport the thrust of the present CMDA program is to increase the capacity of existing facilities, and the schemes included in the project comprise extension and widening of roads, traffic operation measures, construction of a bus terminal and extension of street lighting in Calcutta. Slum redevelopment scheme will provide for rehousing in flats in Calcutta City, while a sites and services scheme will be developed on the edge of the CMD.

3. The following two examples illustrate the importance of this project. First, when the rehabilitation of the Palmers Bridge and Ballygunge pumping stations has been completed, they will be able to handle the entire storm water load which presently floods large areas of central Calcutta City. This water is difficult to dispose of and extended periods of flood conditions have had an adverse effect upon various facilities including roads, water supply and sewerage pipelines. As a result, unsanitary conditions have often been created and have on occasion led to the outbreak of epidemics.

4. The second example is the Baishnabghata-Patuli sites and services scheme about 10 km southeast from the center of Calcutta. About 130 hectares of undeveloped land will be acquired and urban services provided, including filtered water supply, sewerage, roads, a school and a health center for about 30,000 people, of whom up to 25 percent will be in the low income group. Land will be sold to middle and upper income groups for residential purposes and to commercial and industrial enterprises and the proceeds are expected to meet the cost of housing development for low income families who will be provided with the frame of a house which they can then complete. The scheme is expected to be the prototype for large-scale self-financing schemes to increase the supply of housing for the low income group.

Responsibility for Project Execution

5. The CMDA will have overall responsibility for implementation of the project as it has for implementation of the whole program. CMDA will thus be responsible for technical appraisal, review of cost estimates and sanctioning of all schemes included in the project. All works will be carried out, with minor exceptions, by contractors, who would be supervised either directly by CMDA or by executing agencies under CMDA's supervision. CMDA would be directly responsible for the execution of nine of the selected water supply and sewerage and drainage schemes, which would account for 20 percent of the value of the infrastructure components of the project. The remaining 35 schemes will be executed under the supervision of CMDA by six agencies whose performance is considered adequate.

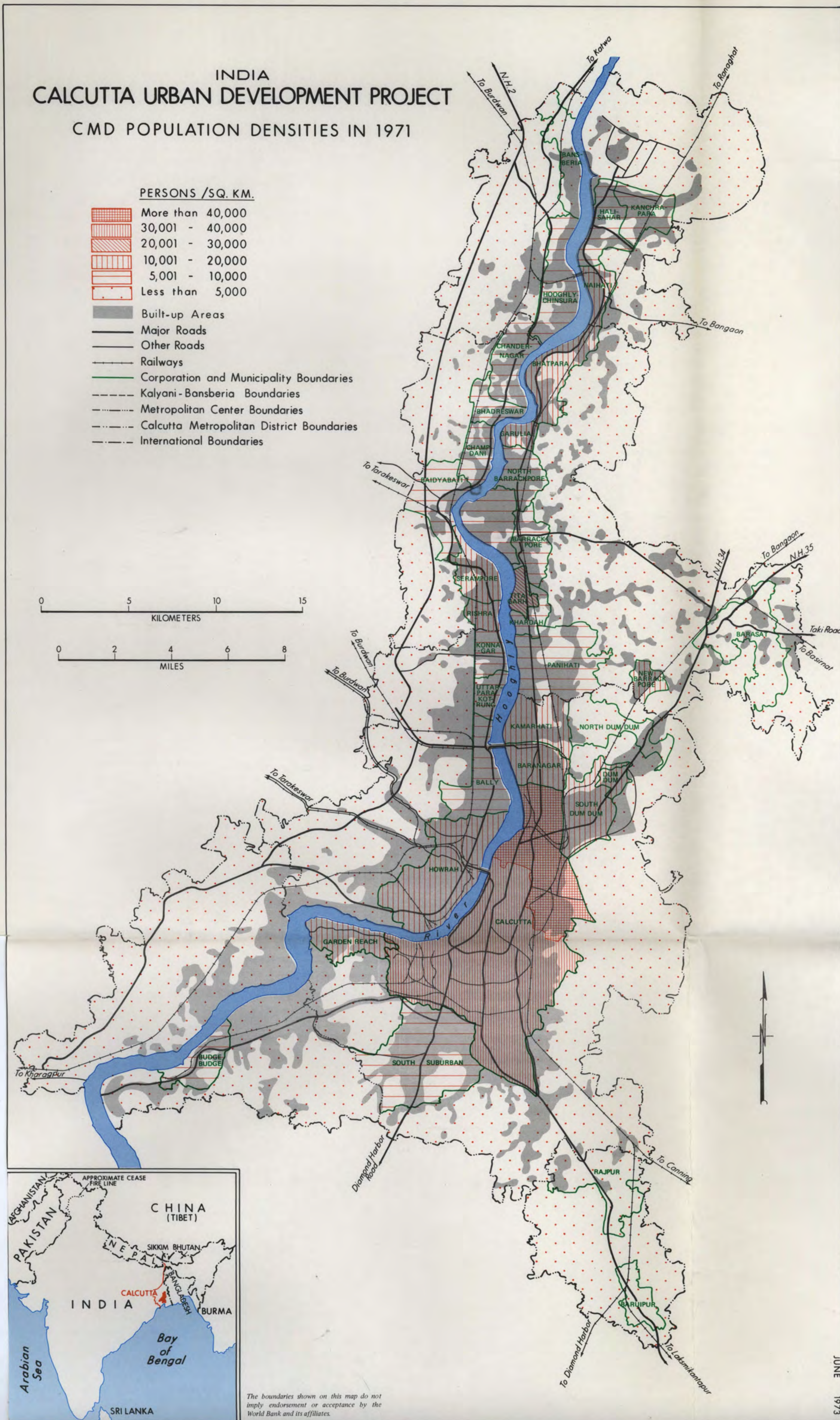
6. CMDA has competent technical and managerial staff and its performance to date has been sound. It will control the scheduling of interrelated program elements and the procurement of scarce materials and will establish an engineering management unit which will be responsible for the coordination of program activities. CMDA is receiving assistance from experienced and well qualified Indian management consultants.

Operation and Maintenance of Facilities

7. Responsibility for the operation and maintenance of completed schemes under the program will rest with a large number of state and local agencies. Schemes constructed by CMDA will be handed over when completed to operating agencies specifically designated for each project. In the case of major water supply, sewerage and drainage facilities, agencies responsible for operation and maintenance will need further strengthening. Accordingly, during negotiations it was agreed that consultants will develop guidelines for the organization and staffing of operation and maintenance units in these sectors.

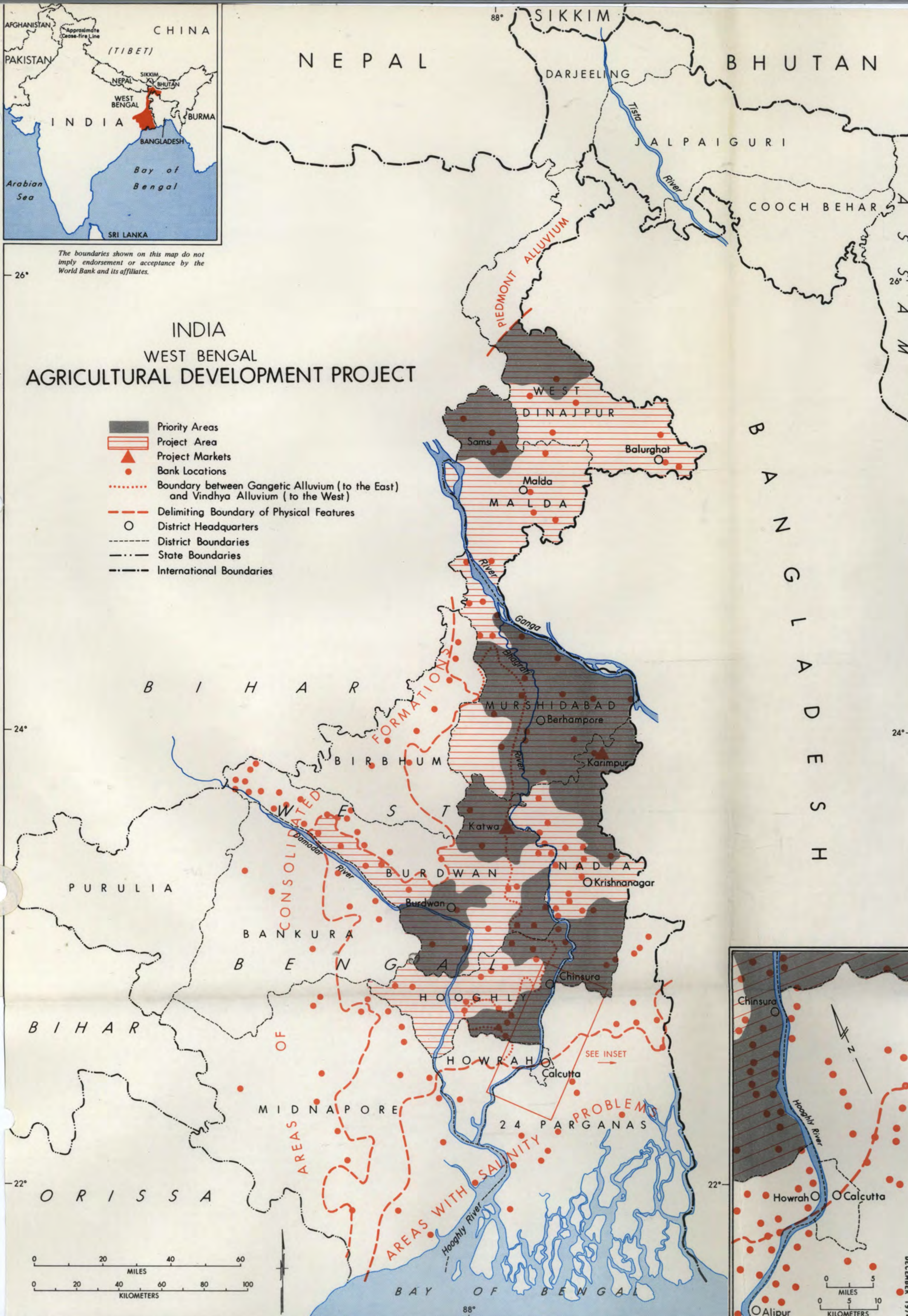
8. Revenues of the municipalities are at present limited to the property tax, which is inadequate to cover expenditures on operation and maintenance. Major improvements in the assessment and collection of taxes and charges and in the devolution of revenues to responsible operating agencies are expected to form part of the proposed reorganization of local government in the Metropolitan District. Preparatory work for the reorganization includes the identification of costs for providing individual services and the establishment of consumer charges after considering such aspects as equity and ability to pay. In the meantime, funds required for the operation and maintenance of urban service facilities will be supplemented as necessary from the State Government budget.

INDIA
CALCUTTA URBAN DEVELOPMENT PROJECT
CMD POPULATION DENSITIES IN 1971



The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.

IBRD-10263
JUNE 1973



INDIA
WEST BENGAL
AGRICULTURAL DEVELOPMENT PROJECT
Priority Areas
Project Area
Project Markets
Bank Locations
Boundary between Gangetic Alluvium (to the East) and Vindhya Alluvium (to the West)
Delimiting Boundary of Physical Features
District Headquarters
District Boundaries
State Boundaries
International Boundaries
The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.
AFGHANISTAN
Approximate Cease-fire Line
CHINA
(TIBET)
PAKISTAN
NEPAL
SIKKIM
BHUTAN
WEST BENGAL
INDIA
BURMA
BANGLADESH
Arabian Sea
Bay of Bengal
SRI LANKA
NEPAL
SIKKIM
BHUTAN
DARJEELING
JALPAIGURI
Tista River
COOCH BEHAR
ASSAM
PIEDMONT ALLUVIUM
WEST DINAJPUR
Samsi
Balurghat
Malda
MALDA
BANGLADESH
River Ganga
Bhagirathi River
BIHAR
FORMATIONS
MURSHIDABAD
Berhampore
Karimpur
BIRBHUM
WEST BENGAL
CONSOLIDATED
Damodar River
Katwa
BURDWAN
NADIA
Krishnanagar
PURULIA
Burdwan
BANKURA
Chinsura
HOOGHLY
BIHAR
OF
HOWRAH
SEE INSET
Calcutta
MIDNAPORE
24 PARGANAS
AREAS
PROBLEMS
AREAS WITH SALINITY
ORISSA
Hooghly River
BAY OF BENGAL
MILES
KILOMETERS
26°
24°
22°
88°
Chinsura
Hooghly River
Howrah
Calcutta
Alipur
N
DECEMBER 1974

INDIA

Background Note on the
West Bengal Agricultural Development Project

Background and Agriculture

1. West Bengal is the second most densely populated State in India with 8% of the country's population on 2.7% of its land. Holdings are small and fragmented -- 80% of farmers operate holdings smaller than 2 ha, accounting for 47% of the land. The average holding has 7 fragments.

2. Much of the state, particularly the alluvial plain has fertile soils, good rainfall (average 1,300 - 1,600 mm per year), and rich groundwater resources. Agriculture provides 50% of State income and 60% of the jobs for its 50 million population. West Bengal ranks fourth in India for foodgrain production (first in rice), produces 60% of India's jute and 25% of its tea. Cereal production has increased by 3.5% annually over the last decade mainly from rice and wheat grown under irrigation during the dry season. There is ample potential for further irrigation development and for increasing production of rainfed crops.

The West Bengal Agricultural Development Project

3. This project was appraised in December 1973 but negotiations were postponed because the Government of West Bengal (GOWB) requested reexamination of IDA's decision to omit a large component for expanding state owned Deep Tubewells (DTW) and Riverlift Installations (RLI). Reappraisal in October 1974 confirmed that large scale expansion of state-owned minor irrigation was not justified owing to poor utilization of the existing 4,000 installations. The project, signed by IDA and GOI on April 28, 1975 provides a US$34 million credit over four years to finance 51% of the US$67 million project cost mainly to support minor irrigation development in six districts. About 60% of the Credit would be channelled through the Agricultural Refinance and Development Corporation to support loans to farmers for about 18,000 shallow tubewells; to cooperatives and the Minor Irrigation Corporation for 300 DTW; for private borrowers to establish 200 agro service centers and to market committees for a pilot marketing scheme involving the development of three markets.

4. The balance of the credit would be onlent to GOWB for completion of about 600 RLI and for equipment, technical assistance and training for the State Water Board, Agricultural Engineering Directorate and Extension Services. While the main part of the project supports private investment for minor irrigation, the credit

to the Government of West Bengal aims to increase utilization of state-owned minor irrigation facilities by completing and improving installations, by improving operation and maintenance and by agricultural extension. Provision for 200 DTW for farmers' groups is an attempt to develop an alternative to state ownership.

5. There has been no IDA disbursement from the project to date. The credit component has been delayed by a year and is only now getting under way. The RLI component is still on schedule and procurement for other parts of the project has started. Extension services were reorganized in the project area and this was followed by similar reorganization in the rest of the State. A project to support extension and research in the State was appraised in May 1976. (See Para. 12 below.)

6. The main causes for project delays were inadequate project coordination, and direct lending on concessional terms by GOWB in contravention of the West Bengal Agreement. The latter practice ceased after strong protests by IDA. The last two supervision missions have concentrated on improving coordination and on revising the implementation timetable. Coordination, though improved, is still unsatisfactory and IDA proposals for appointment of a project coordinator and for district level coordination had not been met at the time of the September 1976 project supervision.

7. Problems peculiar to West Bengal are: complex land tenure and consequent difficulties by borrowers to obtain clear titles required for mortgages; backlog of work in land registries; the small size of the Land Development Bank and consequent heavy reliance on commercial banks for project lending; the overall low level of institutional lending partly due to past large scale direct lending on concessional terms by the Government of West Bengal; and small fragmented holdings which make borrowing for minor irrigation uneconomic for many farmers unless they can form themselves into groups or unless they are able to sell water. The latter problem is the main reason for emphasis on improving state owned minor irrigation facilities.

Burdwan and Nadia Districts

8. Both districts are part of the intensively farmed south of the project area. Burdwan with an area of 7,000 sq km and a population of about 4 million is the most important rice growing district of the State. The crop covers 80% of the cropped area and production of almost 1 million tons in 1975/76 accounted for almost 15% of West Bengal production. The Aman rice crop

(transplanted in July-September during the monsoons and harvested in November-December) is the main rice crop and yields have been static for some years. This problem is now receiving particular attention from research and extension services with promising early results. Rice, wheat, potatoes and vegetables are important crops irrigated during the dry season. About 340,000 ha are irrigated during the kharif season (July-November) and 160,000 ha during the dry season. Of this, water for about 100,000 ha in both seasons comes from minor irrigation (including 206 RLI, 301 DTW and about 7,000 privately owned shallow wells) the balance is supplied by two major irrigation schemes. Since 1962, Burdwan has been covered by the Intensive Agricultural District Program designed with help from the Ford Foundation. The Program provided for doubling of extension staff, support from information, and training units and from soils and seed testing laboratories. Credit and input supplies was also covered by the program. The result has been slightly higher average yields for most crops compared to other parts of the state.

9. Nadia District with an area of 3,900 sq km and a population of about 2.25 million has a more diversified cropping pattern. Rice, Jute, pulses and oilseeds are important kharif crops while wheat is the most important irrigated dry season crop. Because of light soils broadcast sown Aus rice covers a larger area than transplanted Aman. Aus and jute grow on similar soils during the same season and areas sown to either crop fluctuate with jute and rice prices. There is no canal irrigation in the District and 75,000 ha land are irrigated by minor irrigation, including 524 DTW and 236 RLI (both facilities are state owned) and over 15,000 privately owned shallow tubewells. While shallow groundwater levels make this district particularly suitable for small privately owned wells, porous soils make water distribution from the larger state owned facilities difficult.

10. The main investments from the project would be about 1,500-2,000 privately owned shallow tubewells and the completion of about 100 RLI in each of the two districts.

11. Extracts from the President's Report and a map of the project area are attached.

Proposed Research and Extension Project

12. The proposed project builds up on the experience of the earlier credit in order to consolidate and strengthen West Bengal's reorganized extension services and upgrade and develop the State's adaptive research facilities. The objective is to achieve early and sustained improvements in agricultural production, particularly foodgrains, by continuing the program to introduce efficient extension and adaptive research initiated under the West Bengal Agricultural Development Project. The project would (i) provide additional facilities, staff, equipment, and training fellowships for the extension service; (ii) upgrade seven training centers by providing additional staff, equipment and buildings; (iii) upgrade twelve agricultural research stations by farm development and providing staff, equipment, buildings, fellowships and consultancy services, and (iv) provide funds for project evaluation and monitoring. The project would extend "the Benor approach" to the state as a whole.

October 15, 1976

INDIA

Extract from President's Report on the Proposed Credit to India for the West Bengal Agricultural Development Project

(April 10, 1975)

Project Description

1. The project supports a four year agricultural development scheme in six districts of West Bengal aimed primarily at the development of minor irrigation. The project provides investment credit for construction of about 18,000 shallow tubewells for farmers and a smaller program of 300 deep tubewells for farmers' cooperatives and the est Bengal Minor Irrigation Corporation (MIC). The credit component would also provide finance for about 200 agro-service centers to improve distribution of inputs and for the construction of three agricultural wholesale markets. The project would focus on improving capacity utilization of minor irrigation investments in the state, particularly of state owned river lift and deep tubewells schemes, by financing the completion of about 600 existing state facilities and providing equipment, technical assistance and training for relevant agencies in the state government and for MIC. Financing would also be provided to assist in the preparation of a second stage project.

The project would be in an area comprising most of the non-saline alluvial area in the State. The area was selected because of the ample availability of water and potential for market development. A major portion of the credit (about US$15.5 million) would support farmers' investments in the development of 18,000 shallow tubewells to be powered by either diesel or electrically operated pumps by making credit facilities available to the farmers. A smaller portion (about US$5 million) would be on-lent to MIC for the construction of 100 deep tubewells, to farmers' groups for 200 deep tubewells, to Regulated Market Committees (RMC) for developing 3 markets, and to private borrowers for developing 200 agro-service centers.

2. With regard to deep tubewell construction, MIC is still a small and newly established institution and its work program under the project would be modest to allow sufficient time for MIC to develop its staff and program. The main purpose of the 100 deep tubewells to be developed by MIC would be to deliver irrigation water to the poorest farmers who find it difficult to obtain institutional credit. The other 200 deep tubewells to be financed by the project would serve as a trial to see whether irrigation cooperatives can successfully own and operate the wells. This part of the project is important because experience elsewhere in India suggests that state ownership and operation of large numbers of minor irrigation installations usually becomes unsatisfactory as the scale of operation grows. Difficulties in collecting water charges create problems for the operating agency, leading to a decline in the quality of services. Frequently, also, as is the case in West Bengal today, state tubewells are not fully utilized. Cooperative ownership may be a better solution. Provisions are being made under the project to provide the necessary inducements, including a GOWB capital grant of 50%, to farmers' groups to encourage them to participate in deep tubewell schemes as such schemes would be new to the state and would compete with subsidized state owned facilities. Success of this trial should lay the foundation for a more sound and lasting alternative to the traditional state tubewell organizations. The total amount of the credit available for deep tubewells would be about US$3.0 million.

3. The project also provides for the development of three rural wholesale markets, each of which would handle a different product mix. The credit would help finance surveys and land development, access roads, auction platforms, offices, shops, warehouses, internal roads, parking areas, utilities equipment and market staff training. Economic evaluation to analyze the impact of the proposed markets on agricultural development, particularly on farmers' benefits, and studies to prepare for the establishment of more markets, would be carried out by a qualified research institute or by consultants. About US$1 million has been provided under the credit to support the markets development component.

4. The 200 agro-service centers to be established under the project would sell inputs, provide custom services and some technical assistance to farmers in the project area. The West Bengal Agro-Industries Corporation (AIC) selects and trains unemployed agriculture graduates and helps them set up these centers by arranging bank loans and acting as a wholesale supplier of seeds, fertilizer and a range of machinery. The centers would expand distribution facilities for inputs and improve tubewell maintenance services. The 250 centers established to date have found demand for their services to be strong and are proving commercially viable. About US$1 million of the credit would be in support of agro-service centers.

5. The project would provide funds to GOWB for the completion of some 600 existing river lift and deep tubewells irrigation schemes. There are presently about 2,000 such schemes in West Bengal, however, only about 800 are working and irrigation coverage is only about 20% of the feasible command areas. Therefore, instead of financing any new state river lift and deep tubewell schemes under the project, attention would be focussed on completing existing ones and improving their efficiency and coverage. Six hundred represents an estimate of the number of river lift and deep tubewell schemes which GOWB could complete over the project period. About US$9.1 million of the credit amount would be for completion of existing schemes.

6. Assistance would be provided to the Engineering Directorate of the Department of Agriculture to finance improvements for six district workshops and to obtain vehicles and equipment for mobile workshops to ensure good maintenance and speedy repairs for tubewells and river lifts. SWB would receive assistance for financing groundwater equipment, consultants to advise in long range water exploration and planning, and further training for some key staff. The credit would provide about US$2.0 million for these purposes.

7. To improve water utilization, the agricultural extension services in the project area would be reorganized and additional extension workers, transport, equipment, staff training, and materials for field demonstrations would be provided. The amount of the credit allocated for improvement of agricultural extension services is about US$2.4 million.

Project Implementation

8. Project management would be in the hands of a sub-committee of the State Level Coordinating Committee. The sub-committee would keep under continuous review the overall progress of the project and recommend measures for the elimination of deficiencies and for effecting improvements. In addition to representatives from relevant state agencies, the sub-committee would also include a representative from ARC and from the Agriculture Credit Department of the Reserve Bank of India (RBI). See Section 2.04 of the West Bengal Agreement.

9. About sixty percent of the proceeds of the credit would be onlent by ARC to banks for financing loans to farmers for shallow tubewells, to MIC and farmers' groups for deep tubewells, to individuals for the establishment of agro-service centers and to RMCs for the construction of wholesale agricultural markets. In addition to being the channel for the credit component, ARC would supervise credit operations as it already does for the 12 on-going IDA assisted credit and market projects in India. There is a well developed commercial banking network in the State which has experience with agricultural lending, through which at least 70% of the lending under the project will be made. By contrast, the LDB is one of the least developed in India and some rehabilitation and strengthening will be necessary before it can carry a significant part of the lending. A plan to improve LDB as well as to expand rural banking activities in West Bengal generally has been prepared by ARC and the State Government in consultation with the Association.

10. MIC is a recently created State Government owned Corporation staffed by transfers from the Department of Agriculture. Its main purpose is eventually to take over, operate and maintain the 2,000 existing State owned deep tubewells and 2,000 river lifts and to continue to implement the State Government's program of deep well and river lift construction. However, under the project, MIC's responsibilities would be limited to supervising construction of the 300 deep tubewells, of which it would own and operate 100. MIC requires time to gain experience and develop its staff and program. To ensure that MIC can implement its part of the project, a work program, staffing plan and financing plan acceptable to IDA would be prepared by MIC as a condition of disbursement under the relevant category. See Section 2.04 of the West Bengal Agreement.

11. All investments in tubewells and lift irrigation under the project would be in accordance with technical criteria established by SWB. See Section 2.04c of the Project Agreement, Section 2.09 of the West Bengal Agreement, and Schedule 1.4(b) of the Development Credit Agreement. The SWB was formed last year by the transfer to it of the staff of the Groundwater and Surface Water Investigation Unit of the Agricultural Department. Its functions are to assess surface water resources, to collect and interpret groundwater data, to conduct groundwater studies and to advise the State Government on the nature and limits of minor irrigation development. However, its Board has not met since its establishment and its activities have been hampered by lack of a full-time executive chairman. A suitably qualified full time executive chairman has now been appointed and technical staff seconded from the Engineering Directorate of the Department of Agriculture. SWB staffing is now satisfactory to begin project implementation.

12. West Bengal has the potential for a substantial increase in minor irrigation development. Even with the addition of the wells contemplated under the proposed project, it is estimated that only half of the conservatively calculated recharge of groundwater in the project area would be extracted. The project would provide for disciplined exploitation by controlling the spacing of individual wells. See Section 2.04c and Schedule 2 of the Project Agreement.

13. Funds available to the West Bengal State Electricity Board (SEB) from the Rural Electrification Corporation of India (REC) would meet about 30% of the cost of connecting tubewells to the rural transmission network. To ensure prompt connection of wells, the project would finance the balance. Connection costs would form part of the loan to farmers for tubewells. The SEB would, however, repay capital and interest on the portion of the loan for connection charges, in excess of a small non returnable deposit payable by applicants for power. To ensure adequate technical and financial criteria for this project component, GOWB agreed to make arrangements, satisfactory to IDA, for appraising electrical connection schemes for project tubewells. See Section 2.14 of the West Bengal Agreement. Additionally, financial losses, common with rural electrification schemes in India, endanger essential investment programs of electricity boards. In this connection, GOWB had agreed, under the Second Power Tranmission Credit (242-IN dated May 3, 1971), on specified rate of return targets for the SEB; 8.5% by 1973 and 9.5% from 1975 onward. The target was met in 1973; however, since that time performance has declined, due largely to the burden of rural electrification operations. To avoid this problem, GOWB would, to the extent that the SEB fails to achieve agreed rates of return, provide the SEB with annual funds to cover the operating deficit of rural electrification schemes in the project area. See Section 2.14 of the West Bengal Agreement.

14. Until 1972, markets in West Bengal were administered by the State Department of Agriculture. However, the Agricultural Produce Marketing (Regulation) Act enacted in 1972 provided for the establishment of RMCs and the West Bengal State Marketing Board (SMB). The legislation also provides for licensing of traders and levying of market charges. The State Government's responsibility is now only supervisory. Under the project, the establishment of markets would be in accordance with the Act. It would be a condition of disbursement of the proceeds of the credit allocated to market development that SMB had been suitably established. See Schedule 1.4d of the Development Credit Agreement. RMCs would be appointed by the State Government to operate the markets to be financed under the project.

Project Cost and Financing

15. The total project cost is US$67 million equivalent, including duties and taxes, of which the foreign exchange component is about US$7.3 million. A detailed breakdown of the cost components is at Annex III.

16. The proposed IDA credit of US$34 million would cover the foreign exchange cost and 40% of the local cost; a total of about 51% of total project cost. The remaining 49% would be financed by State Government and ARC (38%), participating banks (7%) and individual borrowers (4%). IDA funds of US$13.0 million would be channeled through the Government of India to the State Government of West Bengal for completion of river lift schemes, maintenance equipment for Department of Agriculture and MIC, groundwater exploration equipment and training for SWB, consultant's services for further project preparation, and improvement of state extension services. The Government of India would on-lend these funds to the State according to established policy on terms prevailing at the time.

17. For shallow tubewells, deep tubewells, market development and agro-service centers, the Government of India would make IDA proceeds of US$21 million available to ARC repayable partly over 9 and partly 15 years at interest rates of 6.5% and 7.0% respectively. The Government of India would bear the exchange risk. ARC would on-lend the funds to LDB and participating commercial banks at an annual interest rate of not less than 7.5%. The banks, in turn would lend to individual farmers, MIC, RMCs and agro-service centers operators, at a minimum annual interest rate of 10.5% for minor irrigation and 11% for other types of investment for periods up to 15 years. The ultimate interest rate is in line with prevailing interest rates and the spread reasonable in relation to the risk element involved and the cost of appraisal and supervision of individual loans. Small farmers would qualify for preferential borrowing terms provided that their anticipated income was adequate to repay the loan over a prescribed period. The project would introduce a definition of small farmer based upon predevelopmental income. A farm family earning Rs 2000 or less per year (or about US$50 per capita) would be entitled to participate in the project under less rigid terms for down payment and repayment period. It would be a condition of effectiveness that a Subsidiary Loan Agreement between the Government of India and ARC, satisfactory to the Association, had been executed. See Section 5.01c of the Development Credit Agreement.

INDIA

Meeting with Industrialists in Calcutta
Biographical Data

Mr. K. K. Birla	Industrialist
Mr. K. P. Goenka	Industrialist
Mr. B. P. Khaitan	Industrialist
Mr. Santanu Ray	Vice Chairman, Imperial Tobacco Company
Mr. J. P. Sengputa	President, Bengal Chamber of Commerce
Mr. R. C. Maheshwari	Chairman, Engineering Export Promotion Council
Mr. Ajit Pal Choudhury	Managing Director, Small Tools Manufacturing Company
Mr. S. B. Roy	Tea Planter
Major General R. N. Sen	Managing Director, Braithwaite & Company
Mr. G. L. Mehta	Chairman, Indian Jute Mills Association
Mr. S. S. Kanoria	Chairman, Kanoria Chemicals
Mr. R. P. Goenka	Industrialist
Mr. A. L. Mudaliar	Chairman, ICI (India) Private Limited

November 4, 1976

E. HYDERABAD VISIT

1. Biographical Data

2. ICRISAT

3. Bharat Heavy Electricals - Hyderabad

4. Bank Group Involvement
   in Andhra Pradesh

INDIA

Biographical Data on Officials

in

(ii) Andhra Pradesh

Dr. N. Bhagwandas	Chief Secretary, Andhra Pradesh
Mr. R.D. Bhandare	Governor
Dr. Ralph W. Cummings	Director, ICRISAT*
Mr. V. Krishnamurty	Chairman and Managing Director, Bharat Heavy Electricals, New Delhi
Mr. A. Krishnaswami	First Member, Board of Revenue, Government of Andhra Pradesh
Mr. Venegal Rao	Chief Minister, Government of Andhra Pradesh

* International Crops Research Institute for the Semi-Arid Tropics

October 15, 1976

Dr. N. Bhagwandas - Chief Secretary, Andhra Pradesh

Age 57. A graduate from the Madras University he spent the war years with the RAF as a King's Commissioned Officer and reached the rank of Squadron Leader. He joined the Indian Administrative Service in 1947. For the next 13 years he served in various district and secretarial postings. During the years 1960-64 he was in charge of several public sector commercial enterprises -- Andhra Pradesh State Road Transport Corporation, Azam Zahi Textile Mills, and the Hyderabad Chemicals and Fertilizers Limited. Thereafter he served as Special Secretary to the Education Department, became Member, Board of Revenue in 1966, and Secretary to the Health Department in 1968. In 1970 he rejoined the Board of Revenue and within a year rose to the rank of First Member. In January 1973 he was appointed as Chief Secretary. In view of his experience with the public sector, he continues to function as Director of several state concerns dealing in machine tools, tire and tubes, cement, paper and ferro alloys. He is also the Chairman of the Andhra Pradesh State Industrial Development Corporation. He is a member of the Board of Governors of the ICRISAT, and of the Administrative Staff College in Hyderabad.

A person of versatile interest, Mr. Bhagwandas is a professional photographer who has been awarded one of the highest international awards in photography. He is also a keen scout, and is the Vice President of the National Council of the Bharat Scouts and Guides, India.

Mr. R.D. Bhandare - Governor of Andhra Pradesh

Age 60. After obtaining a Master's degree in Arts he qualified as a lawyer. He postponed the practice of law for a period of three years in order to study the Buddhist social and political institutions at the University of Bombay. He was fairly successful as a lawyer, but his active association with labor organizations gradually took him into politics. He founded the Republican Party, a regional right wing party in Maharashtra, and was its President from 1964 to 1966. However, following a split in the party, he and a section of his followers joined the Congress. As a Congress candidate he was elected to the Parliament in the two successive elections of 1967 and 1971. In February 1973, he was appointed Governor of Bihar and remained in that capacity until June 16 of this year, when he was appointed as the Governor of Andhra Pradesh.

He continues to be deeply involved with social welfare activities, in particular, educational institutions. Mr. Bhandare is a Buddhist by faith. As one of the few prominent members of the Scheduled Caste community, Mr. Bhandare, like Mr. Jagjivan Ram, enjoys a special position.

Dr. Ralph W. Cummings - Director, ICRISAT
(International Crops Research Institute for the Semi-Arid Tropics)

Age 65. Obtained his Ph.D. degree from Ohio State University in 1938, and served on the faculties at Cornell University and at the North Carolina University. He started his career in world agriculture in 1955 as Chief of the North Carolina Agricultural Research Mission to Peru. Later he joined the Rockefeller Foundation in India as its Field Director for agricultural sciences. He played a significant part in the transformation of the Indian Agricultural Research Institute (IARI) into a postgraudate school with an integrated system of teaching, research and extension. He also served as the first Dean of the IARI in 1958. As a tribute to his efforts toward the growth of cereal improvement research, the IARI's modern cereal research laboratory was named after him. Between 1960 and 1964 he was appointed Chairman of the Agricultural Universities Committee of the Government of India, and the offshoot of this committee -- popularly known as the "Cummings Committee" is reflected in the establishment of six Indian agricultural universities. In recognition of his dedicated contribution to Indian agriculture, honorary doctorate degrees were conferred on him by three agricultural universities.

He returned to his home state in 1969 to serve as the Administrative Dean for Research at the North Carolina State University. During 1971 and 1972 Dr. Cummings was Program Adviser in Agriculture for Asia and the Pacific for the Ford Foundation and in September 1972 was named as first Director of ICRISAT. Recently he has been named as Chairman of the Technical Advisory Committee (TAC) for the Consultative Group on International Agricultural Research. He will succeed Sir John Crawford who has headed TAC since it was formed in 1971.

Mr. V. Krishnamurty - Chairman and Managing Director,
Bharat Heavy Electricals, New Delhi

Age 51. After a brief career with the Madras Electricity Department and Planning Commission, he was associated with the growth of Electrical Manufacturing Industry in the public sector from the very beginning. He joined Heavy Electricals as project officer in 1960, then rose rapidly to be Chief of Planning and Development in Bharat Heavy Electricals in 1963 and then General Manager at the Boiler Plant at Tiruchirapalli in 1968. As General Manager he showed remarkable administrative skill and technical competence. Production increased from a low level to the rated capacity within a short time span, profits were earned from the third year onwards and by the fourth year the company had recovered from all initial losses. In 1972 when there was a general crisis in the electrical manufacturing industry on account of serious capacity underutilization at a time when there was long backlog of orders, Mr. Krishnamurty was appointed as Chairman and Managing Director of the entire complex of the Bharat Heavy Electricals. With the merging of Heavy Electricals, (Bhopal) with BHEL, his empire has grown still more. The undertaking provides total employment of over 50,000 persons of which 6,000 are engineers, 7,000 technicians and 15,000 skilled artisans. During 1975/76 value of production exceeded Rs 420 crores (i.e. $470 million). The physical output of power generating equipment has gone up to 3,200 MW during 1975. For his outstanding performance Mr. Krishnamurty was awarded Padma Shri in 1975. He is also a member of various committees of the Government and academic institutions. Prominent among these are:

Member - National Committee on Science and Technology
Member - National Committee on Environmental Planning and Coordination
Member - Executive Board of the Standing Conference of Public Enterprises
Member - Governing Body of the Indian Investment Center
Director - Engineers, India
Chairman - Bharat Pumps and Compressors Ltd., Allahabad

Mr. A. Krishnaswami - First Member, Board of Revenue, Government of Andhra Pradesh

Age 57. After graduation from the University of Madras he specialized in electricity technology from the Indian Institute of Science, Bangalore. He joined the Indian Air Force in 1943 and after Independence was absorbed into the Indian Administrative Service. He was Collector of several districts and rose thereafter to the rank of Secretary, serving successively in the departments of Health and Municipal Administration, Public Works, and Home. He served a tenure as Chief Secretary and Development Commissioner, Pondicherry, and then as Chairman of the Andhra Pradesh State Electricity Board. He has been First Member and Commissioner of Land Revenue, Ayacut (Irrigation) Development and Commercial Taxes, Board of Revenue since January 1973. His immediate predecessor in this post was Mr. Bhagwan Das, the present Chief Secretary.

Mr. Krishnaswami was a member of the Indian Team which visited Washington to negotiate the IDA-financed Pochampad Irrigation Project. He is a Fellow of the Indian Institute of Engineers.

Mr. Venegal Rao - Chief Minister, Government of Andhra Pradesh

Age 55. He discontinued his education at the University stage to join the freedom movement. Later he spearheaded the Hyderabad State Congress campaign against the Razakar movement, a para-military movement of militant muslims determined to prevent Hyderabad's merger with India, and to preserve the muslim character of the State. Following the police action of 1948, and the integration of the former Princely State with the Indian Union, he was elected Congress President of a district taluk. Later he became the local party boss for the Khammam district, and the first Chairman of the Khammam Zilla Parishad. In 1962 he was nominated as the President of the Andhra Pradesh State Chamber of Panchayati Raj, a post he held for the next six years till 1968.

He was a member of the State Assembly for almost the entire period after Independence. In July 1969 he was included in the Cabinet for the first time, and was placed in charge of Home Affairs. In the next two years he was extremely effective in dealing with the violent upsurge of Naxalite activity in that State. He streamlined the Police Administration to meet the growing demands made on it by the disturbed law and order situation following a political movement to bifurcate the state. In 1971 he moved to the Industry Ministry, where he took energetic steps to promote the industrial development of the state, and the effect of several measures initiated by him have now begun to bear fruit. By the end of 1972 the separatist movement had become almost uncontrollable and as a result President's rule had to be imposed for about a year. A new government was established in December 1973 and Mr. Rao was appointed as the Chief Minister.

TENTATIVE PROGRAM

FOR THE VISIT OF MR. ROBERT S. McNAMARA, PRESIDENT, WORLD BANK

NOVEMBER 8, 1976

08.15	Arrival at Hyderabad Airport (R.W. Cummings receives)
09.00	Arrival at ICRISAT Gate (J.S. Kanwar receives and introduces the scientists)
09.00 - 09.05	Introduction of ICRISAT and AICRPDA scientists (J.S. Kanwar)

VISIT TO EXPERIMENTS AT ICRISAT

09.05 - 09.20	Stop I		Pigeonpea and chickpea (J.M. Green)
09.20 - 09.40	Stop II		Farming Systems (B.A. Krantz/J. Kampen) (BW-1, BW-7 and Machinery)
09.40 - 10.00	Stop III		Sorghum and Millets (H. Doggett)
10.00 - 10.05	Stop IV		Groundnut (R.W. Gibbons)
10.05 - 10.10	Stop V		Downy Mildew (R.J. Williams)
10.10 - 10.15	Stop VI		Pulse Pathology (Y.L. Nene)
10.15 - 10.20	Stop VII	(a)	Manmool - Training (D.L. Oswalt)
10.20 - 10.28		(b)	Cooperative Programs (R.C. McGinnis)
10.28 - 10.40		(c)	Economics (J.G. Ryan)
10.40 - 11.10		(d)	All India Coordinated Research Project on Dryland Agriculture (Ch. Krishnamoorthy, S.L. Chowdhury, D.T. Anderson)
11.10 - 11.30	Discussion (all scientists participate)		
11.30 - 11.45	Lake ICRISAT and Construction Program (R.W. Cummings)		

For Personal Use of Mr. Robert S. McNamara

BACKGROUND INFORMATION ON ICRISAT ADMINISTRATORS AND INTERNATIONAL STAFF

ADMINISTRATION

- Dr. R.W. Cummings

  Director

  Native of N. Carolina, USA

  Ph.D, Ohio State University, USA

  40 years professional experience in Agronomy and Administration. Worked with Rockefeller, Ford, International Rice Institute. Director, ICRISAT since September 1974.

- Dr. J.S. Kanwar

  Associate Director

  Native of India

  Ph.D, Adelaide, Australia

  32 years professional experience in Australia and India.

- Dr. R.C. McGinnis

  Associate Director

  Native of Canada

  Ph.D, University of Manitoba, Canada

  37 years professional experience as teacher and researcher in Canada. Director of Plant Breeding Station, Kenya

- Mr. S.K. Sahgal

  Principal Administrator

  Native of India

  LLB in India, MPA from Harvard University.

  26 years of professional experience in USA and India.

CROP IMPROVEMENT-Cereals

- Dr. H. Doggett

  Leader, Crop Improvement Program

  Native of Britain

  Ph.D, Cantab, Cambridge, England

  24 years of professional experience as teacher, plant breeder, researcher in Trinidad, Tanganyika, Uganda and Canada.

- Mr. D.J. Andrews

  Plant Breeder - Sorghum & Millet

  Native of Britain

  Diploma in Tropical Agriculture, Trinidad

  20 years professional experience in Regional Research Station, Zaria. Research Fellow Ahmadu Bello University. Promoted Principal Research Fellow.

- Dr. P.K. Lawrence

  Plant Breeder

  Native of Australia

  Ph.D, Iowa State University, USA

- Dr. J.C. Davies

  Entomologist

  Native of Wales

  Ph.D, University of East Africa

  20 years professional experience in Uganda, England and Saudi Arabia.

- Dr. B.W. Hare

  Asst. Plant Breeder - Millets

  Native of Australia

  Ph.D, University of Adelaide, Australia.

- Dr. J.D. Skinner II

  Asst. Entomologist

  Native of Nebraska, USA

  Ph.D, University of Nebraska

  7 years professional experience in USA.

- Dr. R.J. Williams

  Cereals Pathologist

  Native of Britain

  Ph.D, University of Reading

  10 years professional experience in U.K. and Nigeria.

CROP IMPROVEMENT-Pulses

- Dr. J.M. Green

  Plant Breeder - Pigeonpea

  Native of Iowa, USA

  Ph.D, University of Iowa

  35 years professional experience at USDA, Oklahoma, Brazil, N. Carolina and Indonesia.

- Dr. A.K. Auckland

  Plant Breeder - Chickpea

  Native of Britain

  Ph.D, University of Minnesota

  21 years professional experience in Tanganyika, Tanzania and Kenya.

- Dr. L.J.G. van der Maesen

  Botanist/Agronomist for Germplasm Management

  Native of Holland

  Ph.D, Wageningen, Netherlands

  Professional experience in Netherlands and Iraq.

- Dr. A.R. Sheldrake

  Plant Physiologist

  Native of Britain

  Ph.D, Clare College, Cambridge, England

  9 years professional experience. Director of Studies in Biology, Clare College.

- Dr. Y.L. Nene

  Legume Pathologist

  Native of India

  Ph.D, University of Illinois, USA

  16 years professional experience in USA and India.

- Dr. P.J. Dart

  Microbiologist

  Native of Britain

  Ph.D, Sydney University

  11 years professional experience at Rothamstead Experiment Station, Harpenden, Herts.

Crop Improvement-Groundnuts- Mr. R.W. Gibbons

  Plant Breeder - Groundnut

  Native of Britain

  Education at Durham.

  13 years professional experience in Trinidad, Nigeria and Malawi.

FARMING SYSTEMS - Dr. B.A. Krantz

  Agronomist, Farming Systems

  Home: Davis, California

  Ph.D, Purdue University

  33 years professional experience in N. Carolina, California and India.

- Dr. J. Kampen

  Agricultural Eng., Farming Systems

  Native of Holland

  Ph.D, Cornell University

  12 years professional experience in USA, Philippines and India.

- Dr. R.W. Willey

  Agronomist, Farming Systems

  Native of Britain

  Ph.D, Leeds University.

  16 years professional experience in Great Britain and Uganda.

- Dr. F.R. Bidinger

  Asst. Agronomist, Farming Systems

  Native of California, USA

  Ph.D, Cornell University

  10 years professional experience in Morocco, Mexico and USA.

- Mr. L.P.A. Oyen

  Asst. Agronomist, Farming Systems

  Native of Holland

  Education at University of Wageningen

  6 years professional experience in Spain, New Guinea and England.

FARM DEVELOPMENT OPERATIONS	-	Mr. E.W. Nunn Agr. Engineer Native of Alabama, USA Education from Auburn University, Alabama 17 years professional experience with USDA, Georgia, Alabama, Kansas and India.
ECONOMICS & STATISTICS	-	Dr. J.G. Ryan Senior Economist Native of Australia Ph.D, N. Carolina State University 14 years professional experience in Australia and N. Carolina.
	-	Dr. M. von Oppen Economist Native of Germany Ph.D, University of Illinois 13 years professional experience in Germany, USA and India.
	-	Dr. H.P. Binswanger Economist Native of Switzerland Ph.D, N. Carolina State Univeristy 8 years professional experience in Switzerland and USA.

- Dr. V.S. Doherty

  Social Anthropologist

  Native of New York, USA

  Ph.D, University of Wisconsin

  Professional experience in Nepal, Egypt, USA and India.

- Dr. J.W. Estes

  Computer Services Officer

  Native of Connecticut, USA

  Ph.D, University of Connecticut

  4 years professional experience in USA and India.

TRAINING

- Dr. D.L. Oswalt

  Training Officer

  Native of Indiana, USA

  Ph.D, Purdue University

  20 years professional experience in agricultural education and research, USA, 10 years with Church Mission in Nigeria.

BIO-CHEMISTRY & NUTRITION

- Dr. R. Jambunathan

  Bio-Chemist

  US Citizen (Indian Origin)

  Ph.D, Kansas State University

  13 years professional experience in India and USA.

INFORMATION SERVICES - Mr. J.W. Spaven

Information Officer

Native of Vermont, USA

Education: Cornell University

40 years professional experience in communications teaching, production, research in U.S. and 25 nations in Europe, Asia, S. America and Africa.

- Mr. G.D. Bengtson

Asst. Information Officer

Native of Pennsylvania, USA

Education: Kansas State University

25 years professional experience as scientific writer in W. Virginia and Pennsylvania.

PHYSICAL PLANT DEVELOPMENT - Dr. N.N. Shah

Project Manager, Physical Plant Construction

Native of India

Ph.D, Warsaw University

17years professional experience in commercial work in India.

- Mr. F.J. Bonhage

Construction supervising officer

Native of Connecticut, USA

Education: University of Connecticut

22 years professional experience in USA and Nigeria.

WEST AFRICAN COOPERATIVE PROGRAM - Dr. A.A. Lambert

Plant Breeder in Senegal

Native of France

Ph.D, University of Paris

For Personal Use of Mr. Robert S. McNamara

BACKGROUND INFORMATION ON ADMINISTRATORS AND STAFF OF ALL INDIA COORDINATED RESEARCH PROJECT PROJECT ON DRYLAND AGRICULTURE

- Dr. Ch. Krishnamoorthy

  Director

  Native of India

  Ph.D, University of California, USA

  33 years professional experience in India

- Dr. S.L. Chowdhury

  Project Coordinator

  Native of India

  Ph.D, Indian Agricultural Research Institute, India

  33 years professional experience in India

- D.T. Anderson

  Canadian Principle Adviser

  M.Sc, Agricultural Engineering, University of Saskatchewan, Canada

  30 years professional experience in Canada and India

INDIA

Background Note on the

International Crops Research Institute

for the

Semi-Arid Tropics (ICRISAT)

Hyderabad, India

1. ICRISAT is one of the newer Centers in the CGIAR system, and its buildings are still under construction. Its mandate is to improve the food supply of the 500 million people who depend on rainfed agriculture in the semi-arid tropics.

2. ICRISAT's formal incorporation in July 1972 followed a recommendation by the Technical Advisory Committee (TAC) which the Consultative Group accepted in late 1971. The recruitment of staff, land development, and construction of permanent facilities have gone more or less according to schedule, and significant research achievements have already been made. Most of the headquarters complex is expected to be completed during 1977.

3. ICRISAT has four main core research programs: cereals (sorghum and millet); pulse (pigeonpea and chickpea), groundnuts; and farming systems. In addition, there are programs in agricultural economics; bio-chemistry, food technology, and nutrition; and training demonstrations. The major characteristics and objectives of the research programs are described below. Support activities include a laboratory for use by all programs; library, documentation and information services; a statistical service; and services for the development work at the headquarters. ICRISAT has expanded outside its core operations by concluding an agreement in January 1975 for special funding of a cooperative program in west Africa for the improvement of sorghum and millet in the Sahelian-Sudanian zone. This program, which will assist national programs in 12 countries, is expected to get up to its full strength in 1977. Discussions are proceeding on similar arrangements for East Africa, and cooperative links with Asian countries and Brazil are expected to grow. The national and state governments of India have strongly supported ICRISAT, and fruitful links are developing with national programs throughout the host country. ICRISAT has made a significant start on its training programs, although hampered by inconvenient temporary quarters.

4. ICRISAT's total core budget for 1977 is $12.4 million. Operations would account for $5.9 million, and capital for $6.5 million. After deducting unspent balances expected to be available at the end of 1976, and anticipated earned income during 1977, ICRISAT's net request for funds from the CG amounts to $9.8 million.

5. In terms of senior principal and scientific and supervisory research manyears, the research effort is expected to grow by 20 percent in 1977, as against the revised 1976 estimate. Current staff levels are set out in the Annex.

ICRISAT Core Operating Budgets ($'000)

	1975 Actual	1976 Revised	1977 Estimated
Research	1,411	2,228	3,017
Training & Conferences	86	298	358
Support Operations -			
Service Activities	650	961	1,110
General Administration	550	723	792
Gen. Operations	448	317	324
Other, contingencies inc. inflation	-	373	309
Total Core operating	3,145	4,900	5,900

6. ICRISAT has 14 donors to core programs in 1976, of which the most important are the U.S. (23%), Canada and IDRC (18%), Sweden (16%), and the U.K. (11%). In addition, the UNDP, ADB and Thailand are funding special projects in 1976. The World Bank, as a residual donor, has not so far contributed to ICRISAT, and it is not expected to do so in 1977.

7. During the Board discussion of the 1976 IDA contribution to the CGIAR, the Executive Director for Sweden expressed the view that ICRISAT's physical facilities appeared to be somewhat lavish. The CGIAR Secretariat, with the assistance of Bank architects, introduced some economies during the development of ICRISAT's capital program. The Board and management of ICRISAT set high standards for a unique and highly specialized institute, and have not accepted the Secretariat's view that physical standards could be reduced without impairing the research program. ICRISAT's donors have been reluctant to intervene, as this would have caused major delays in getting research facilities completed. The donor sub-committee has however kept a close watch on ICRISAT's progress, and construction costs in particular.

Summary of ICRISAT programs

Farming systems 6 principal staff 1977 core budget $554,000

8. The program seeks to develop an efficient technology for rainfed farming under conditions of scarce capital and variable rainfall. It embraces watershed management, cropping systems, animal-drawn implements, and the interpretation of climatic and soil data.

Sorghum and pearl millet 8 principal staff 1977 core budget $876,000

9. These crops are estimated to be grown on some 68 million hectares. The emphasis of the breeding program is on stable yield at the highest attainable level, together with excellent grain quality. This involves improving physiological plant efficiency for grain yield, under dryland farming conditions; improving pest and disease resistance; improving responsiveness to good management, together with tolerance of poor management; reducing sensitivity to day-length, and; improving consumer acceptance. ICRISAT has a major collection of sorghum and millet germplasm, and large

scale screening techniques have been developed. A series of cooperative and international trials has been launched.

Pigeonpea and chickpea 8 principal staff 1977 core budget $770,000

10. These protein-rich crops are estimated to be grown on some 14 million hectares. They have great potential for improving nutrition in the semi-arid tropics. The breeding program aims to develop varieties with potential for high yield; disease, pest, and drought resistance; improved nutritional quality and consumer acceptance. There is a great lack of knowledge on both of these crops, which ICRISAT is working vigorously to rectify.

Groundnuts 4 principal staff 1977 core budget $500,000

11. The groundnut program is at an earlier stage than the others. Research plans are being formulated, and arrangements made for the transfer to ICRISAT of a major cultivar collection, to form the basis of the world germplasm pool.

Economics 2 principal staff 1977 core budget $197,000

12. Twelve research projects have been initiated into production or marketing, all designed to support the major programs (Farming Systems and Crop Improvement). The studies are intended to maximize adoption of, and hence pay-off from, ICRISAT technologies.

Biochemistry, food technology, and nutrition laboratory 1 principal staff
1977 core budget $120,000

13. The laboratory screens genetic material, and carries out other tests in support of the major programs, as for example, of cooking quality.

Training and conferences 1 principal staff 1977 core budget $358,000

14. ICRISAT attaches high priority to training, which began with trainees from the host country very early in the Institute's life. In 1976, in-service trainees came from 10 developing countries.

15. Conferences have included International Workshops on Grain Legumes and on Farming systems; a consultant meeting on Sorghum Breeding; detailed Workshops on Downy Mildew and Ergot; and a seminar on soil surveys.

Support operations 1977 core budget $1,100,000

16. These include library and documentation, information services, laboratory services, farm services, transportation, computer and statistics.

General and contingencies 1977 core budget $1,425,000

17. This includes the Governing Board, Administration, Physical Plant Services, and General Operations.

Annex

BASIC DATA ON ICRISAT

Address: INTERNATIONAL CROPS RESEARCH INSTITUTE
FOR THE SEMI ARID TROPICS
1-11-256, Begumpet, Hyderabad 500 016

Founded: Legally instituted July, 1972

Location: 25 km northwest of Hyderabad

Chairman of Board: Dr. C. F. Bentley (Canada)

Director: Dr. Ralph W. Cummings (U.S.)
as from March 1977 -
Dr. Leslie D. Swindale (N. Zealand)
(currently Associate Director, Hawaii Agricultural
Experiment Station)

Section heads (mid 1976)

Crop improvement and production:	
Cereals:	H. Doggett
Pulses:	J. M. Green
Groundnuts:	W. C. Gregory
Farming, water, crop management:	B. A. Krautz
Farm development and operations:	E. W. Nunn
Economics:	J. G. Ryan
Training:	D. L. Oswalt
Biochemistry and nutrion lab:	R. Jambunakan
Statistics and computer:	J. A. Warren
Information services:	J. W. Spaven
Library:	T. C. Jain
Plant quarantine:	K. K. Nirula
Physical plant services:	A. D. Leach
Special Projects:	
W. Africa:	C. Charreau
Upper Volta:	C. M. Pahanayak
Mali:	S. A. Clarke
Nigeria:	S. Okiror
Asian regional corn:	T. Izuno

Staff positions (1977 Budget)

	Senior Principal	Senior Scientific and Supervisory	Junior Technical and Administrative	Other Support Staff	TOTAL
Research Programs	30	7	178	189	404
Support Services	4	8	67	182	261
General Administrative	5	4	42	128	179
Total	39	19	287	499	844

1977 Budget Request

	US $'000
Core Operating	
Research	3,017
Training and conferences	358
Support operations:	
Service activities	1,110
General administration	792
General operations	324
Other, contingencies	309
Sub total	5,900
Capital	6,530
Total funds required	12,430
Less: earned income 1977	(400)
unspent balance, end 1976	(2,230)
ICRISAT'S net request from Consultative Group	9,800

ICRISAT total capital budget 1972 - 1978

	US $'000
Site development	1,144
External works and services	2,157
Building construction	9,679
Equipment and furniture	5,000
Architects and consultants fees	1,300
Contingencies	1,995
Total	21,275

ICRISAT's donors, 1976

	estimated US $'000	% of 1976 total
Core operating and capital		
Australia	405	4.8
Belgium	25	0.3
Canada (exc. IDRC)	880	10.5
Fed. Rep. of Germany	510	6.1
Norway	720	8.6
Netherlands	100	1.2
Saudi Arabia	125	1.5
Sweden	1,310	15.6
Switzerland	275	3.3
United Kingdom	940	11.2
United States (inc. excess property)	1,900	22.6
UNEP	120	1.4
UNDP	500	5.9
IDRC	595	7.1
Total 1976 Contributions	8,405	100.0
Net unexpended balances from 1975	5,590	
Earned/retained income	2,166	
Special Project funds	1,122	
Total funds	17,283	

INDIA

Briefing Note on Bharat Heavy Electricals Limited

1. Bharat Heavy Electricals Limited (BHEL) is India's largest engineering organization and manufactures a wide range of products and systems for Thermal, Hydel and Nuclear Power Stations, for Power Transmission and Utilization, and for a number of process industries.

2. The first manufacturing division of BHEL was set up at Bhopal (Madhya Pradesh) more than twenty years ago. Today, the BHEL complex consists of eight manufacturing divisions - among the most modern and sophisticated in Asia - three customer service divisions and three engineering and research divisions. The total investment in the complex is Rs. 2,750 million (US$ 305 million) and the turnover of the company in 1975-76 was Rs. 4,180 million (US$ 465 million). By 1980, the capital programs under implementation will increase the investment to Rs. 4,300 million (US$ 480 million) and the turnover is expected to rise to Rs. 8,000 million (US$ 890 million). The human resource of BHEL includes 6,000 highly trained engineers and over 45,000 skilled personnel, many of whom have received extensive training at home and at the works of BHEL's collaborators in the USA, UK, USSR, West Germany, Sweden, France, Italy and Zzechoslavakia.

3. Thanks to BHEL, India is today self-sufficient in the field of power generation, transmission and utilization equipment. In the Fifth Five Year Plan (1974-1979), almost the entire addition to power generation capacity of about 15,000 MW will be supplied by BHEL. As of today, BHEL has completed over 50 thermal sets and 50 hydel sets, while another 35 thermal sets, 80 hydro sets and 4 nuclear sets are under various stages of design and manufacture. The jobs under execution include boilers and turbo-generator sets up to 210 MW for thermal power stations, 236 MW turbo-generators for nuclear power stations, and hydro turbines and generators of 165 MW rating. BHEL's manufacturing plants at Bhopal, Hardwar, Hyderabad, Tiruchirapalli and Jhansi are equipped with the necessary expertise and all modern facilities needed to engineer, manufacture and supply power equipment aggregating to over 5000 MW per annum. With this capability, BHEL ranks amongst the top five or six international organizations in this business.

4. BHEL not merely manufactures power station equipment, but also undertakes to execute power projects on a turnkey basis - from the preparation of feasibility reports, and system design and manufacture, to erection and commissioning and after-sales service. On the whole, BHEL offers a range of products and services - all under one roof - which is unmatched by any other organization in this kind of business.

5. BHEL caters not only to the power industry, but also manufactures compressors, drive turbines, motors, pumps, precipitators, valves, preheaters, industrial electronics etc. for applications in various process industries and the Railways.

6. A well-equipped Research and Development Division keeps BHEL abreast of the current technological developments, while the Energy Systems and New Products Division takes care of all futuristic programs. Projects under execution include the development of a 500 MW set, fluidised bed boilers, MHD generators, and schemes for the tapping of solar and geothermal energies.

7. BHEL's products for power generation, transmission and utilization have been exported to over 20 countries in Africa, South East Asia and the Middle East. In Malaysia, BHEL has secured successively 4 orders for power equipment aggregating to 870 MW. Recently, the organization was selected from among a number of leading and established international companies to supply hydro-generators for a 8 x 53 MW station in New Zealand. Likewise, in Libya, BHEL has been selected for a Rs. 1,020 million (US$ 115 million) contract for setting up a 2 x 120 MW Thermal Power Station on a turnkey basis. These successes on the export front have established the design competency of BHEL engineers, the quality of its manufacturing facilities and manpower skills, and the overall competitiveness of BHEL products and services by international standards.

8. The above was prepared by GOI for your visit. We have nothing to add beyond drawing your attention to some difficulties which we have had with BHEL concerning procurement under an Indian project and to difficulties BHEL has experienced in competing successfully in Bank Group projects in other countries. BHEL management may well raise these issues with you.

Procurement Issues

9. In October 1975, we informed the Indian authorities that we would not finance a contract with BHEL for the purchase of centrifugal compressors and turbine drivers, (total value - about US$6 million) for the Sindri Fertilizer Project from the proceeds of the IDA Credit (520-IN). The action was the result of about seven months of discussion.

10. BHEL had been pre-qualified for the earlier Nangal Fertilizer Project, and in that case they had been awarded the contract for turbo-compressors, incorporating imported compressors and turbines in each set which they assembled. In the interests of saving time, the Nangal bidders'

list was pre-qualified for the Sindri Project; the trouble began when we learned that BHEL intended to manufacture this equipment, which is critical to the whole process, in its own workshops. Since they had never done so before, we concluded that our doubts about BHEL's capability to manufacture such sophisticated equipment to exact specifications within a reasonable time constituted an unacceptable risk.

11. As we had hoped, in spite of the fact that we refused to finance the equipment, BHEL's manufacturing process seems to be going well. The Fertilizer Corporation of India has reportedly stationed a Senior Engineer at the Hyderabad works to monitor progress, and similar equipment being manufactured by BHEL for the (non-Bank Group-financed) Haldia Fertilizer Project -- the first such units to be completed -- is apparently about ready to be installed at the plant site. Indeed, testing of the Sindri compressors at the BHEL plant is scheduled to take place at about the time of your visit.

12. In view of this, and on the basis of a full guarantee from BHEL's process licensor (Nuovo Pignone of Italy), we have recently agreed to the inclusion of BHEL in the vendors' list for centrifugal compressors for the Bank-financed IFFCO Fertilizer Project.

13. Procurement issues involving BHEL have also arisen under two Bank Group financed projects, one in Indonesia and one in Jordan. The Indonesian case involved the state electricity corporation, PLN, and our credit for financing the Muara Karang thermal power plant. PLN and its consultants, Black and Veatch, decided that BHEL's bid was non-responsive on two grounds. First, BHEL proposed a delivery period beyond that specified in the tender documents. Secondly, BHEL did not meet the minimum experience requirement (i.e. to have designed and manufactured three or more units and each unit having been in successful commercial operation for not less than three years).

14. The Jordanian case arose under our credit for the Second Hussein Thermal Power project. This project involved the expansion of an existing plant by the addition of a third unit. The supplier of the first two units had been an Italian firm (Breda). The tenders for the additional unit showed BHEL to be the lowest bidder and Breda the next lowest. However, after evaluation of the bids by Consultants, Breda was calculated to be the lowest bidder by the exceedingly small margin of about one half of one percent. Bank Staff approved the Consultants'

evaluation of the bids and in view of the narrow margin told the Jordanian authorities that the bids could be considered as substantially equal and, therefore, could choose either one. They chose Breda.

15. In both these cases, BHEL and the Government of India have protested vigorously against the evaluations which led to these awards.

October 15, 1976

INDIA

Bank Group Involvement in Andhra Pradesh

The State of Andhra Pradesh is a beneficiary under various India-wide Bank Group projects, such as Power Transmission, the IDBI/SFC project for on-lending through the Industrial Development Bank of India and the State Financial Corporations to small and medium-scale industries, the Drought Prone Areas project, the National Seeds project and through the line of credit to the Agricultural Refinance and Development Corporation (ARDC). Four Bank Group operations concerned specifically with this state are, Kothagudem Power (loans for US$ 20 million in 1963 and US$ 14 million in 1965), Agricultural Credit approved in July 1971 for US$ 24.4 million, Pochampad Irrigation approved in June, 1971 for US$ 39 million and Andhra Pradesh Command Area Development (CAD) approved in April this year for US$ 145 million.

The two Kothagudem Power projects assisted in financing the first and second stages of the 240 MW thermal plant for the State Electricity Board.

The Agricultural Credit was one of a series of 10 State level credits approved between 1970 and 1975. More recently, Bank Group support for agricultural credit is being provided on an India wide basis through ARDC. This Credit project provided funds through the State Land Development Bank to farmers to finance on-farm investment.

The Pochampad Irrigation project is sited in the northern part of the State and comprises completion of the Pochampad Dam on the Godavari River and construction of irrigation works to serve an area of about 100,000 h.a. Two interesting issues have arisen from this project. The first occurred at the time of Board presentation when our proposal to waive ICB for certain major civil works, because of GOI's unwillingness to accept ICB for civil works, was questioned by the Executive Directors. It was as a result of this Board discussion that we entered into the long negotiations to find a formula for offering domestic preference to local contractors.

Secondly, we did not include financing for on-farm works because we expected this to be done in part by the State Government and in part through the Agricultural Credit approved earlier in the year. However, slow progress was made with on-farm development and this and similar difficulties which the Government was facing throughout India led to the development of Command Area Development (CAD) projects designed to ensure effective infrastructure and on-farm investment on a state by state basis. Progress with the civil works under this project has been reasonable; the dam should be completed ahead of schedule while the other works will be about one year behind schedule.

What are State's plans to use fully the 1.5 ~~m~~ ha cd area

The Andhra Pradesh (CAD) project covers development in selected areas of four irrigation commands in the state, including Pochampad and the vast Nagarjunasagar Scheme on the Krishna River with a planned command area of 870,000 h.a. The project provides for completion of irrigation works, drainage, village roads and on-farm development.

We do not envisage in our program for the next four years any further projects solely concerned with this State.

October 15, 1976