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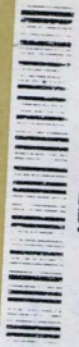
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McNamara Papers

Travel brief - W  
Sept. 29 - Oct. 14


  
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Travel briefs, India 03

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Babubhai J. Patel - Chief Minister of Gujarat

Age 67. While studying for his B.A. and LLB, Mr. Patel participated actively in the Satyagraha movement of the Congress and was imprisoned twice during the early 1930s. He was first elected to the Bombay State Assembly in 1937, and became Parliamentary Secretary to the Chief Minister in 1949. Subsequently, he was appointed Deputy Minister for Public Works and Transport (1952-56) and Minister for Planning, Development, Electricity and Housing (1956-57).

Mr. Patel has served as a member of the Gujarat State Assembly from its institution in 1960 until May 1971, and subsequently since June 1975. Following the 1969 split in the Congress, he joined the Congress (O) Party and was appointed Minister of Public Works, Electricity and Civil Supplies in 1971 and later on, Minister in charge of Finance in the State Government. He was elected Chief Minister in the coalition Janata Morcha Government from June 1975 until March 1976. Following the formation of the Janata Party and its success at the Centre elections, Mr. Patel was re-elected Chief Minister in April 1977.

Mr. Patel has been associated with a number of official bodies and public institutions involved in social, educational and economic affairs. He was a fellow of Bombay and Gujarat Universities from 1946 to 1952 and Vice Chancellor of Sardar Patel University from 1958 to 1961. He has also been Chairman of the Gujarat State Khadi and Village Board (1960-67), the Gujarat Mineral Development Corporation (1963-67) and the Kaira District Cooperative Milk Producers Union.

Mr. Patel has written a number of articles and books, including commentaries on the Sales Tax Act and the Tenancy Act of Bombay State, two booklets on the State Transport Administration, and a book entitled "Current Life Issue-Food".



NDDB

Kurien

Kaira Dist (ops)

Anand

BHATT - Dep Secy of KAIRA Dist. Coop\*  
CHOTANI - NDDB - organizer / expert  
very articulate, high organizer  
\*Hullat Das - man

NATIONAL DAIRY DEVELOPMENT BOARD  
ANAND-388001

FO&AH:GEN-3:GP:

7th October 1978

GUEST PROGRAMME NO.137/78

Mr. Robert S. McNamara, President, World Bank, accompanied by Mrs. McNamara, Mr. M.Narasimham, India's Executive Director on the World Bank, Mr. & Mrs. David Hopper, Vice President, South Asia, World Bank, Mr. William D.Clark, Vice President, External Affairs, World Bank, Mr. Alisbah, Chief, India Division, World Bank, Mr. Koch Weser, Special Assistant to Mr. McNamara, Mr.J.Kraske, Resident Representative, World Bank Office, New Delhi, Dr.M.D. Godbole, Joint Secretary, Department of Economic Affairs, Ministry of Finance, New Delhi and Officers of the Department of Economic Affairs, Government of India, New Delhi, will be visiting Anand on 10th and 11th October, 1978. While at Anand, they will be staying in the AMUL TEQ/Guest House. Their tentative programme will be as under:-

10.10.1978  
Tuesday

06.10 pm Depart Gujarat State Fertilizer Company, Baroda for Vasna (Borsad) village milk producers' cooperative society.

06.50 pm Arrival Vasna

06.50 pm to 07.15 pm Visit to the Vasna village milk producers' cooperative society to see the milk collection.

07.15 pm Departure for Dedarda village

07.30 pm Arrival Dedarda

07.30 pm to 07.45 pm Visit to the Dedarda village milk producers' cooperative society to see its activities.

07.45 pm Departure for Anand

08.05 pm Arrival TEQ, AMUL, Anand

08.30 pm Informal dinner to be hosted by Dr. & Mrs. V. Kurien.

11.10.1978  
Wednesday

06.00 am Departure for Samarkha village

06.20 am to 06.40 am Visit to the Fodder Farm of the Kaira District Cooperative Milk Producers' Union Limited.

06.40 am Departure for Dalapura village

06.55 am to 07.20 am Visit to the Dalapura village milk producers' cooperative society and Farmers' homestead.

07.20 am Departure for the Veterinary Section of the Kaira District Cooperative Milk Producers' Union Limited.

07.40 am to 08.10 am Visit to the Veterinary Section of the Kaira District Cooperative Milk Producers' Union Limited.

08.15 am to 09.10 am Break-fast

09.15 am to 10.15 am Visit to the Dairy Plant of the Kaira District Cooperative Milk Producers' Union Limited.

10.30 am to 11.15 am Drive around the Campus of the Cattle Feed Factory and visit to the Centralised Semen Collection Station of the Kaira District Cooperative Milk Producers' Union Limited at Kanjari.

11.30 am to 12.15 pm Lunch

12.30 pm Departure for Baroda

for National Dairy Development Board

*M. L. L.*

for Secretary

fo&ah:np:krm:80:7x78

11.10.78  
Wednesday



Background Information for the Anand Visit

In Anand, you will be meeting with Dr. V. Kurien and staff of the National Dairy Development Board and the Indian Dairy Corporation. Visits to the facilities of the Anand Milk Union, Ltd., and selected villages covered by the union have been scheduled. Background information on the specific villages to be visited will be provided in the field. The following brief provides background information on milk production, cooperative dairy development, and milk marketing in India, discusses IDA assistance to the organized dairy sector, and provides a description of India's two chief dairy development agencies, the National Dairy Development Board and the Indian Dairy Corporation. It is accompanied by a biographical sketch of Dr. Kurien.

## INDIA

### COOPERATIVE DAIRY DEVELOPMENT

#### I. Milk Production in India

1. Farmers in India keep livestock largely in response to their need for draft power for land cultivation. All farmers who can afford to do so keep a pair of bullocks and, if possible, a cow to breed replacement bullocks. There are some 80 million draft animals in use in India, bred from 54 million cattle cows. These cows, while kept primarily to breed bullocks, also produce small quantities of milk, about 200 to 500 liters per cow each lactation. Over and above the cattle cows required for breeding bullocks, some farmers keep one or two buffalo cows specifically for milk production, each cow yielding about 800 liters per lactation. In total there are almost 30 million buffalo cows of breeding age in India, accounting for some 40% of the national milk production, the remaining 60% being mainly cattle cow milk. Total milk production at 63 million liters per day (lpd) is sufficient to provide 105 grams of milk per capita per day, about two-thirds of the nutritional requirement in this largely vegetarian land.

2. Because most of India is subject to a highly seasonal pattern of rainfall and vegetative growth, milk supplies in most areas show marked seasonal variations. Peak supply commonly occurs in December-January, when milk supply is two to three times that in the period from April to August, the months of minimal supply. During peak season, much of the available milk is converted to milk products, typically ghee (butter oil), curd and sweetened and condensed milk, by village entrepreneurs using traditional methods.

#### II. Cooperative Dairy Development in India

3. In the first half of this century dairying in India was largely unorganized. Two important exceptions were the military farms, largely stocked with western breeds to supply milk to army stations, and plantation areas, into which purebred bulls were imported and randomly crossbred with local cows. Apart from the pockets of improved animals thus created, dairying was dominated by the producers of traditional milk products and by city milk vendors. During World War II, several private dairy companies were established to make butter and cheese for the army. One such company became the prime supplier to the country's first urban milk supply scheme by shipping milk in cans, by rail, from Kaira District in Gujarat to Bombay, a distance of some 425 km. After a checkered history, the private milk market monopoly gained by this company in Bombay was broken by the formation of a cooperative among the milk producers of Kaira District, subsequently to become known as the "Anand Milk Union Ltd." or "AMUL". AMUL today stands out as the largest and most modern dairy operation in India. It is owned by

250,000 members, most of whom are small farmers and landless laborers. Closely intertwined with the growth of AMUL has been the establishment of the National Dairy Development Board at Anand, to provide technical assistance to new milk producer cooperatives in India, and the creation of the Indian Dairy Corporation at Baroda, to promote, finance and monitor dairy development schemes based on the AMUL model. All three organizations are largely the work of Dr. V. Kurien, chairman of each and the foremost dairy authority in India.

4. By the mid-1960s a number of milk producer cooperatives, based on the AMUL pattern, had been started in some of the major milk-sheds of the country. Throughout the next decade the AMUL pattern of dairy development evolved further and proved successful under widely varying ecological and cultural conditions in India. Essential elements of the AMUL model involve the formation of a dairy cooperative society (DCS) of milk producers at the village level, the selection of a board of management which sets the policies of the DCS within the framework of a general set of bylaws applicable to all AMUL type dairy cooperatives, and the appointment of a local person as a paid cooperative secretary. Each morning and evening the DCS buys milk from all producers in the village who wish to sell it and makes payment to each producer (usually within 12 hours) based on the fat content and volume of the milk. The DCS also sells compounded cattle feed to its members, and provides artificial insemination and first-aid services to cattle. All milk producers in the village are eligible to be members irrespective of caste or sex.

5. A further key element in the AMUL model is that dairy cooperative societies within a 50-75 km radius (usually one district) are members of a collectively owned milk union. Milk from the village DCS is brought to the dairy factory of each union and pasteurized; some is then forwarded in insulated tankers to the major cities, to be consumed as liquid milk, while the balance is processed into milk products. Each milk union, which typically processes and markets 100,000 to 300,000 liters of milk daily, has a Board of Directors elected by the producer-members. This Board employs a professional manager who is the union's chief executive. The union also provides to members the technical inputs needed to sustain and increase milk production. Thus, the unions organize mobile veterinary clinics, artificial insemination centers, and supplies of balanced cattlefeed which are marketed to the producers through their own DCS.

6. Recently, existing milk unions have been joining with other nearby unions to form federations also registered under the Cooperatives Act, enabling all member-unions to benefit from shared processing, marketing, financing, and investment programs managed by specialists employed by each federation. Thus, the AMUL model has evolved a "three-tier" structure of village dairy cooperatives, unions of village dairy cooperatives,

and federations of milk unions. The whole system is owned by the primary producers of milk, and thus operates to their benefit.

7. The most exciting aspect of the cooperative dairy movement in India has been its impact on the social as well as the economic fabric of traditional village life. Experience has shown that the AMUL approach is effective not only in augmenting family income but also in breaking down the barriers between classes and castes and bringing about joint participation in village affairs. Most important, recent IDA missions report that agricultural production in dairy villages is increasing at a faster rate than in non-dairy villages. Women, small farmers, and landless laborers have particularly benefited from dairy cooperatives. The traditional role of women in cattle keeping has given them a strong influence in dairy cooperatives and has enhanced their participation in village affairs. Successful dairy cooperatives have also strengthened villagers' confidence in the practical value of health services, not only for their cattle, but also for themselves. Complaining that their cattle receive more efficient health services than they themselves, farmers in dairy cooperatives have exerted pressure for better public health services. Artificial insemination provided by dairy cooperatives has promoted an increased interest in the control of conception and in family planning. With profits from their dairy societies villagers have built their own roads, schools and water supply systems.

### III. Milk Marketing in India

8. The margin required for financial viability of modern milk processing and marketing in India is about two-thirds of that usually obtained by traditional milk vendors. Milk sold in liquid form from bulk vending units incurs the least processing and marketing charges (about Rs. 0.30 - 0.40 per liter). The competitive status of city milk producers and traditional milk vendors is thus being steadily eroded by the cheaper production costs rural milk producers incur, and by the economies of scale and better product utilization offered by modern dairy technology. The consequence is a decline in city-kept cattle, a better and cheaper milk product for the consumer, and a new remunerative activity for many small village farmers and landless laborers.

9. Milk provides about two-thirds of all animal protein consumed in India and family expenditure on milk and milk products tends to increase proportionately more than income. Daily per capita consumption in the four major cities of India is estimated at 226 grams, about twice the national average consumption, and urban demand is estimated to be expanding by 5% each year. Sales of milk in urban areas at present approximate 19 million liters per day (lpd). Of this amount about 3.4 million lpd is provided by the organized milk sector, and the balance by traditional milk vendors. In most markets, constraints in availability of milk from India's organized dairy sector limit sales. Moreover, some 20% of the 3.4 million lpd

provided through the organized sector comes from milk recombined from imported skim milk powder and butter oil. By 1985, GOI plans for the organized sector to provide almost 40% of total marketed milk rather than the present 17%; it is also seeking to substitute present imports of milk powder and butter oil with local products. By 1985, sales of almost 10 million lpd are expected from the organized milk market.

#### IV. IDA Support for Dairy Development in India

10. In June 1974, IDA approved the Karnataka Dairy Development Project. In the following twelve months, two further dairy projects for India, in the states of Rajasthan and Madhya Pradesh, were approved. Our favorable experience with these projects and India's experience in dairy development in general, led to the formulation and approval, in June 1978, of the National Dairy Development Project.

11. The dairy projects in Karnataka, Rajasthan and Madhya Pradesh have a total cost of US\$140 million (US\$76.1 million in IDA Credits). Each project is increasing milk production by financing the formation of several district milk unions, each comprising about 400 village dairy cooperative societies (DCS). Project planning calls for the majority shareholding of each union, presently held by GOI and the respective state government, to be owned eventually by the member DCS. Milk unions in the three projects are incorporated into state dairy corporations or federations which provide overall services to their constituent unions, including the provision of bulls and semen, consultant services in specialist areas, assistance in financial arrangements, and market research and coordination.

12. Farmer response to the projects has been excellent. Some 1,500 societies have been organized so far, and the volume of milk collected and consequent revenues have exceeded appraisal expectations. About two-thirds of DCS members are small and marginal farmers with one to two hectare landholdings or landless laborers. DCS are uniformly profitable with average reserves of about Rs 1,000 obtained in the first year of operations, providing a communal resource to finance village development programs such as schools, water supply systems, and access roads.

13. The purpose of the National Dairy Development Project is to finance a further 20,000 dairy cooperative societies and to provide for animal improvement and the development of facilities for milk collection, processing and marketing. The project also seeks to strengthen the principal institutions responsible for dairy development in India, the Indian Dairy Corporation (IDC) and the National Dairy Development Board (NDDB). The project represents the first phase of a broader GOI plan to develop an additional 33,000 dairy cooperative societies and their related unions and federations in selected milksheds of India. The target market includes four major cities (Bombay, Delhi, Calcutta, and Madras), about 150 smaller

urban centers and other sizeable rural towns. The scope of this first phase project - to establish the first 20,000 dairy cooperative societies and related processing and marketing investments - is related to the capacity of the IDC and the NDDB to plan and commit expenditures over three years. Project funds are expected to be fully committed by IDC by the end of the third year of the project, after which a second phase project is expected to be presented by GOI to the Association for consideration.

V. The National Dairy Development Board (NDDB)

14. NDDB, a statutory body set up by GOI in 1965 with headquarters at Anand in Gujarat, provides technical, engineering, advisory, training, research and support services for the development of India's dairy industry. It is the key technical agency responsible for the IDA-supported projects. With a total staff of (515), the majority of whom are highly qualified and experienced engineers, livestock specialists and dairy technologists, NDDB has the capability of preparing and implementing dairy development projects for GOI and state governments. Other services provided by NDDB include preparation of detailed engineering designs for dairies, milk chilling centers and cattle feed plants, the turnkey construction and commissioning of dairy plants, and the organization of field teams to assist client unions to establish DCS on the AMUL pattern. NDDB has six regional offices in the major milk market centers. IDA's experience with NDDB in connection with ongoing Indian dairy projects confirms the technical competence of this institution. Under the IDA projects NDDB is engaged by most of the participating unions/federations to provide advisory services in project identification, preparation of feasibility studies, milk production enhancement programs, preparation of specifications and bidding documents, bid evaluations, supervision of procurement and construction, staff recruitment and training and market research.

VI. The Indian Dairy Corporation (IDC)

15. IDC is the other national institution which carries major responsibility and deserves much credit for India's dairy development through cooperatives. This Corporation, wholly owned by GOI, was established in 1970. IDC's Board of Directors comprises nine members, including the Managing Director who is the chief executive; total staff numbers 160. IDC's financial functions are complementary to the technical services provided by NDDB. IDC has concentrated its efforts on increasing the availability of long-term credit to dairy cooperatives and has worked in close collaboration with NDDB in planning, promoting, financing and monitoring dairy development based on the AMUL pattern. IDC's major activity to date has been to manage "Operation Flood I". Under this scheme, milk products given to India as food aid by the World Food Program have been sold by IDC and the proceeds used for financing dairy development projects and related

infrastructure. This approach is to be continued under the National Dairy Development Project as GOI expects the EEC to donate further milk commodities to IDC. IDC is the major financing agency for the IDA projects and has major responsibility for monitoring project implementation. Though established only in 1970, IDC has extensive experience in promoting, planning, appraising, financing and monitoring dairy development projects.

16. The IDC provides financing to state governments, state dairy corporations and cooperative institutions concerned with dairy development. IDC believes that the implementing institutions should be given all possible autonomy in their decision-making process and should be free of government interference in day-to-day management and pricing policy. To date IDC has declined to take equity capital in the institutions it has financed; it has also declined to nominate directors to the boards of these institutions. By assuming this position it has tried to be a pacesetter in providing autonomy to a cooperative movement dominated in the past by government nominees to management and board positions.

3. The Bank Group has been providing technical assistance for irrigation works and will continue to do so. A separate brief on "Bank Group Assistance to the Government of Gujarat is currently under preparation. The Visit (T&V) System of agricultural extension project proposed for the current fiscal year. The project aims at increasing productivity by extending the lines of the T & V system. It would reorganize the extension service into weekly visits by extension workers.

4. The Government of Gujarat is planning the reform of its extension service. In the Baroda district, the Baroda district extension service are being offered and the project is being implemented.

5. Of particular interest is the control of the pink bollworm. The project is being implemented at the encouragement of pesticide...

Dr. Verghese Kurien

Age 57. Chairman-cum-Managing Director of the Gujarat Cooperative Milk Marketing Federation, Chairman of the National Dairy Development Board and Chairman of the Indian Dairy Corporation are three of the many positions that Dr. Kurien holds at present. Some of his other posts are: Chairman, Gujarat State Cooperative Cotton Marketing Federation, Ahmedabad; Director, Kaira District Cooperative Milk Producer's Union Ltd., Anand; Director, Reserve Bank of India (Central Board), Bombay; Director, Gujarat Dairy Development Corporation, Gandhinagar; Member, Protein Foods and Nutrition Development Association of India, Bombay; Member, Reconstituted Consultative Council on Cooperation; and, Member, General Council National Cooperative Development Corporation.

Educated at Madras and Michigan State University, Kurien is a Christian from Kerala who, with his dynamism, energy and forceful personality, has revolutionized the dairy development scene in India through cooperatives, marketing facilities and automatic milk vending booths. He came back from America in the late forties with a degree in Engineering and started work in Anand to set up a powdered milk plant for the Government. Here he got involved with a small milk cooperative that had been set up by the local farmers and after helping them in various ways he resigned his Government job in 1949, became Manager of the fledgling cooperative in 1950 and started work from a one room garage in Anand. Over the past 28 years he has developed Anand up to its present scale of operation. The dairy center provides a model for 14 other cooperatives in India, involving a total of 1.2 million farmers.

Married to Molly Kurien, they have one daughter who is studying at the University of Baroda.





Background Information for Agricultural Field Visits

Baroda District

Gujarat

1. The State of Gujarat, located along the northwestern coast of India, covers an area of 19.6 million hectares and has a population of about 30.7 million (1977). Gujarat is relatively urbanized and has a large modern manufacturing sector. Nevertheless, agriculture, which contributes about 40% of the state income and employs 65% of Gujarat's labor force, has a predominant influence on the state's economy.
2. Farmers in Gujarat are progressive and oriented largely toward cash crops, particularly cotton, tobacco, and groundnuts. Gujarat produces one-quarter of India's cotton and groundnuts and one-third of its tobacco. However, Gujarat's pattern of low and highly variable rainfall and its limited irrigation facilities constrain agricultural production and keep yields relatively low. Continuous progress in agriculture, and thus in the state economy as a whole, is largely dependent on the expansion of irrigation and the adoption of improved farm technology.
3. The Bank Group has lent considerable assistance to Gujarat for irrigation works and will continue to do so in the future. (Please see separate brief on "Bank Group Operations in Gujarat".) In addition, the Government of Gujarat is currently preparing to introduce the Training and Visit (T&V) System of agricultural extension under the Composite Agricultural Extension Project proposed for Bank Group assistance in the program for the current fiscal year. The project is designed to increase agricultural productivity by encouraging farmers to adopt improved cultural practices. It would reorganize and strengthen the extension service in Gujarat along the lines of the T & V System, which is based on a program of bi-weekly, inservice training sessions for extension workers and regular (again bi-weekly) visits by extension workers to farmers.
4. The Government of Gujarat is strongly committed to the reorganization of its extension system and has already taken the initiative to begin reform of the extension service in some areas. The district you will be visiting, the Baroda District, is one in which restructured extension services are being offered and are already showing results in the field.
5. Of particular interest in the Baroda District is the technical content of the extension messages in cotton-growing areas. Plant protection, particularly control of the pink bollworm, is a major problem here. In recent years farmers, at the encouragement of pesticide dealers, have been spraying their plants more

and more often, yet still suffering increasing insect damage to their crops. Indiscriminate spraying has destroyed the predators of cotton pests more effectively than the pests themselves. The resulting imbalanced insect population increased plant damage and led farmers to spray more and more often, at significant, if unrecognized, risk to human health and the general environment.

6. Research results have shown that spraying should be delayed until the pest population reaches a certain threshold level. These findings have been adapted, put into terms understandable to the farmers (e.g., threshold population = x pests per y plants), and communicated to farmers via the extension service. The reaction of the farmers to this message has been encouraging. Virtually all cotton farmers met during a recent visit by Bank staff to the area were aware of the recommendation and most were following it. Pest spraying was significantly reduced and farmers reported reduced insect damage, lower cultivation costs (due to decreased use of sprays), and expectations of considerably improved yields.



## INDIA

### Bank Group Involvement in Gujarat

1. Bank Group involvement in Gujarat has largely focussed on agriculture and agro-industry, with irrigation, agricultural extension, rural credit, fisheries, and forestry accounting for eight of the ten past, present, and prospective Bank Group operations in the state. Large-scale irrigation works were the first focus of Bank Group assistance to Gujarat. A US\$4.5 million credit for the Shetrunji Irrigation Project was signed in 1961 followed by a US\$35 million credit for the Kadana Irrigation Project in 1970. The Shetrunji project provided for construction of main and distributory canals in an 86,000 acre area below the Shetrunji Dam. The Kadana project funded construction of the Kadana Dam as well as expansion of the irrigated area below the dam. Both projects are now complete. The more recent Gujarat Medium Irrigation Project, approved by the Board in May of this year, furthers Bank Group support of the development of irrigation in Gujarat by concentrating on those areas of the state whose topography precludes large-scale irrigation works like those at Kadana and Shetrunji. The US\$180.5 million project, supported by an IDA credit of US\$85 million, finances a five-year time slice of the Government of Gujarat's program for construction of new medium-scale irrigation projects and modernization of existing works.

2. In addition to the three irrigation projects, IDA has supported agriculture in Gujarat through a US\$35 million credit for the Gujarat Agricultural Credit Project and a US\$18 million credit for the Gujarat Marine Fisheries Project. Approved in 1970, the Gujarat Agricultural Credit Project provided finance for farm mechanization and minor irrigation through the state Land Development Bank to 81,000 farmers, 10% of whom held farms of less than two hectares. The Gujarat Marine Fisheries Project, approved in 1977, finances the improvement and expansion of two fishing harbors, the construction of improved shore facilities and infrastructure for eight subsistence fishing villages, and a credit program, operated through the Agricultural Refinance and Development Corporation, for private fishermen and fishing cooperatives.

3. Prospective Bank Group operations in Gujarat will continue to support agriculture and agro-industry. Gujarat is one of the states covered under the upcoming Composite Agricultural Extension Project, appraised in March-April 1978, which will introduce the Training and Visit System of agricultural extension in the state. In addition, a social forestry project in Gujarat is scheduled for appraisal in November and a second medium irrigation project, scheduled for appraisal in March 1979, is in our program for fiscal year 1980.

4. The Bank Group has made only one direct credit to Gujarat outside the agricultural sector and plans one additional non-agricultural project for fiscal year 1979. A 1975 credit of US\$105 million for the development of India's fertilizer industry included US\$9 million for modernization of the ammonia and phosphate acid facilities of the Gujarat State Fertilizer Corporation, a joint public-private sector firm. Bank Group assistance to Gujarat's fertilizer industry will be continued through the Gujarat Fertilizer Project planned for inclusion in this year's lending program.

5. Finally, in addition to the Bank Group's activities directed specifically at Gujarat and financed through its state government, Gujarat has benefited from a number of national or multi-state projects assisted by the Bank Group. Among these are the Korba Thermal Power Project, which will increase the supply of bulk power to the Gujarat Electricity Board (GEB); the Rural Electrification Project, which provided credit for rural electrification projects to GEB along with other State Electricity Boards; three power transmission projects which included power transmission works in Gujarat; the Second Foodgrain Storage Project, which will increase grain storage facilities in Gujarat along with 15 other states; and the lines of credit to the Industrial Development Bank of India (IDBI) and the Agricultural Refinance and Development Corporation (ARDC).

G. Maharashtra  
Visit





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INDIA

Maharashtra

Biographical Data on :

Sadiq Ali	Governor of Maharashtra
Sharad Pawar	Chief Minister of Maharashtra
L. S. Lulla	Chief Secretary, Government of Maharashtra
V. Venkatesan	Secretary, Planning, Government of Maharashtra
S. H. Lalwani	Secretary, Urban Development, Government of Maharashtra
S. S. Tinaikar	Secretary, Housing, Government of Maharashtra
I. G. Patel	Governor, Reserve Bank
K. S. Krishnaswamy	Deputy Governor, Reserve Bank
M. Ramakrishnayya	Chairman, Agricultural Refinance and Development Corporation (ARDC)
M. A. Chidambaram	Managing Director, Agricultural Refinance and Development Corporation (ARDC)
Jagdish Narayan Saxena	Chairman and Managing Director, Industrial Development Bank of India (IDBI)
James Samuel Raj	Chairman, The Industrial Credit and Investment Corporation of India, Limited (ICICI)
V. S. Page	Honorary Adviser, Planning Department, Government of Maharashtra
Arvind N. Mafatlal	Chairman, Mafatlal Group of companies
Dr. Manibhai Desai	Social Worker at Uruli-Kanchan

Sadiq Ali - Governor of Maharashtra

Age 68. Born at Udaipur in Rajasthan, Mr. Ali is a graduate from Allahabad University. As a student, he was a member of the Youth League and participated actively in the freedom movement, being jailed several times. A follower of Gandhi, he organized several literacy and sanitation campaigns in the villages of Uttar Pradesh. After independence, Mr. Ali was a member of the provisional Lok Sabha, 1950-52, and served two terms in the Rajya Sabha from 1958 to 1970. He was General Secretary of the AICC from 1958 to 1962, and President of the Congress (O) from 1971 to July 1973. In April 1977, he was appointed Governor of Maharashtra.

Mr. Ali was editor of the Political and Economic Review from 1960 to 1962 and 1964 to 1969 and has written several articles and books, including "The Congress Ideology and Programme", "Know Your Country", "The Culture of India", "The General Elections 1957: a Survey", "Towards Socialist Thinking in Congress", and "Campaign Against Nuclear Arms".

Mr. Ali's wife, Shanti Sadiq Ali, is an expert on African affairs and has worked for several years with the Council for Africa.

Sharad Pawar - Chief Minister of Maharashtra

At age 38, Mr. Pawar is presently the youngest Chief Minister in India.

Mr. Pawar has been in career politics ever since his college days where he pursued a graduate course in commerce. In the first phase of his career he took an active role in the Youth Congress Movement. In 1967 he joined the Maharashtra Legislative Assembly, and in the next five years concerned himself with the organization of the Congress Party, serving as General Secretary of the MPCC. He was re-elected in the 1972 elections, and was appointed Minister of State for Home, Publicity, Rehabilitation and Protocol. In 1974 his status was elevated to the rank of a Cabinet Minister, and he was placed in charge of Education and Youth Welfare. In the course of the next four years, he successively held the portfolios of Agriculture, Industry and Labor.

On July 12, 1978 the Congress/Congress (I) coalition in Maharashtra collapsed and Mr. Pawar, together with his supporters (who were subsequently expelled from the Congress), formed a new Government in coalition with the Janata Party.

It is of interest to note that the location of the proposed Thal Vaishet Fertilizer Complex was initially suggested by Mr. Pawar when he was Minister of Industry. In the past he has shown considerable interest in rural development and has been responsible for a number of minor irrigation schemes in his own constituency.

I. G. Patel - Governor, Reserve Bank

Age 54. With a first class tripos from Cambridge and a Ph.D. from Harvard, Dr. Patel is an economist turned civil servant. He recently returned to India after five years as Deputy Administrator of the UN Development Program in New York, to take over as Governor of the Reserve Bank in December 1977.

Before joining the Government Dr. Patel was a Professor of Economics at Baroda University and an Economist with the IMF (1950-54). From 1955-58 he was Deputy Economic Advisor, Ministry of Finance. He served as Alternate Executive Director for India in the IMF from 1958-61 and then took over as Chief Economist Advisor in the Ministry of Finance and also Economic Advisor to the Planning Commission. After one year as visiting Professor at the Delhi School of Economics, Dr. Patel returned to the Government as Chief Economic Advisor, Ministry of Finance, in 1965. He held the positions of Special Secretary and Secretary in the Department of Economic Affairs from 1968 until the end of 1972. As Economic Advisor and Secretary in the Ministry of Finance, Dr. Patel worked closely with Morarji Desai, who valued his service and wrote in glowing terms about him in his autobiography.

Dr. Patel is married to Alaknanda 'Bibi' Patel and they have one daughter, Raihana. Bibi comes from a family of economists and is one herself, having studied at Harvard. Her Father, Professor A.K. Dasgupta, was with the IMF and her only brother is a Cambridge economist, who is a professor at the London School of Economics and is married to Professor Mead's daughter. Bibi is very fond of Indian classical music and has given performances herself.

Jagdish Narayan Saxena - Chairman and Managing Director IDBI

Age 66. Mr. Saxena has a M.Sc. in mathematics from the University of Allahabad. He joined the Imperial Bank of India in 1938, and continued in the State Bank, its successor, until 1970. He served in various capacities in these 32 years, his last assignment being Secretary and Treasurer, Bombay circle. With the nationalization of the major commercial banks, Mr. Saxena was appointed

Custodian, and then Chief Executive of the Bank of India in 1972.

In July 1976 he became a member of the Banking Commission, and a year later, in May 1977, took over as Chairman and Managing Director of the IDBI.

Currently, he is also on the Board of Directors of the ICICI, General Insurance Corporation and the Housing Development Finance Corporation.

James Samuel Raj - Chairman, ICICI

Age 65. Holding an M.Sc. in Economics from The London School of Economics, James Samuel Raj began his career as a lecturer in the University of Rangoon in 1937. In 1942 he joined the Government of India in an administrative post in the War Supply Department. He moved to the Ministry of Food and Agriculture in 1945 and rose to the rank of Deputy Secretary.

In 1953 Mr. Raj went on deputation to the IMF as Division Chief, and for a short spell in 1956 served as the Alternate Executive Director for India. From 1956 to 1959 he was Director of the Asian Department in the IMF. On his return to India he was posted to Bombay as Additional Director of Stock Exchanges within the Ministry of Finance. Two years later, in 1960, he resigned from Government and joined the ICICI as Deputy General Manager. After a one year deputation as General Manager, Nigeria Industrial Development Bank, Lagos, Mr. Raj became a Vice President of IFC in 1966. Between 1970 and 1972 he served as Director in a number of private sector companies until he was appointed as full time Chairman of the Unit Trust of India in May 1972. He held this position until his retirement in 1976. Two years later, on July 1, 1978, he became Chairman of the ICICI.

Arvind N. Mafatlal - Chairman of the Mafatlal Group of Companies

Age 55. Educated at the Sydenham College of Commerce, Bombay University, Mr. Arvind Mafatlal (Grandson of the late Seth Mafatlal Gagalbhai, who was the founder of the Mafatlal Group of Industries), became the Chairman of the Group at the age of 32. The Mafatlal Group, now one of the top twenty business houses in the country, makes a wide range of industrial products, but its main line is textiles.

Since the early fifties Mr. Mafatlal has been an ardent advocate of the social responsibilities of business, and, from the start, stressed that rural development was perhaps the most important sector in which large private business could make a significant contribution. In this he has motivated not only the companies under his control, but also other groups in the Bombay region. He has actively promoted a number of rural development schemes in the Maharashtra-Gujarat region, focussing on mixed farming and intensive cultivation on small plots. He is also a Trustee of the Bharatiya Agro-Industries Foundation in Poona. This organization is a research unit engaged in the adaptation of technology to suit farm conditions in the Indian context.

Apart from his long-term interest in development, Mr. Mafatlal has shown himself to be a humanitarian, organizing relief and rehabilitation whenever the need has occurred - as during the earthquake in Koyna (1968) and famine in Gujarat (1970/71).

Mr. Mafatlal is currently Chairman of the Development Council for Textile Machinery, a Government of India body to advise the Central Government on policy and production for this industry. He is also a member of the Advisory Council of Industries for the States of Maharashtra and Gujarat. In the past, he has served the Central Government in several instances as Trustee of the Bombay Port Trust, Director of the Reserve Bank of India and the IDBI and as a Member of the Governing Body of the Council of Scientific and Industrial Research, Study Team of Scientific Department, Administrative Reforms Commission, Advisory Committee of the Indian Institute of Technology, Poona and the Board of Governors of the Indian Institute of Management at Ahmedabad.

He has received special awards from the business community for distinguished leadership qualities and service to the community.

Dr. Manibhai Desai - Social Worker at Uruli-Kanchan

Age 58. Dr. Desai graduated B.Sc. in Physics and Mathematics (First Class) from Bombay University. He participated in the National Independence Movement of 1942 and was jailed 1943-44. In 1946 Gandhi established a Nature Cure Ashram at the village of Uruli-Kanchan and Dr. Desai was put in charge of the associated rural development program. Since then he has introduced into the area education and health facilities, cooperative credit and farming, a cooperative sugar factory, irrigation, improved agricultural practices and cattle farming. To help foster similar programs

elsewhere in India and adapt technology to Indian farm conditions, the Bharatiya Agro-Industries Foundation (BAIF) was established in 1967.

In recognition of his contribution to rural development in India, Dr. Desai was awarded the Padma Shree by the President of India in 1968 and a Doctorate of Science (Honoria Causa) by the Mahatma Phule Krishi Vidyapeeth (Agricultural University) in 1977.

It is of interest to note that the location of the proposed Thal Vaishet Fertilizer Complex was initially suggested by Mr. Pawar when he was Minister of Industry. In the past he has shown considerable interest in rural development and has been responsible for a number of minor irrigation schemes in his own constituency.

L. S. Lulla - Chief Secretary, Government of Maharashtra

Age 58. After graduating B.A. (Hons.) and LL.B., Mr. Lulla practiced law from 1941-49. He then joined the IAS and moved up to become Deputy Secretary Transport in the Government of Maharashtra in 1956. Subsequently, he was appointed General Manager, Bombay State Road Transport Corporation (1959-63) and Managing Director, Central Road Transport Corporation (1963-64). He then moved to the Ministry of Defence as Joint Secretary. Returning to the State Government in 1972, he was successively Secretary Planning, Secretary Agriculture and Cooperation, Secretary and Special Secretary Revenue and Forests, Special Secretary General Administration and now, Chief Secretary.

Mr. Lulla is a bachelor.

V. Venkatesan - Secretary Planning, Government of Maharashtra

Age 42. Mr. Venkatesan graduated M.A., B.Sc. (Hons.) and joined the IAS in 1940. During the past five years he has held the following posts in Maharashtra: Managing Director, Maharashtra State Cooperative Land Development Bank; Joint Secretary Finance; Secretary General Administration; and now, Secretary Planning. He is also at present Additional Development Commissioner and ex-officio Secretary in the General Administration Department.

Mr. Venkatesan's paper on 'Appropriate Management of Integrated Rural Development' was judged as the best entry in a symposium in Holland in 1977 by a panel of economists headed by Professor Tinbergen.

S. H. Lalwani - Secretary Urban Development, Government of Maharashtra

Age 58. After graduating B.A., Mr. Lalwani joined the IAS in 1949. After a period as collector of Thana and West Khandesh he was transferred to the Central Government in 1958 as Deputy Secretary in the Atomic Energy Department. In 1960, he returned to Maharashtra as Joint Registrar of Co-operative Societies and then Deputy Secretary in the Finance Department. He was General Manager of Bombay Electric

Supply and Transport Undertaking in Bombay from 1969-70. In 1971 he was appointed as Manpower Adviser to ILO in Geneva. After returning to Maharashtra in 1975, he has successively held the following posts: Director of Resettlement of Project Affected Persons; Secretary General Administration; Secretary Cooperation; Secretary Social Welfare, Cultural Affairs, Sports and Tourism; and now, Secretary Urban Development in the Urban Development and Public Health Department.

Mr. Lalwani is married with one daughter.

S. S. Tinaikar - Secretary Housing, Government of Maharashtra

Age 46. Mr. Tinaikar graduated M.A. and was appointed to the IAS in 1956. He held the positions of Director of Transport and then Joint Secretary in the Food and Civil Supplies Department before being appointed Secretary Housing in the Public Works and Housing Department of the Government of Maharashtra. He is also at present Chief Executive Officer of the Maharashtra Slum Improvement Board and Bombay Buildings Repairs and Reconstruction Board.

I. G. Patel - Governor, Reserve Bank

Age 54. With a first class tripos from Cambridge and a Ph.D. from Harvard, Dr. Patel is an economist turned civil servant. He recently returned to India after five years as Deputy Administrator of the UN Development Program in New York, to take over as Governor of the Reserve Bank in December 1977.

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Dr. Patel is married to Alaknanda 'Bibi' Patel and they have one daughter, Raihana. Bibi comes from a family of economists and is one herself, having studied at Harvard. Her Father, Professor A. K. Dasgupta, was with the IMF and her only brother is a Cambridge



economist, who is a professor at the London School of Economics and is married to Professor Mead's daughter, Bibi is very fond of Indian classical music and has given performances herself.

K. S. Krishnaswamy - Deputy Governor, Reserve Bank

Age 58. After graduating M. A. in Economics from the University of Mysore, Dr. Krishnaswamy became a lecturer at Bombay University 1946-47. Subsequently he studied at the London School of Economics and was awarded his doctorate in 1950. Returning to India, he worked as a research officer in the Planning Commission and then the Reserve Bank. In 1954 he was promoted to Director of Research in the Research Department of the Reserve Bank. Following a three-year assignment on the staff of the EDI in Washington, Dr. Krishnaswamy returned to the Reserve Bank as Deputy Chief Officer, Industrial Finance Department 1959-61. He then returned to the Planning Commission as Chief of the Economic Policy Section and subsequently Economic Adviser. From 1967-71 he held the post of Director, EDI. Returning to the Reserve Bank, he became Principal Adviser in the Economic Department and then Executive Director. In December 1975, he was appointed Deputy Governor of the Reserve Bank.

Dr. Krishnaswamy was also Chairman, Oil Prices Committee of the Government of India 1974-76 and President, Indian Economic Association 1976. He is married with two children.

M. Ramakrishnayya - Chairman, Agricultural Refinance and Development Corporation (ARDC)

Age 58. Mr. Ramakrishnayya graduated B. A. (Hons.) from the University of Madras and joined the IAS. He held various posts in the Government of Orissa before being appointed Secretary Finance and Chairman, Orissa State Financial Corporation from 1957-60 and Secretary Planning from 1960-64. He then moved to the Centre as Joint Secretary in the Departments of Chemicals (1964-66 and 1967-71) and Social Welfare (1966-67) and Additional Secretary in the Ministry of Agriculture (1971-72). After a brief return to the Government of Orissa as Chief Secretary from 1972-74, he was appointed Secretary Shipping and Transport in the Government of India until his retirement in 1977. Mr. Ramakrishnayya is at present Deputy Governor of the Reserve Bank and Chairman of ARDC.

M. A. Chidambaram - Managing Director, Agricultural Refinance and Development Corporation (ARDC)

Age 57. Mr. Chidambaram received a Masters Degree in Economics from the University of Madras. He joined the Reserve Bank in 1943 and worked initially in the Economics Department. Thereafter he held various

positions in the Agricultural Credit Department including charge of its field offices at Bangalore and Delhi. In January 1973, the Reserve Bank placed Mr. Chidambaram on duty with the Agricultural Refinance and Development Corporation as its Managing Director. He is also an ex-officio director of the Agricultural Finance Corporation Limited.

Jagdish Narayan Saxena - Chairman and Managing Director, Industrial Development Bank of India (IDBI)

Age 66. Mr. Saxena has an M.Sc. in mathematics from the University of Allahabad. He joined the Imperial Bank of India in 1938, and continued in the State Bank, its successor, until 1970. He served in various capacities in these 32 years, his last assignment being Secretary and Treasurer, Bombay circle. With the nationalization of the major commercial banks, Mr. Saxena was appointed Custodian and then Chief Executive of the Bank of India in 1972.

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Currently, he is also on the Board of Directors of the Industrial Credit and Investment Corporation of India, General Insurance Corporation and the Housing Development Finance Corporation.

James Samuel Raj - Chairman, The Industrial Credit and Investment Corporation of India, Ltd (ICICI)

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India in May 1972. He held this position until his retirement in 1976. Two years later, on July 1, 1978, he became Chairman of the ICICI.

V. S. Page - Honorary Adviser, Planning Department, Government of Maharashtra

Age 68. Mr. Page graduated from Willingdon College, Sangli with Sanskrit Honors and gained his LL.B. from the University of Bombay. He participated actively in the Independence Movement and was jailed on several occasions. He was elected successively to the Bombay Legislative Council in 1952 and 1954, and to the Maharashtra Legislative Council in 1960, 1966 and 1972. From 1960 until his retirement in April 1978, he was Chairman of the Maharashtra Legislative Council. At present, Mr. Page is an Honorary Adviser in the Planning Department of the Government of Maharashtra, and also Chairman of numerous committees including the Maharashtra State Khadi and Village Industries Board and the Maharashtra State Cooperative Council.

Mr. Page is well known for his work in rural development. He formulated the integrated Area Development Scheme (popularly known as the 'Page Scheme') and played an important and prominent role in the formation of the Employment Guarantee Scheme in Maharashtra. As Chairman of the Maharashtra State Khadi and Village Industries Board he instituted the Village Artisans Employment Guarantee Scheme to rejuvenate traditional village industries and to provide employment to unemployed village artisans.

Mr. Page also takes a keen interest in religious and spiritual matters and is the author of several books on these topics. He has also published works of poetry and drama. Mr. Page is married with three sons and two daughters.

Arvind N. Mafatlal - Chairman of the Mafatlal Group of Companies

Age 55. Educated at the Sydenham College of Commerce, Bombay University, Mr. Arvind Mafatlal (Grandson of the late Seth Mafatlal Gagalbhai, who was the founder of the Mafatlal Group of Industries), became the Chairman of the Group at the age of 32. The Mafatlal Group, now one of the top twenty business houses in the country, makes a wide range of industrial products, but its main line is textiles.

Since the early fifties Mr. Mafatlal has been an ardent advocate of the social responsibilities of business, and, from the start, stressed that rural development was perhaps the most impor-



BRIEF FOR MEETING WITH ARVIND MAFATLAL

1. Mr. Arvind Mafatlal (biographical data in preceding section) has requested a meeting with you to discuss the Mafatlal Group's experience in rural development. Mr. Manibhai Desai, head of the Bharatiya Agro-Industries Foundation (BAIF), will also attend the meeting.

2. The Mafatlal Group has initiated an integrated rural development program in 20 areas (each containing 20 - 30 villages) in Maharashtra, Gujarat, and Uttar Pradesh. The program is based on the technical recommendations and guidance of BAIF but managed by Mafatlal Group-supplied staff. It is organized around three basic elements, described below.

- ( i ) Landless farmers are granted the right-of-use on government owned waste or forest lands for the cultivation of fodder and tree seedlings. The Forest Department purchases the seedlings produced by the farmers, with payments made in the form of food supplies.
- (ii ) Outside stock is provided to breed crossbred cattle from indigenous cows owned by the farmers. The fodder grown on the lands to which farmers have been granted right-of-use is used to feed the family's crossbred stock.
- (iii) In order to assist the farmers in growing seedlings and fodder and breeding and rearing cattle, one agricultural development officer and one cattle development officer are assigned to each group of villages covered under the program.

3. Representatives of the Mafatlal Group point out that the program increases the area under productive forest, increases effective income for landless families, introduces crossbred cattle in poor rural areas and simultaneously provides the means for feeding the improved cattle stock. While Mr. Mafatlal will explain the program and his ideas about rural development more fully to you when he meets you, he has provided the attached description of the program for your review.

## INTEGRATED RURAL DEVELOPMENT

( A programme for the economic rehabilitation of the rural poor, undertaken by the Mafatlal Group of Companies in technical collaboration with Bharatiya Agro Industries Foundation ).

Mafatlal Group of Companies and Associated companies have initiated integrated rural development in 20 centres (each centre comprising 20 to 30 villages in a radius of about 10 miles) in Maharashtra, Gujarat and Uttar Pradesh. The technology relevant to the needs of the rural poor is developed by Bharatiya Agro Industries Foundation at Uruli Kanchan in Poona District of Maharashtra, and the management support is provided by the Group Companies. A programme for production and rearing of one lakh cross-bred cows by small farmers, marginal farmers and landless families in drought prone areas of 5 States with certain incentives provided by the Government of India and the concerned State Governments had been approved. The Planning Commission and Government of India have now approved a comprehensive programme for economic rehabilitation of 20,000 families of the rural poor, utilising the services of the Mafatlal Group and BAIF, in Gujarat, Maharashtra, Orissa and Uttar Pradesh. The programme envisages introduction of the technological model which would enable a rural family to come out of poverty and get an assured net income of Rs. 3,500/- to Rs. 4000/- per year in about 3 to 5 years' period

### OBJECTIVES :

The major objectives in the integrated rural development programme initiated by the Group Companies are :

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- 1). Providing gainful employment in the rural areas to all those who are in need of such employment.
- 2). Helping the rural families belonging to the vulnerable section to come out of poverty within a period of about 5 years.

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NEEDS OF THE RURAL POOR :

The experience of the group companies gained in the various relief projects undertaken during droughts, famines, floods and cyclones and also in the pilot socio-economic development projects implemented in Maharashtra, Gujarat, and Uttar Pradesh revealed that certain non-traditional approaches are necessary to enable the rural poor to come out of poverty, and that most of the technologies and programmes introduced so far were not very relevant to the conditions under which the rural poor live and work. The lessons from these experiences could be crystalised as follows:

- 1). Unless and until the man is viable any programme undertaken to improve his socio-economic conditions may not be viable. As long as the rural family does not have the minimum requirement of food, clothing and shelter they may not be able to create assets and generate surpluses for increased income out of economic development projects. It is therefore necessary to ensure the fulfilment of the basic conditions either before or simultaneously with the planning and implementation of programmes of socio-economic development of the rural poor.

- 2). Widespread poverty in rural areas is mainly due to lack of productive employment opportunities. The Reserve Bank of India survey of 1971 has revealed very meagre assets with the rural households, and most of these assets not productive enough. The urgent need therefore is to help the families of the rural poor to develop capital assets which will provide for productive employment of the family labour throughout the year and a minimum assured net income of Rs. 3,500/- to Rs. 4,000/- per year.
- 3). Relevant technologies or technological models which could fulfil the needs of the rural poor as mentioned above are necessary to be developed and introduced for their benefit. The technological models should provide for optimum utilisation of the valuable resources of the family, viz. meagre land and water and livestock facilities and labour. Western models involving intensive use of capital and management resources can benefit only a few rural families at the most.
- 4). Management inputs including efficient services at the doorsteps of the rural poor, remunerative price with assured marketing facilities for the products raised by them and adequate coverage of risks involved would provide sufficient incentives for adoption of the technological models introduced.



Presently the rural people get only a small portion of the price which consumers pay for their products. This is mostly due to the transport, processing and handling and distribution costs incurred outside the village. If many of these products, particularly the perishable and semi-perishable products, could be processed in the villages through Societies and such organisations of rural people, value added products can be produced and marketed, and the benefit of higher prices will accrue to the farmers. For instance, instead of sending milk outside the village, if milk products such as ghee, mawa, cheese etc. are manufactured in the villages and these products transported outside, not only the rural people get more value for their products, the urban consumers do not have to pay higher price as the unnecessary costs on intermediary steps would be reduced. This will help rural industries prosper and stimulates the economic activities in rural areas.

- 5). All round development of villages is facilitated when the rural poor are enabled to increase their income and come out of poverty. While developing the infrastructural facilities, what is relevant to the adoption of technology by the poor families should receive priority consideration.

RURAL TECHNOLOGY:

Bharatiya Agro Industries Foundation at Uruli Kanchan in Poona District of Maharashtra, working on the basis of ideas propounded by Mahatma Gandhi, have developed a technological model very relevant to the needs of the rural poor. Transfer of this technology to the rural people in the States of Maharashtra, Gujarat and Uttar Pradesh has already established not only the relevance of this technology but also the benefits which accrue to the rural poor in particular.

The BAIF technology essentially involves the following three aspects :

- 1). Utilising his limited facilities and developing the same as a garden for raising seedlings of fruit, fodder and other economic plants. This garden technology can be utilised by the landless families on waste lands or forest lands leased from the Government. A part of the land could be utilised for producing non-traditional varieties of fodder which can support the economic rearing of cross-bred cow.
- 2). Production of cross-bred cow from the local non-descript cow presently owned by a family, and rearing the same with the help of the services at their door-steps.
- 3). An organisational pattern covering 20 to 30 villages in a radius of about 10 miles with an agricultural development officer, a cattle development officer, and the necessary equipments for them to operate with their door-to-door services.

PROGRAMME FOR ECONOMIC REHABILITATION OF THE RURAL POOR:

Utilising the technological model mentioned above as developed by BAIF and infusing the management input the Mafatlal Group have formulated an Integrated Rural Development Programme which aims essentially at the economic rehabilitation and development of the rural poor. Production of a cross-bred cow in milk takes about 3 to 4 years, and the rural poor may not have patience to wait for that long. Moreover, many of the rural poor may not have even two square meals a day, let alone the minimum clothing and shelter. It is estimated that about 45% of the rural population are still below the poverty line. It is indeed a paradox that on the one hand rural masses are going without adequate food and other immediate necessities of life, and on the other hand the nation is carrying a stock of about 20 million tonnes of foodgrains in storage. It is with a view to remedy this situation the Mafatlal Group have formulated the following programme which is proposed to be implemented with the active support of Government, on a pilot basis in selected areas of some States. When once the impact of this programme is realised, particularly in terms of stopping the migration of the rural families and their interest aroused in developing productive assets for their own families, it can as well form the basis for a pattern of socio-economic development of the rural poor.

A food-for-work programme for the rural poor is designed so that with an assurance of 10 kgs. of foodgrains and 2 kgs. of nutritious food per family per week for a period of three years, the family can concentrate on developing productive assets. With this, the family is saved from exploitation for their consumption needs. The family labour is utilised for raising seedlings of fruit, fodder and economic trees required by forest and other departments of the Government. Each family is allocated 2½ acres of land for working with his labour. This land may be from the degraded forests, revenue kharab or gauchar lands. Out of these 2½ acres, the family has to develop productive forest on 1½ acres raising seedlings in polythelene bags, transplanting the same on 1½ acres and nursing these trees for a period of three years after which it is handed over to the Forest Dept. The entire work is done under the supervision and guidance of the Forest Dept., and the expenditure of Rs. 1,000/- per hectare comes from the provision of 'Social Forestry'. The other one acre out of the 2½ acres is utilised by the family to raise Kubabul fodder trees which would provide enough fodder after about one to two years of establishment and growth, and this will be sufficient to raise atleast one cross-bred cow. The family will have productive assets at the end of three years in the form of one acre of highly and productive and nutritious Kubabul fodder

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and atleast one cross-bred cow the net income from which will be atleast about Rs. 3,500/-. Such of the families owning lands may develop this Kubabul fodder on one acre of their own land. The families of the rural poor who work on the public lands allocated to them do not have any ownership rights; they have just the rights of usufruct of one acre of fodder only.

This programme could be utilised to plant hillslopes and barrer lands with fodder plants which come up well even under limited rainfall conditions, and the landless families given the rights to take care of about an acre or two for cutting fodder only. This will automatically increase the area under productive forest. In about three to four years the family have been prevented from exploitation, will have atleast one cross-bred cow, very nutritious fodder for cow, and the skills in nursery technology from all of which his income would be atleast Rs. 3,500/- to Rs. 4,000/- net per year.

The technological model briefly explained here does not stop with increasing the income of rural people. It envisages a self sufficient economy, Generation of additional economic activities and utilisation of advances in science and technology are very much facilitated in rural areas. Installation of Gobar gas plants, both community and individual, would release valuable organic fertilizers for the land, gobar gas for the energy

requirements of the rural of the rural people and carbon dioxide (after it is separated from Methane of gobar gas) utilised for producing dry ice for refrigeration purposes. This will unfold enormous potential for the village products to find entry into urban market thus ushering in an era of prosperity to rural areas.

The organisational pattern introduced by BAIF, as indicated above will cater to the planning and implementation of this programme with the active involvement of the business company for the supply of management input on the one hand and the Government agencies for providing infrastructure facilities on the other hand. The limited experience of the group companies with the implementation of this programme is very promising. It is in view of this promise that the extension of this programme to other States is presently under consideration of the Government of India and a few State Governments.

The Mafatlal Group and BAIF have introduced this technology in the 20 centres as mentioned above. In addition they have also initiated other measures for rural development including medical relief, health sanitation measures, education and training for rural occupations with a view to provide employment to all the people in need of productive employment in the villages and thereby to facilitate Integrated Rural Development. A few other companies have already come forward to undertake similar Integrated Rural Development programmes making use of this technology. It

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It is hoped other companies also will take advantage of the technology and methods.

What is important and urgent in rural development is to develop technological models, out of rich research results available in our country, which can enable the poorest of our people to develop productive assets in about 3 to 5 years, the income from which will be atleast about Rs. 3,500/- to Rs. 4,000/- net per year. In developing this technological model the Business Companies can avail of the rich work being done by some voluntary organisation like Bharatiya Agro Industries Foundation, while the Companies themselves should be able to develop the technological models and provide the management inputs.

For more detailed information in regard to these programmes of rural development as well as the details of the Government of India approved scheme which is presently being in operation you may write to Shri B. Rudramoorthy, Adviser (Rural Development) M/s.Mafatlal Services Ltd., Mafatlal Centre, Nariman Point, Bombay-400 021.

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(B.RUDRAMOORTHY)

12.7.1978.





The Maharashtra Employment Guarantee Scheme

We have requested that the Government of Maharashtra be prepared to discuss with you the Maharashtra Employment Guarantee Scheme. As background for this meeting, we have attached an excerpt from the Bank's 1978 Economic Report on India, which describes the workings of the guarantee system, as well as a brief update on recent developments relative to the employment scheme.

EXCERPT FROM THE 1978 ECONOMIC REPORT

The Employment Guarantee Scheme (EGS) of Maharashtra. As currently implemented, the Maharashtra Government has undertaken to employ as unskilled manual labor any individual over 18 years of age registered with the village panchayat 1/ within 15 days of that individual presenting himself for work. There is no choice of work with respect either to type or location within the district, although normally work is provided within the block. Only work on "productive" assets is authorized under the scheme; however, productivity is defined in terms of either direct or indirect contributions to output increase so that relatively wide latitude is given the Block Development Officers and District Collectors. 2/ At least 50 workers must be available for a new work to be sanctioned; works should generally cost at least Rs 20,000 but no more than Rs 500,000 (without State Government approval). 3/

Wages are paid on a piece work basis calculated such that seven hours of "diligent" work should yield the agricultural minimum wage of Rs 3. 4/ It is intended that agricultural operations not be affected and Collectors may suspend EGS works if they are convinced that agricultural labor is not forthcoming at the minimum wage. Thus, the scheme is seen as an effective means of enforcing the minimum wage. Seasonal variation under the EGS has been considerable with the average daily work force varying from 750,000 in the slack agricultural season to 250,000 in the peak season.

The progress of the scheme since 1974/75 is indicated in Table 3. Both in terms of expenditure incurred and actual mandays of employment generated the scheme has grown significantly during the past four years.

1/ The scheme is also implemented in class "C" municipalities.

2/ Specific instructions have been issued by the State with respect to the particular kinds of projects that are acceptable under the scheme; but the categories still remain broad and no relative priorities are specified except that roads and stone crushing are to be discouraged except in inaccessible areas. Works must be "labor-intensive" in that at least 60% of total costs are to be spent on wages for unskilled labor.

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Estimates based on NSS labor force data for Maharashtra indicate that the EGS has met only 16%-25% of the rural employment deficit in spite of the "guarantee." This relatively modest turnout perhaps illustrates the natural limits which could apply to locally based rural works programs. In

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2. IMPORTANT ISSUES. There are two issues which deserve special attention at this time:

( i ) Center-State Policy Split. The Employment Guarantee Scheme has been implemented under administrative orders of the state government as supported by resolutions of the Legislative Assembly and Council. In 1977 a law providing a statutory basis for the scheme was passed in Maharashtra under the sponsorship of V.S. Page, Chairman of the Legislative Council and "father" of the scheme. The major new element introduced in the legislation was a provision stipulating that a dole of Rs. 1 per day be paid to any individual registering under EGS who is not provided work within a 15 day period. The proposed "dole" has proven quite controversial; ultimately the Presidential assent required for implementation of the legislation was withheld. The Planning Commission was split on this issue with the result that the final decision was made by the Chairman (and Prime Minister). In subsequent parliamentary debate Mr. Desai stated that his sole objection to the scheme related to the dole

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The Maharashtra Employment Guarantee Scheme

We have requested that the Government of Maharashtra be prepared to discuss with you the Maharashtra Employment Guarantee Scheme. As background for this meeting, we have attached an excerpt from the Bank's 1978 Economic Report on India, which describes the workings of the guarantee system, as well as a brief update on recent developments relative to the employment scheme.

EXCERPT FROM THE 1978 ECONOMIC REPORT

The Employment Guarantee Scheme (EGS) of Maharashtra. As currently implemented, the Maharashtra Government has undertaken to employ as unskilled manual labor any individual over 18 years of age registered with the village panchayat 1/ within 15 days of that individual presenting himself for work. There is no choice of work with respect either to type or location within the district, although normally work is provided within the block. Only work on "productive" assets is authorized under the scheme; however, productivity is defined in terms of either direct or indirect contributions to output increase so that relatively wide latitude is given the Block Development Officers and District Collectors. 2/ At least 50 workers must be available for a new work to be sanctioned; works should generally cost at least Rs 20,000 but no more than Rs 500,000 (without State Government approval). 3/

Wages are paid on a piece work basis calculated such that seven hours of "diligent" work should yield the agricultural minimum wage of Rs 3. 4/ It is intended that agricultural operations not be affected and Collectors may suspend EGS works if they are convinced that agricultural labor is not forthcoming at the minimum wage. Thus, the scheme is seen as an effective means of enforcing the minimum wage. Seasonal variation under the EGS has been considerable with the average daily work force varying from 750,000 in the slack agricultural season to 250,000 in the peak season.

The progress of the scheme since 1974/75 is indicated in Table 3. Both in terms of expenditure incurred and actual mandays of employment generated the scheme has grown significantly during the past four years.

1/ The scheme is also implemented in class "C" municipalities.

2/ Specific instructions have been issued by the State with respect to the particular kinds of projects that are acceptable under the scheme; but the categories still remain broad and no relative priorities are specified except that roads and stone crushing are to be discouraged except in inaccessible areas. Works must be "labor-intensive" in that at least 60% of total costs are to be spent on wages for unskilled labor.

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Trend growth per annum	57.8%	38.0%	

It is notable that this growth has taken place in an environment of recovering agricultural performance in Maharashtra; at current levels of labor utilization and productivity in agriculture, employment on rural public works seems to provide an effective supplement to normal activity. The supplementary nature of the EGS is underscored by comparison with expenditure and employment generated by scarcity relief works undertaken in Maharashtra during the drought years of 1972/73. During 1973 over Rs 1,813 million were spent on relief work generating an estimated 700 million mandays of employment and involving at peak periods over 30% of the rural labor force. Nevertheless, the EGS does still represent a significant commitment of State resources. As a proportion of State plan expenditures the EGS has grown from 5% in 1974/75 to an estimated 14% in 1977/78.

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- <sup>2/</sup> In particular, if the guarantee applies on a district-wide basis, work offered some distance from the village is much less likely to be accepted but the guarantee will have been technically fulfilled.



## Background Note on the West Coast Fertilizer Project

1. The GOI has recognized for some time that the optimum use for the natural gas now being developed offshore Bombay is as fertilizer feedstock. Accordingly, a decision was taken in June 1977 to construct a gas-based fertilizer complex in Maharashtra. A location at Mandwa -- 8 km from the Uran pipeline terminal, 120 km from Bombay by road, and 18 km across the harbor from the city -- was selected, and a detailed feasibility study was prepared. The project, which consists of two large ammonia plants and two urea plants, was appraised by the Bank in January 1978.
2. The decision to locate the plant at Mandwa generated protests from environmentalists who charged that the project would exacerbate the already-high pollution levels in Bombay, from the 230 families who would have lost their land to the project, and from the wealthy Bombay families who maintain vacation and recreation land in the area. The GOI therefore constituted a Task Force on March 6, 1978 to assess the environmental aspects of the proposed location and to explore alternative sites. On April 14, the Task Force issued its report, rejecting two alternative sites south of Bombay and recommending that the project be located at Tarapur, 40 km north of Bombay on both environmental and technical grounds. In late April, the Government announced its intention to locate the project at Tarapur, and the Bank set a reappraisal mission in May.
3. However, the new location faced severe opposition from the Maharashtra authorities. The principal reasons given were: (i) that it would not help to open up the underdeveloped Konkan area south of Bombay and (ii) that Tarapur's proximity to Gujarat meant that the ancillary and satellite developments associated with the fertilizer complex would benefit Maharashtra only marginally. As a result, the Prime Minister agreed in late May 1978 that the Task Force would review its recommendations, taking into account any additional sites the Government of Maharashtra proposed.
4. The Task Force reviewed eight locations proposed to it and concluded that five were unsuitable. They concluded that a compromise site at Tal-Vaishet -- 7 km south of Mandwa and 21 km from Bombay -- was inferior to Mandwa from an environmental point of view, and again recommended Tarapur as the project location. In view of all the factors which had figured in the drama, the Cabinet decided to locate the project at Tal-Vaishet, a decision which was endorsed by the Maharashtra Government and Legislative Assembly. We intend to reappraise the project in October, once we are advised that the necessary information is available with respect to the new site.
5. Not surprisingly, there is also opposition to the Tal-Vaishet location -- reflected for the first time in a telex and letter blitz to

to the World Bank -- and the issue may well arise during your visit to Bombay. The arguments of the environmentalists are essentially:

(a) High concentrations of sulphur dioxide have been observed during the winter months in the area of New Bombay in general and Uran in particular, and the project would aggravate this problem under certain atmospheric conditions.

(b) The discharge of effluents into Bombay harbor could result in a build-up of water pollution.

(c) There is a population of 73,600, including the town of Alibag, within 10 km of the site. The reduced dispersal of pollutants during calm periods could have harmful effects on this population, as could the inadvertent release of ammonia and other gases and of urea dust.

6. We have been very careful to avoid any involvement in the site selection issue, indicating only that we will appraise a project at a site selected by the Indian Central and State authorities and which is acceptable to the relevant environmental agencies in India. Our staff review of the Task Force findings does not show that the risks of atmospheric pollution are large enough to overrule the location of the project at either Mandwa or Tal-Vaishet, but a clear indication of this from the Indian environmental agencies is still awaited. Natural-gas-based ammonia/urea plants can be engineered to keep pollution well within internationally accepted (EPA) norms, both for sulphur dioxide and for particular matter. If our appraisal (which will include participation by our office of Environmental and Health Affairs) indicates that the proposed project is technically sound, financially viable and economically justified, we will join with the Government of India in ensuring that the project is designed, implemented and operated with a view to minimizing its environmental impact.



## INDIA

### Bank Group Operations in Maharashtra

1. The State of Maharashtra, were it an independent country, would be one of the Bank's larger borrowers, both in terms of its population and in terms of the size of its borrowings from the Bank Group. The most industrialized of India's states, Maharashtra contains 9% of the country's population and accounts for one-sixth of her industrial capital, one-fifth of her factory employment, one-fourth of the gross value of industrial output and value added in the formal manufacturing sector, and 16% of national power consumption. Bank Group involvement in Maharashtra has been concentrated in three areas -- power supply, urban development, and agricultural development, and has taken four basic forms -- projects involving loans or credits channelled in whole or in part through the Government of Maharashtra (GOM), development projects located in Maharashtra but financed outside of the State's budget, national or regional projects benefitting Maharashtra, and IFC-financed projects in Maharashtra.

2. The Government of Maharashtra has been a direct beneficiary in eleven Bank Group-assisted projects. Three of these projects were directed at improving urban services in the city of Bombay. The First and Second Bombay Water Supply and Sewerage Projects, supported by credits of US\$55 million and US\$196 million respectively, were designed to expand and improve Bombay's water treatment and distribution system as well as its sewage collection, treatment, and disposal facilities. The first project, approved in 1973, is scheduled for completion in 1979. The second follow-up project was approved by the Board in July 1978 and is expected to be completed in 1984. The Bombay Urban Transport Project, supported by a US\$25 million Bank loan signed in December 1976, is designed to upgrade bus services in Greater Bombay (through an increase in fleet size along with construction of bus depots, bus shelters, and a fleet workshop) and to assist the Bombay Metropolitan Region Development Authority's traffic management and development planning activities.

3. In addition to these three urban development projects, GOM has received direct Bank Group assistance for two power projects and six agricultural projects. The First<sup>1/</sup> and Second Koyna Power Projects, assisted by a US\$25 million loan and a US\$17.5 million credit, respectively, represented the first two phases in the development of the Koyna Hydroelectric Power System. Under these two projects, both now complete, a dam was built across the Koyna River and a hydroelectric power plant constructed, along with associated power transmission facilities. The six agricultural development projects involving Bank Group assistance to GOM include the following:

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1/ The loan for First Koyna Power Project was actually made to the State of Bombay, which was split in 1959 to form Gujarat and Maharashtra. The Koyna Dam and power plant, however, is located in Maharashtra.

the Purna Irrigation Project, the Maharashtra Agricultural Credit Project, the Maharashtra Irrigation and Command Area Development Project, the Drought Prone Areas Project, the National Seed Project, and the Integrated Cotton Development Project. Of these, the first three were or are being carried out in Maharashtra alone, while the latter three are multi-state projects which involve Maharashtra or selected districts therein.

4. The Purna Irrigation Project, supported by a US\$13 million IDA credit (1962), provided for the completion of two dams across the Purna River, the construction of an accompanying canal system, and the installation of power equipment to provide irrigation water to approximately 152,000 acres of agricultural land in the Purna River Valley. The Maharashtra Agricultural Credit Project, assisted by a US\$30 million credit signed in 1972, provided funds to GOM for land development within the areas served by six major irrigation schemes and to the Agricultural Refinance and Development Corporation for on-lending to farmers through the State Land Development Bank to finance wells and lift irrigation. The Maharashtra Irrigation and Command Area Development Project continues Bank Group support of irrigation in Maharashtra by supporting construction and rehabilitation of irrigation works and command area development in Jayakwadi and Purna irrigation systems. This project is supported by an IDA credit of US\$70 million signed in 1977. The Drought Prone Areas Project, assisted by a US\$35 million IDA credit (1975), is designed to increase and stabilize agricultural production in drought-prone areas through public works, on-farm development, minor irrigation, dry-farming schemes, and fisheries development. The project operates in two districts of Maharashtra, Ahmednagar and Sholapur, as well as in four districts spread over three other states. The National Seeds Project focusses on the development of seed production and processing facilities and the improvement of seed storage and marketing and seed technology research in four states. The project has led to the establishment in Maharashtra (as well as three other states) of a State Seed Corporation and is supported by a Bank loan of US\$25 million. Finally, the Integrated Cotton Development Project, approved for an IDA credit of US\$18 million in 1976, pioneers key improvements in cotton production in the Amraoti district of Maharashtra, focussing on accelerated research, modernization and expansion of cottonseed ginning and processing facilities, improved extension services, insect control, and production credit to cotton producers.

5. The eleven projects described above, all Bank-assisted projects involving funds channelled through GOM, are complemented by a number of Bank-assisted projects located wholly or partially in Maharashtra but funded independently of GOM. Six projects fall into this category -- three power projects, one fertilizer project, one port project, and the Bombay High Offshore Development Project. The three power projects, the First, Second, and Third Trombay Projects, have been assisted by Bank loans of US\$16.2 million, US\$9.8 million, and US\$105 million, respectively, channelled through GOI to the Tata Electric Companies. These three projects (the first two of which have been completed) supported the construction and subsequent expansion of the Trombay (Maharashtra) Thermal Power Station together with ancillary plant and transmission facilities. The Trombay IV Fertilizer Expansion and Plant

Operations Improvement Project, funded in part by an IDA credit of US\$50 million, is being implemented in Maharashtra by the Fertilizer Corporation of India (FCI) and Fertilizers and Chemicals, Travancore, Ltd. (FACT), both public sector corporations. The project, approved in 1974, was designed to increase production capacity of nitric acid and nitrophosphate through plant expansion and improved capacity utilization in existing FCI and FACT plants. The Bombay Port Project, partially financed by IDA through the Bombay Port Trust, a semi-autonomous public corporation, supported a five-year (1962/63-1966/67) expansion and improvement program for the Port of Bombay. And finally, the Bombay High Offshore Development Project, while largely implemented off-shore, includes an on-shore terminal and supply base at Uran in Maharashtra.

6. The third form of Bank Group involvement in Maharashtra has come through Bank Group assistance to regional or national projects which benefit the state. Among the most important projects in this category are three power transmission projects, which included works in Maharashtra; the Rural Electrification Project, which provided credit for rural electrification schemes to the Maharashtra Electricity Board, among others; the Second Foodgrain Storage Project, which supports expansion of two existing storage facilities in Maharashtra and construction of four new facilities; the Korba Thermal Power Project, which provides for construction of a power plant in Madhya Pradesh which will supply bulk power to Maharashtra; and the lines of credit to the Industrial Development Bank of India, the Agricultural Refinance and Development Corporation, and the Industrial Credit and Investment Corporation of India.

7. Finally, the International Finance Corporation has made two investments in the Mahindra Ugine Steel Co., Ltd., one of the largest special steel corporations in India, which has its administrative offices and production center in Maharashtra.

8. Prospective Bank Group operations involving Maharashtra will largely continue the pattern that has been established thus far. A proposed super-thermal power project, to be implemented by the Tata Electric Companies, would benefit the state, as would the planned follow-up to the Korba Thermal Power Project. The West Coast Fertilizer Project<sup>1/</sup>, appraised in January of this year, would support construction of two ammonia units and two urea units in Maharashtra. And finally, a second irrigation and command area development project is planned for Maharashtra in fiscal year 1979 and a water supply project for the state is in our program for fiscal year 1980.

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<sup>1/</sup> Please see separate background note.





THE STATUS OF BANK GROUP OPERATIONS IN INDIA

A. STATEMENT OF BANK LOANS AND IDA CREDITS  
(As of July 31, 1978)

Loan or Credit No.	Year	Borrower	Purpose	Bank	US\$ Million <sup>1/</sup> (Net of Cancellations)	
					IDA	Undisbursed
40 Loans/ 53 Credits fully disbursed				1,100.6	2,884.6	
267-IN	1971	India	Wheat Storage	--	5.0	3.2
294-IN	1972	India	Bihar Agricultural Markets	--	14.0	7.6
312-IN	1972	India	Population	--	21.2	4.9
342-IN	1972	India	Education	--	12.0	8.4
356-IN	1972	India	IDBI	--	25.0	10.0
377-IN	1973	India	Power Transmission III	--	85.0	1.5
378-IN	1973	India	Mysore Agricultural Markets	--	8.0	6.8
902-IN	1973	ICICI	Industry DFC X	65.6	--	3.9
390-IN	1973	India	Bombay Water Supply	--	55.0	19.7
427-IN	1973	India	Calcutta Urban Development	--	35.0	6.9
440-IN	1973	India	Bihar Agricultural Credit	--	32.0	13.3
456-IN	1974	India	HP Apple Processing & Marketing	--	13.0	8.8
481-IN	1974	India	Trombay IV	--	50.0	10.0
1011-IN	1974	India	Chambal (Rajasthan) CAD	52.0	--	32.5
482-IN	1974	India	Karnataka Dairy	--	30.0	23.6
502-IN	1974	India	Rajasthan Canal CAD	--	83.0	46.6
520-IN	1974	India	Sindri Fertilizer	--	91.0	11.5
521-IN	1974	India	Rajasthan Dairy	--	27.7	24.9
522-IN	1974	India	Madhya Pradesh Dairy	--	16.4	13.3
526-IN	1975	India	Drought Prone Areas	--	35.0	20.5
1079-IN	1975	IFFCO	IFFCO Fertilizer	109.0	--	56.7
1097-IN	1975	ICICI	Industry DFC XI	100.0	--	20.9
532-IN	1975	India	Godavari Barrage Irrigation	--	45.0	19.3
541-IN	1975	India	West Bengal Agricultural Development	--	34.0	23.6
562-IN	1975	India	Chambal (Madhya Pradesh) CAD	--	24.0	14.9
572-IN	1975	India	Rural Electrification	--	57.0	44.1
582-IN	1975	India	Railways XIII	--	110.0	6.2
585-IN	1975	India	Uttar Pradesh Water Supply	--	40.0	34.7
598-IN	1975	India	Fertilizer Industry	--	105.0	84.9
604-IN	1976	India	Power Transmission IV	--	150.0	128.4
609-IN	1976	India	Madhya Pradesh Forestry T.A.	--	4.0	3.5
610-IN	1976	India	Integrated Cotton Development	--	18.0	17.6
1251-IN (TW)	1976	India	Andhra Pradesh Irrigation	145.0	--	136.9
1260-IN	1976	India	IDBI II	40.0	--	35.8
1273-IN	1976	India	National Seed	25.0	--	25.0
1313-IN	1976	India	Telecommunications VI	80.0	--	28.4
1335-IN	1976	BMRDA	Bombay Urban Transport	25.0	--	17.9
680-IN	1977	India	Kerala Agricultural Development	--	30.0	30.0
682-IN	1977	India	Orissa Agricultural Development	--	20.0	19.5
685-IN	1977	India	Singrauli Thermal Power	--	150.0	137.0
687-IN	1977	India	Madras Urban Development	--	24.0	21.8
695-IN	1977	India	Gujarat Fisheries	--	4.0	4.0
1394-IN (TW)	1977	India	Gujarat Fisheries	14.0	--	14.0
690-IN	1977	India	West Bengal Agricultural Development	--	12.0	12.0
712-IN	1977	India	Madhya Pradesh Agricultural Development	--	10.0	10.0
715-IN	1977	India	Second ARDC Credit	--	200.0	151.8
720-IN	1977	India	Periyar Vaigai Irrigation	--	25.0	22.3
728-IN	1977	India	Assam Agricultural Development	--	8.0	7.8
1473-IN	1977	India	Bombay High Offshore Development	150.0	--	87.1
736-IN	1977	India	Maharashtra Irrigation	--	70.0	70.0
737-IN	1977	India	Rajasthan Agricultural Extension	--	13.0	13.0
740-IN	1977	India	Orissa Irrigation	--	59.0	58.0
1475-IN	1977	ICICI	Industry DFC XII	80.0	--	74.9
747-IN	1978	India	Second Foodgrain Storage	--	107.0	105.0
756-IN	1978	India	Second Calcutta Urban Development	--	87.0	79.5
761-IN	1978	India	Bihar Agricultural Extension & Research	--	8.0	8.0
1511-IN	1978	India	IDBI Joint/Public Sector	25.0	--	25.0
1549-IN*	1978	TEC	Third Trombay Thermal Power	105.0	--	105.0
788-IN*	1978	India	Karnataka Irrigation	--	126.0	126.0
793-IN*	1978	India	Korba Thermal Power	--	200.0	200.0
806-IN*	1978	India	Jammu-Kashmir Horticulture	--	14.0	14.0
808-IN*	1978	India	Gujarat Irrigation	--	85.0	85.0
815-IN*	1978	India	Andhra Pradesh Fisheries	--	17.5	17.5
816-IN*	1978	India	Second National Seed	--	16.0	16.0
1592-IN	1978	India	Telecommunications VII	120.0	--	120.0
824-IN*	1978	India	National Dairy	--	150.0	150.0
842-IN*	1978	India	Second Bombay Water Supply & Sewerage	--	196.0	196.0
Total				2,236.2	5,738.4	
of which has been repaid				883.8	39.8	
Total now outstanding				1,352.4	5,698.6	
Amount Sold			113.3			
of which has been repaid			111.5			
Total now held by Bank and IDA				21.8		
Total undisbursed (excluding *)				1,330.6	5,698.6	
				559.0	1,369.3	

\* Not yet effective.

<sup>1/</sup> Prior to exchange adjustments.

August 1978

**B. STATEMENT OF IFC INVESTMENTS**  
(As of July 31, 1978)

<u>Fiscal Year</u>	<u>Company</u>	<u>Amount (US\$ million)</u>		
		<u>Loan</u>	<u>Equity</u>	<u>Total</u>
1959	Republic Forge Company Ltd.	1.5	-	1.5
1959	Kirloskar Oil Engines Ltd.	0.9	-	0.9
1960	Assam Sillimanite Ltd.	1.4	-	1.4
1961	K.S.B. Pumps Ltd.	0.2	-	0.2
1963-66	Precision Bearings India Ltd.	0.7	0.3	1.0
1964	Fort Gloser Industries Ltd.	0.8	0.4	1.2
1964-75	Mahindra UGINE Steel Co. Ltd.	11.8	1.0	12.8
1964	Lakshmi Machine Works Ltd.	1.0	0.3	1.3
1967	Jayshree Chemicals Ltd.	1.0	0.1	1.1
1967	Indian Explosives Ltd.	8.6	2.9	11.5
1969-70	Zuari Agro-Chemicals Ltd.	15.1	3.8	18.9
1976	Escorts Limited	6.6	-	6.6
1978	Housing Development Finance Corporation	<u>4.0</u>	<u>1.2</u>	<u>5.2</u>
	TOTAL	53.6	10.0	63.6
	Less: Sold	6.0	1.6	7.6
	Repaid	14.5	-	14.5
	Cancelled	<u>6.2</u>	<u>0.7</u>	<u>6.9</u>
	Now Held	26.9	7.7	34.6
	Undisbursed	6.5	1.2	7.7



C. PROJECTS IN EXECUTION<sup>1/</sup>

Generally, the implementation of projects has been proceeding reasonably well. Details on the execution of individual projects are below. The level of disbursements was US\$496.4 million in FY78 or 39% of Bank Group commitments to India in that year. The undisbursed pipeline of US\$1,928 million as of July 31, 1978, corresponds roughly to commitments over the preceding two-year period and reflects the lead time which would be expected given the mix of fast- and slow-disbursing projects in the India program.

Ln. No. 902      Tenth Industrial Credit and Investment Corporation of India Project; US\$70.0 million loan of June 8, 1973; Effective Date: August 16, 1973; Closing Date: December 31, 1978

Ln. No. 1097    Eleventh Industrial Credit and Investment Corporation of India Project; US\$100.0 million loan of April 2, 1975; Effective Date: July 1, 1975; Closing Date: December 31, 1980

Ln. No. 1475    Twelfth Industrial Credit and Investment Corporation of India Project; US\$80.0 million loan of July 22, 1977; Effective Date: October 4, 1977; Closing Date: March 31, 1983

These loans are supporting industrial development in India through a well-established development finance company and are designed to finance the foreign exchange cost of industrial projects. ICICI continues to be a well-managed and efficient development bank financing medium- and large-scale industries, which often employ high technology and are export-oriented. Loans 902-IN and 1097-IN are fully committed and disbursements are slightly ahead of schedule. Disbursements under Loan 1475-IN (US\$5.1 million) are also ahead of schedule.

Cr. No. 440      Bihar Agricultural Credit Project; US\$32.0 million credit of November 29, 1973; Effective Date: March 29, 1974; Closing Date: March 31, 1980

This Credit was originally intended to provide three years' support for a lending program for 50,000 tubewells and pumpsets in the Tirhut Division of Bihar. Because of slow disbursements caused by a lower-than-estimated Dollar/Rupee exchange rate and by low unit investment costs compared with appraisal estimates, IDA agreed to extend the closing date and

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<sup>1/</sup> These notes are designed to inform the Executive Directors regarding the progress of projects in execution, and in particular to report any problems which are being encountered and the action being taken to remedy them. They should be read in this sense and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

and to extend the project area to cover the whole State of Bihar. Disbursements are expected to accelerate, and the physical targets should be achieved by the revised closing date.

Cr. No. 715      Second Agricultural Refinance and Development Corporation (ARDC) Project; US\$200.0 million credit of June 1, 1977; Effective Date: August 24, 1977; Closing Date: December 31, 1979

This project is designed to provide long- and medium-term credit to farmers through credit institutions, for on-farm investments, primarily in minor irrigation. As of July 31, 1978, disbursements amounted to about US\$48.2 million, of which some 87% have been for minor irrigation and 13% for diversified lending. The proportion of disbursements to small farmers is estimated at about 60% compared with the appraisal target of 50%. Training programs for staff of the financing institutions are progressing satisfactorily. Preparation of a third line of credit is underway and the preparation report is expected to be submitted to the Association by September 1978.

Cr. No. 267      Wheat Storage Project; US\$5.0 million credit of August 23, 1971; Effective Date: November 14, 1972; Closing Date: September 30, 1978

Cr. No. 747      Second Foodgrain Storage Project; US\$107.0 million credit of January 6, 1978; Effective Date: May 17, 1978; Closing Date: June 30, 1982

Credit 267-IN, which is being co-financed with Sweden, finances (i) the construction of bag and bulk grain storage and handling facilities, (ii) staff training, and (iii) an All-India Grain Storage Study. The government-owned Food Corporation of India is responsible for the storage construction. All the nine 10,000-ton-capacity bag warehouses envisaged under the project as revised became operational in 1975. The construction of five grain silos is progressing satisfactorily after delays due to cement shortages. The training component is being implemented. The All-India Grain Storage Study was completed in October 1976 and proved useful in formulating the proposal for Credit 747-IN, which is progressing satisfactorily.

Cr. No. 456      Himachal Pradesh Apple Processing and Marketing Project; US\$13.0 million credit of January 22, 1974; Effective Date: September 26, 1974; Closing Date: December 31, 1978

Cr. No. 806      Jammu-Kashmir Horticulture Project; US\$14.0 million credit of July 17, 1978; Effective Date (expected): October 17, 1978; Closing Date: June 30, 1984

Credit 456 includes grading and packing centers, cold storage facilities, a juice processing plant, road improvements and cableways. It also includes cold storage facilities and a pilot project to promote oak mushroom production. The project encountered initial delays due to managerial

and technical problems; however remedial measures have been taken to overcome these difficulties. Land has been acquired for 8 of the 10 packing and grading sites, and procurement and construction activities are well underway. The Project Preparation Report for the juice processing plant has been completed, and the equipment is being ordered. The road improvement program is progressing satisfactorily, and the feasibility reports on aerial cableways at the packing/grading sites have been completed.

Ln. No. 1313     Telecommunications VI Project; US\$80.0 million loan of July 22, 1976; Effective Date: September 14, 1976; Closing Date: March 31, 1980

Ln. No. 1592     Telecommunications VII Project; US\$120.0 million loan of June 19, 1978; Effective Date (expected): September 19, 1978; Closing Date: March 31, 1982.

Loan 1313-IN is progressing satisfactorily; disbursements reached US\$51.6 million as of July 31, 1978.

Cr. No. 377     Power Transmission III Project; US\$85.0 million credit of May 9, 1973; Effective Date: September 28, 1973; Closing Date: September 30, 1978

Cr. No. 604     Power Transmission IV Project; US\$150.0 million credit of January 22, 1976; Effective Date: October 22, 1976; Closing Date: June 30, 1981

The drawdown of Credit 377-IN was slow initially and as a consequence it has been necessary to postpone the Closing Date by one year. However, an amount of US\$83.5 million had been disbursed by the end of July 1978 and the balance should be disbursed before the revised Closing Date. Under Credit 604-IN, contracts aggregating about US\$50 million had been awarded by March 1978 and disbursements as of July 31, 1978 were US\$21.6 million. This Credit included a supplementary Credit of US\$30 million to meet increased costs of equipment scheduled under Credit 377-IN; all but US\$4 million of this amount has also been committed.

Cr. No. 481     Trombay IV Fertilizer Expansion Project; US\$50.0 million credit of June 19, 1974; Effective Date: August 21, 1974; Closing Date: June 30, 1979

Cr. No. 520     Sindri Fertilizer Project; US\$91.0 million credit of December 18, 1974; Effective Date: February 27, 1975; Closing Date: September 30, 1978

Ln. No. 1079     IFFCO Fertilizer Project; US\$109.0 million loan of January 24, 1975; Effective Date: April 28, 1975; Closing Date: March 31, 1979

Cr. No. 598      Fertilizer Industry Project; US\$105.0 million credit  
of December 31, 1975; Effective Date: March 1, 1976;  
Closing Date: June 30, 1980

The Trombay IV project is now being commissioned, about 18 months behind schedule due to longer-than-expected delivery times for critical equipment. The Sindri project is also being commissioned. The IFFCO project was delayed by about a year as a result of a change in feedstock from fuel oil to naphtha and delays in completion of engineering contracts. However, project construction is now proceeding satisfactorily. Mechanical completion of the entire plant should result in August 1979. Credit 598-IN is designed to increase the utilization of existing fertilizer production capacity. The project has encountered delays in sub-project preparation and investment approvals by the Government. Further, some of the sub-projects identified earlier may not materialize because of reconsideration by the Central and State governments. IDA has agreed to a list of sub-projects to replace the ones that are likely to be dropped. Because of the above, the project is likely to be delayed by 6-12 months.

Cr. No. 294      Bihar Agricultural Markets Project; US\$14.0 million credit  
of March 29, 1972; Effective Date: July 31, 1972; Closing  
Date: December 31, 1978

Cr. No. 378      Karnataka Wholesale Agricultural Markets Project; US\$8.0 mil-  
lion credit of May 9, 1973; Effective Date: September 7, 1973;  
Closing Date: December 31, 1979

These projects were designed to help with establishment of wholesale markets in a number of towns in Bihar and Karnataka. Progress under the Bihar project has generally been satisfactory. The project includes training of the Agricultural Produce Marketing Committee (APMC) staff and evaluation of the project's economic impact. Development plans have been completed for 53 market yards to ensure the project target of 50 markets is met. As of March 1978, appraisals had been completed for 50, and loans approved for 47 markets. Construction had been completed for 16 and was in progress for 23 markets. Farmers and traders served by the 8 market yards now in operation report more efficient marketing activities and improved farmers' terms of trade. Progress under the Karnataka project is improving. As of June 1977, when the project was last reviewed, construction was underway for 36 of the 39 project markets. Plans and land acquisition are nearing completion at the remaining sites. Both projects are expected to be completed by their respective closing dates.

Cr. No. 312      Population Project; US\$21.2 million credit of June 14, 1972;  
Effective Date: May 9, 1973; Closing Date: June 30, 1979

This credit is designed to finance an experimental and research oriented population project in Karnataka and Uttar Pradesh. The project's infrastructure, which would provide the optimum facilities (buildings, equipment, staff and transport) according to GOI standards in selected districts



in each state, is almost complete. The two Population Centers, which will design and monitor research aimed at improving the family planning program, are now functioning. To allow adequate time for the Population Centers to complete their evaluation of family planning strategies and the introduction of management information and evaluation systems, the closing date has been extended by one year.

Cr. No. 342      Agricultural Universities Project; US\$12.0 million credit of November 10, 1972; Effective Date: June 8, 1973; Closing Date: December 31, 1979

The project involves the development of the agricultural universities in Assam and Bihar. An initial lag in implementation on account of late appointment of project staff has been overcome. Campus plans have been approved, and construction has started in both Assam and Bihar. Disbursements, which have been slow because of initial delays, should accelerate now that construction and equipment procurement are under way.

Cr. No. 356      Industrial Development Bank of India Project; US\$25.0 million credit of February 9, 1973; Effective Date: June 22, 1973; Closing Date: September 30, 1978

Loan No. 1260      Second Industrial Development Bank of India Project; US\$40.0 million loan of June 10, 1976; Effective Date: August 10, 1976; Closing Date: June 30, 1981

Loan No. 1511      IDBI Joint/Public Sector Project; US\$25.0 million loan of March 1, 1978; Effective Date: May 31, 1978; Closing Date: March 31, 1983

The first IDBI Project had a slow start mainly due to institutional problems in the participating State Financial Corporations. However, the credit is now fully committed, and disbursements had reached US\$15.0 million by the end of July 1978. In order to continue the Bank Group's involvement in assisting small- and medium-scale industries and in strengthening the State Financial Corporations involved, a second operation (Loan 1260-IN) was approved in 1976, and disbursements have reached US\$4.2 million by the end of July. Loan 1511-IN is designed to encourage the pooling of private and public capital in medium-scale joint ventures. The project will also assist IDBI in carrying out industrial sector investment studies and in strengthening the financial institutions dealing with the state joint/public sector.

Cr. No. 390      Bombay Water Supply and Sewerage Project; US\$55.0 million credit of January 22, 1974; Effective Date: March 13, 1974; Closing Date: December 31, 1978

Having overcome earlier difficulties, including cost overruns caused by inflation (requiring project redefinition in February 1975), redesign of major project components and the addition of a supplementary study on sewage disposal, the project is now progressing relatively well. All of the major

contracts for the water supply components have been awarded and it is forecast that works will be sufficiently advanced to permit the supply of additional water (455 mld) in the last quarter of 1978; completion of water treatment works for the whole supply by the end of 1979 is realistically forecast. Completion of additional sewage disposal studies (August 1977) has allowed engineering design of the project sewerage components to proceed, so that completion of construction of these works is now scheduled for 1980, two years later than originally forecast. Financial performance of the project entity is satisfactory.

Cr. No. 585      Uttar Pradesh Water Supply and Sewerage Project; US\$40.0 million credit of September 25, 1975; Effective Date: February 6, 1976; Closing Date: June 30, 1980

The Project has had a slow start due to delays in the preparation of technical reports for regional and local water authorities and in the engagement of consultants. While improvements have been made in the physical execution, other aspects of project implementation continue to lag so that disbursements under the Credit have fallen short of estimates at the time of appraisal. In order to improve the situation, arrangements are being made to appoint a full-time management adviser to closely supervise and coordinate implementation.

Cr. No. 427      Calcutta Urban Development Project; US\$35.0 million credit of September 12, 1973; Effective Date: January 10, 1974; Closing Date: December 31, 1979

Cr. No. 756      Second Calcutta Urban Development Project; US\$87.0 million credit of January 6, 1978; Effective Date: April 7, 1978; Closing Date: March 31, 1983

For the first of these projects, following considerable increases in project costs, GOI and IDA finalized a project redefinition in April 1976. It is now expected to be substantially completed by March 1979. Credit 756-IN is designed to expand and upgrade the capabilities of Calcutta's administrative authorities, to strengthen the city's fiscal base, and to rehabilitate and extend its urban service system.

Cr. No. 687      Madras Urban Development Project; US\$24.0 million credit of April 1, 1977; Effective Date: June 30, 1977; Closing Date: September 30, 1981

The project is designed to develop and promote low-cost solutions to the problems of providing improved services to the urban poor in the Madras Metropolitan Area (MMA) and to strengthen metropolitan planning. Project components consisting of sites and services, slum improvement, small-scale and cottage industry, and maternal and child health are designed to benefit directly some 250,000 persons in low-income areas of the city. The water supply and sewerage, road and traffic, bus transport and technical assistance components are designed to eliminate bottlenecks in water supply and transport. Project implementation is proceeding satisfactorily, and disbursements are slightly ahead of appraisal estimates.

- Cr. No. 482      Karnataka Dairy Development Project; US\$30.0 million credit of June 19, 1974; Effective Date: December 23, 1974; Closing Date: September 30, 1982
- Cr. No. 521      Rajasthan Dairy Development Project; US\$27.7 million credit of December 18, 1974; Effective Date: August 8, 1975; Closing Date: December 31, 1982
- Cr. No. 522      Madhya Pradesh Dairy Development Project; US\$16.4 million credit of December 18, 1974; Effective Date: July 23, 1975; Closing Date: June 30, 1982
- Cr. No. 824      National Dairy Project; US\$150.0 million credit of June 19, 1978; Effective Date (expected): September 19, 1978; Closing Date: December 31, 1985

These four credits, totalling US\$224.1 million, support dairy development projects organized along the lines of the successful AMUL dairy cooperative scheme in Gujarat State. The Karnataka Project, which got off to a slow start, has begun to show considerable improvement under new management appointed recently. Farmer response has been good and over 600 dairy cooperatives with small farmer participation are functioning effectively. All four dairy unions envisaged under the project have been established and are functioning satisfactorily. In Madhya Pradesh good progress has been made. About 310 new dairy cooperatives societies have been established. Detailed design studies for plant construction are complete. The response of small farmers to the project is excellent. GOMP has plans to cover all districts in the State. Technical services investments are being made. Contracts have been placed for livestock imports. The Rajasthan project is also doing well. Four milk unions have been formed and excellent progress has been made in organizing the servicing of nearly 450 dairy cooperatives at the village level. Plant designs are ready, and procurement is making adequate progress. Based upon the good results experienced, GOR is planning to expand the form of dairy development to all other districts of the State. Karnataka's decision to procure plant equipment jointly with Rajasthan and Madhya Pradesh on the same tender should lead to a recovery of considerable time lost earlier in the Karnataka project.

- Cr. No. 532      Godavari Barrage Project; US\$45.0 million credit of March 7, 1975; Effective Date: June 9, 1975; Closing Date: June 30, 1980

Both the civil works and equipment tenders have been awarded after international competitive bidding. Work is in progress and is proceeding satisfactorily. Disbursements stood at US\$25.7 million on July 31, 1978.

- Ln. No. 1011      Chambal (Rajasthan) Command Area Development Project; US\$52.0 million loan of June 19, 1974; Effective Date: December 12, 1974; Closing Date: June 30, 1981

- Cr. No. 502      Rajasthan Canal Command Area Development Project; US\$83.0 million credit of July 31, 1974; Effective Date: December 30, 1974; Closing Date: June 30, 1981
- Cr. No. 562      Chambal (Madhya Pradesh) Command Area Development Project; US\$24.0 million credit of June 20, 1975; Effective Date: September 18, 1975; Closing Date: December 31, 1979
- Ln. No. 1251      Andhra Pradesh Irrigation and Command Area Development  
(TW)                      Composite Project; US\$145.0 million loan (Third Window)  
of June 10, 1976; Effective Date: September 7, 1976;  
Closing Date: December 31, 1982
- Cr. No. 720      Periyar Vaigai Irrigation Project; US\$23.0 million  
credit of June 30, 1977; Effective Date: September 30,  
1977; Closing Date: March 31, 1983
- Cr. No. 736      Maharashtra Irrigation Project; US\$70.0 million credit of  
October 11, 1977; Effective Date: January 13, 1978; Closing  
Date: March 31, 1983
- Cr. No. 740      Orissa Irrigation Project; US\$58.0 million of October 11,  
1977; Effective Date: January 16, 1978; Closing Date:  
October 31, 1983
- Cr. No. 788      Karnataka Irrigation Project; US\$126.0 million credit of  
May 12, 1978; Effective Date: August 11, 1978;  
Closing Date: March 31, 1984
- Cr. No. 808      Gujarat Irrigation Project; US\$85.0 million credit of July 17,  
1978; Effective Date (expected): October 17, 1978; Closing  
Date: June 30, 1984

These projects, based on existing large irrigation systems, are designed to improve the efficiency of water utilization and, where possible, to use water savings for bringing additional areas under irrigation. Canal lining and other irrigation infrastructure, drainage, and land shaping are prominent components of these projects. In addition, provisions have been made to increase agricultural production and marketing by reforming and upgrading agricultural extension services and by providing processing and storage facilities and village access roads. Progress of these projects is generally satisfactory.

- Cr. No. 541      West Bengal Agricultural Development Project; US\$34.0 million  
credit of April 28, 1975; Effective Date: August 28, 1975;  
Closing Date: March 31, 1980

The project provides financing over four years mainly for minor irrigation investments but also for development of markets, agro service centers, and support of related government extension services. Although disbursements have been slower than anticipated, there has been a considerable

improvement in project organization and administration and disbursements are expected to improve considerably. The physical progress of shallow tubewells, and of deep tubewells for the Minor Irrigation Corporation, is satisfactory. IDA, GOWB and ARDC are combining efforts in order to solve difficulties such as organizational problems at the farm level; lack of demand for agro service centers; and completion of designs for water distribution systems and irrigation schemes. Positive results, particularly for the redesigned water distribution systems have been achieved.

- Cr. No. 682      Orissa Agricultural Development Project; US\$20.0 million credit of April 1, 1977; Effective Date: June 28, 1977; Closing Date: December 31, 1983
- Cr. No. 728      Assam Agricultural Development Project; US\$8.0 million credit of June 30, 1977; Effective Date: September 30, 1977; Closing Date: March 31, 1983
- Cr. No. 690      West Bengal Agricultural Extension and Research Project; US\$12.0 million credit of June 1, 1977; Effective Date: August 30, 1977; Closing Date: September 30, 1982
- Cr. No. 712      Madhya Pradesh Agricultural Extension and Research Project; US\$10.0 million credit of June 1, 1977; Effective Date: September 2, 1977; Closing Date: September 30, 1983
- Cr. No. 737      Rajasthan Agricultural Extension and Research Project; US\$13.0 million credit of November 14, 1977; Effective Date: February 6, 1978; Closing Date: June 30, 1983
- Cr. No. 761      Bihar Agricultural Extension and Research Project; US\$8.0 million credit of January 6, 1978; Effective Date: May 2, 1978; Closing Date: October 31, 1983

These projects, totalling US\$71 million, finance the re-organization and strengthening of agricultural extension and the development of adaptive agricultural research services with the objective of achieving early and sustained improvements in agricultural production, particularly foodgrains. Arrangement for monitoring and evaluation of project progress and impact is an essential feature of these projects. The Orissa and Assam projects also provide funds for laying the basis for longer term improvements in ground-water development in the States. The projects' components include provision of additional staff, training facilities, housing, offices, laboratory facilities, equipment and transportation.

- Cr. No. 526      Drought Prone Areas Project; US\$35.0 million credit of January 24, 1975; Effective Date: June 9, 1975; Closing Date: June 30, 1980

Overall physical progress of the Drought Prone Areas project (DPAP) continues to be satisfactory. The rate of disbursement is improving and

implementation of most components is proceeding, by and large, according to schedule. However, progress may be affected by possible changes in thinking at the national level. GOI is presently reviewing all national rural development programs, including the DPAP, in order to determine ways to improve overall performance in the rural sector. The Government's review is being followed closely to determine whether any recommendations would have an impact on the ongoing project and require changes.

Cr. No. 680      Kerala Agricultural Development Project; US\$30.0 million credit of April 1, 1977; Effective Date: June 29, 1977; Closing Date: March 31, 1985

This project would improve tree crop production in Kerala and has particular emphasis on increasing benefits to small farmers. It comprises rehabilitation of 30,000 ha coconut and 10,000 ha pepper and 2,240 ha cashew, and new plantings of 5,000 ha coconut and 1,500 ha cashew. About 25% of the coconut area would be irrigated for intensive intercropping. Funds have been provided for development of a seed garden for tree crops and for strengthening tree crops research. Ten crumb rubber factories would also be established to process smallholder rubber. Project implementation started slowly due to initial staffing and funding delays but has recently gained momentum. Project actions for 1978/79 have been rephased and advance action planned so as to make up for lost time.

Cr. No. 572      Rural Electrification Project; US\$57.0 million credit of July 23, 1975; Effective Date: October 23, 1975; Closing Date: December 31, 1979

Credit 572 consists of a tranche of rural electrification schemes which, at about Rs 5 million each, would cover about 140 schemes. There are now thirteen States eligible for onlending (compared with six at the time of appraisal). The project got off to a slow start, due principally to the need to adapt the specifications and tendering procedures to international competitive bidding, but the position has now improved and the full amount of the Credit has been committed.

Cr. No. 582      Railways XIII Project; US\$110.0 million credit of August 26, 1975; Effective Date: October 10, 1975; Closing Date: September 30, 1978

The project was designed to cover most of the foreign exchange requirements of Indian Railway's (IR) investment program for two years, from April 1, 1975, through March 31, 1977. However, since the approval of the project, increased production of steel products in India and further developments in IR's indigenization program slowed down the rate at which IR requires foreign exchange. Therefore, the Closing Date was extended for one year in order to complete implementation of the project. Disbursements as of July 31, 1978 were 94% of the total credit amount.

Cr. No. 609      Madhya Pradesh Forestry Technical Assistance Project;  
US\$4.0 million credit of February 26, 1976; Effective  
Date: May 26, 1976; Closing Date: December 31, 1981

This project will identify a sound resource base for pulp and paper manufacture and related industries, develop suitable logging systems, and undertake a feasibility study to determine optimal use of the existing wood resources in the Bastar District of southern Madhya Pradesh. It also includes a study of ways to integrate the area's tribal population with future development.

Cr. No. 610      Integrated Cotton Development Project; US\$18.0 million  
credit of February 26, 1976; Effective Date: November 30,  
1976; Closing Date: December 31, 1981

The project finances equipment, civil works and crop production credit to support programs for cotton research and cotton production increase in three states. The project also provides credit for improving cotton ginneries, new ginneries, cotton seed oil extraction plants and vegetable oil processing factories. Effectiveness was delayed by slow appointment of consultants, but the cotton extension services program was started without delay and has now been in operation for two years. Disbursements have been small mainly due to poor demand to date for project credit. A recent supervision mission, working with technical consultants, has made detailed recommendations for more appropriate pest control practices and more adaptive research to identify and introduce better varieties. These measures are under discussion with GOI, and when agreed to and implemented, should speed up project disbursements.

Ln. No. 1273      National Seed Project; US\$25.0 million loan of June 10, 1976;  
Effective Date: October 8, 1976; Closing Date: June 30, 1981

Cr. No. 816      Second National Seed Project; US\$16.0 million credit of  
July 17, 1978; Effective Date (expected): October 17, 1978;  
Closing Date: December 31, 1984

Loan 1273-IN supports the first phase of India's national seed program, consisting of: seed industry expansion in the public and private sectors, improvements in seed quality control, strengthening of breeding and seed technology research, and development of a reserve stock scheme. Institutional development and managerial arrangements, particularly at the state level, have proceeded fairly satisfactorily. Project implementation, however, slowed down after loan effectiveness mainly due to organizational problems. Project progress is now being made since endorsement of the project by the new Government in September 1977 and is expected to gain further momentum as GOI has filled the two top posts of the National Seeds Corporation, which were vacant for several months and adversely affected the project. A project supporting the second phase of India's national seed program (Credit 816-IN) was signed July 17, 1978.

Ln. No. 1335 Bombay Urban Transport Project; US\$25.0 million loan of December 20, 1976; Effective Date: March 10, 1977; Closing Date: June 30, 1980

Contracts for bodies and chassis for 325 single deck and 175 double deck buses have been awarded and some 144 buses have been delivered. Bids for an additional 200 buses are being evaluated. Civil works contracts have been awarded for 8 bus facilities, and 13 traffic engineering schemes. Delays are expected in implementing some BMC traffic engineering schemes and the BEST workshop schemes although steps are being taken to minimize such delays. Consultants in organization, administration, financial management systems, accounting and development planning are at work assisting the Borrower, the Bombay Metropolitan Regional Development Authority. Other beneficiaries of the loan, the Bombay Municipal Corporation and the Bombay Electric Supply and Transport Undertaking, have selected consultants in traffic engineering and operations and management assistance, respectively.

Ln. No. 1394 Gujarat Fisheries Project; US\$14.0 million loan and US\$4.0 (TW) and million credit of April 22, 1977; Effective Date: July 19, 1977; Closing Date: June 30, 1983

Cr. No. 695  
Cr. No. 815 Andhra Pradesh Fisheries Project; US\$17.5 million credit of June 19, 1978; Effective Date (expected): September 19, 1978; Closing Date: September 30, 1984

Progress on Gujarat Fisheries project is good. All project implementation units appear to be competent and enthusiastic and the project is progressing as anticipated at appraisal.

Cr. No. 685 Singrauli Thermal Power Project; US\$150.0 million credit of April 1, 1977; Effective Date: June 28, 1977; Closing Date: December 31, 1983

Cr. No. 793 Korba Thermal Power Project; US\$200.0 million credit of May 12, 1978; Effective Date: August 14, 1978; Closing Date: March 31, 1985.

Ln. No. 1549 Trombay Thermal Power Project; US\$105.0 million loan of June 19, 1978; Effective Date (expected): September 19, 1978; Closing Date: March 31, 1984.

Credit 685-IN assists in financing the first stage of the 2,000 MW Singrauli development which is, in turn, the first of four power stations in the Government's program for the development of large Central thermal power stations feeding power into an interconnected grid. The second such station, at Korba, is being financed through Credit 793-IN. It is proposed that the Bank Group will have a continuing involvement in this development program. The National Thermal Power Corporation (NTPC) has been formed to construct and operate these power stations, and the development program has gotten off to a good start. Organization and staffing of NTPC is proceeding satisfactorily, and the Singrauli project is proceeding on schedule. Civil works are



in progress and contracts have been awarded for major plant (turbogenerators, boilers, transformers). Loan 1549-IN is supporting the construction of a 500 MW extension of the Tata Electric Companies' station, in order to help meet the forecast load growth in the Bombay area.

Ln. No. 1473    Bombay High Offshore Development Project; US\$150.0 million  
loan of June 30, 1977; Effective Date: October 20, 1977;  
Closing Date: December 31, 1980

The project is progressing satisfactorily. Gas and oil pipelines from Bombay High to shore have been laid and were commissioned in June 1978. Disbursements stood at US\$62.9 million on July 31, 1978.









		Actual					Current FY79	Program					FY69-73	FY74-78	FY79-83	FY80-84	Reserve Projects
		Through FY74	FY75	FY76	FY77	FY78		FY80	FY81	FY82	FY83	FY84					
LENDING PROGRAM	IBRD(TW)	1327.6	209	210(145)	269(14)	330.0	250	350	450	450	450	500	210.5	1070.0	1950.0	2200.0	
	IDA	2810.4	681.1	684	481	951.5	1052	1277	1200	1250	1310	1200	1529.6	3137.6	6089.0	6237.0	
	Total	4138.0	890.1	894	750	1281.5	1302	1627	1650	1700	1760	1700	1740.1	4207.6	8039.0	8437.0	
	Number	103	12	11	13	17	15	16	17	17	16	16	39	(47)	(67)	(65)	
	(of which IDA) (62)	(10)	(8)	(9)	(13)	(14)	(13)	(14)	(13)	(13)	(12)	(12)	(33)	(47)	(67)	(65)	
Lending Program in Constant FY78 Commitment \$			1014.6	1009.2	795.3	1281.5	1228.3	1447.5	1386.6	1350.3	1323.3	1214.3					
Commitment Deflator			82.8	88.6	94.3	100.0	106.0	112.4	119.0	125.9	133.0	140.0					
Standby Projects	IBRD							-	100.0	100.0	100.0	175.0					
	IDA							610.0	560.0	290.0	415.0	255.0					
	Total							610.0	660.0	390.0	515.0	430.0					
	Number							(4)	(7)	(4)	(6)	(5)					

IBRD o/s <sup>1/</sup> including undisbursed  
excluding undisbursed

IBRD Cross Disbursements  
Less: Amortization  
Equals: Net Disbursements  
Less: Interest and Charges  
Equals: Net Transfer

IBRD/IDA Cross Disbursements  
Less: Amortization  
Equals: Net Disbursements  
Less: Interest and Charges  
Equals: Net Transfer

a/ Railways II comprised four separate lending operations.

\* Standby Projects.

- 1/ As of the end of fiscal year.
- 2/ The exchange adjustment of \$88.5 million, as of June 1973, has been included in these figures.
- 3/ The exchange adjustment of \$65.5 million, as of June 1974, has been included in these figures, with a decrease of \$23.0 million since FY1973.
- 4/ The exchange adjustment of \$64.9 million, as of June 1975, has been included in these figures, with a decrease of \$ 0.6 million since FY1974.
- 5/ The exchange adjustment of \$29.4 million, as of June 1976, has been included in these figures, with a decrease of \$35.5 million since FY1975.
- 6/ The exchange adjustment of \$44.1 million, as of June 1977, has been included in these figures, with a decrease of \$14.7 million since FY1976.

Note: All data in this table reflect o/s amounts and transactions of loans sold to third parties.



## OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE June 23, 1978

FROM: W. David Hopper *W.D.H.*SUBJECT: INDIA - Meeting with Prime Minister Desai - June 14, 1978

1. Mr. McNamara, accompanied by Mr. Hopper, called on the Prime Minister on June 14 at Blair House. The Indian Foreign Secretary, Mr. J.S. Mehta, and Mr. Narasimham, Executive Director, were also present.

2. After the initial courtesies, Mr. McNamara asked Mr. Desai for his assessment of the economic situation in India. Mr. Desai responded by referring to the achievement of price stability. He noted that the prices of major cereals were declining. The budget for this year and the Sixth Plan envisaged a step-up in investment outlays, but, the Prime Minister added, it was their intention to hold increased investment to a level that would not disturb price stability. He also referred to the priority being accorded the rural sector in the Plan, the aim was to increase agricultural production and generate employment. He made specific reference to the irrigation and power targets: the irrigation of 17 million hectares of additional area, and 18,500 mw of additional power generation.

3. Mr. McNamara said that he was "shocked" to learn that landless labor constituted nearly 25 to 30 percent of the farm population. The Prime Minister explained that this factor was taken into consideration in the Plan and, for this reason, emphasis was being given to off-farm activities such as cottage industries, rural services, dairy development, etc. The extension of electric power, construction of rural roads, provision of drinking water to villagers, as well as efforts to improve sanitary conditions in the villages, in combination with organic manuring, would help to regenerate Indian villages, improve living conditions and arrest migration to towns that resulted in the creation of urban slums. The object, therefore, was an all-round development of the rural sector.

4. Mr. Desai once again referred to the importance of irrigation and in this context mentioned the Garland Canal proposal of Mr. Dastur. He referred to the fact that the GOI had approached FAO to find out whether that Organization, or any other international organization, could provide some technical assistance for a study of these proposals. He wondered whether the FAO had, in turn, been in touch with the World Bank. Mr. McNamara indicated that the FAO had not approached the World Bank and that if and when it did, the Bank would give the matter serious consideration to determine how it might be of help. Mr. Desai also referred in passing to the river waters in the North East. In this connection he mentioned the Karnali Project in Nepal and the Brahmaputra Barrage. Mr. Desai also noted that India's relations with Nepal and Bangladesh had greatly improved recently and high level discussions were proceeding with both countries on the development of the waters they all share. He said there was enough



June 23, 1978

water for all their needs and it must be equitably developed. Mr. McNamara assured Mr. Desai of the Bank's continuing interest in the rivers development in these countries.

5. Mr. McNamara raised the question of export prospects. Mr. Desai stated that Indian exports had been growing and this growth was expected to continue. He emphasized the importance of ensuring quality of exports, so that Indian exports were increased on a sustained basis. He also referred to their concern with the spread of protectionism in the developed countries. Mr. McNamara agreed that protectionism was increasing in the developed countries and suggested that India should take the lead in calling to world attention the adverse effects of protectionism on the less developed countries. Mr. Desai indicated that while he appreciated the motivation in the developed countries for protectionism, he felt they too should understand the problems of developing countries.

6. Mr. McNamara asked whether Mr. Desai had any suggestions as to how the World Bank could improve its assistance to India, and developing countries in general. He said the Bank would always welcome the Prime Minister's view. At this point Mr. Narasimham referred to Mr. McNamara's proposals for an enlargement of the Bank's lending program and capital increase, indicating India's support for an enlarged role by the Bank.

7. The meeting concluded with Mr. Desai expressing his pleasure at Mr. McNamara's proposed visit to India and saying that he looked forward to seeing him there, a sentiment which Mr. McNamara reciprocated.

DWHopper:gb

## OFFICE MEMORANDUM

TO: Files

FROM: Bilseel Alisban, Chief, ASADB

SUBJECT: INDIA - Finance Secretary's Meeting with Mr. McNamara

DATE May 3, 1978

Dr. Manmohan Singh called on Mr. McNamara on Tuesday, May 2. He was accompanied by Messrs. Narasimham, Baijal and Saigal. Mr. Picciotto and I were also present.

At the beginning of the meeting, Dr. Singh indicated that the Government was looking forward to Mr. McNamara's proposed October visit.

Mr. McNamara inquired about the Secretary's assessment of India's present economic situation. The Secretary briefly sketched the current situation as very encouraging and favorable. He felt, historically, India had been plagued by serious bad luck on a number of occasions when the economy had started to move forward. India was starting the present plan period in a more favorable position than it had started any previous plan period. Given present levels of foodstocks and foreign exchange India would be able to insulate the economic effects of even two consecutive droughts. The fact that India had been able to create such an opportunity was particularly impressive in view of the fact that India's terms of trade had deteriorated by about 40% since 1973. There were important structural changes taking place in the economy. For example, in West Bengal wheat yields in some places were reaching Punjab and Haryana levels. The program of the new Government was aimed at providing minimum amenities for rural India. Investments in power and irrigation were also being stepped up significantly. India's savings effort compared favorably with that of most developing countries.

Dr. Singh also explained that the adoption of a rolling plan would render planning more realistic. If resources were to prove higher than anticipated in the plan, it would now prove easier to step up investments. He called attention to the progress the Government had made towards project preparation which was also reflected in the Bank Group's lending program.

He did not, however, want to give the impression that there were no problems. Clearly, for example, the emphasis on rural development would strain India's capabilities.

Mr. McNamara, recalling that he had doubted Dr. Singh's favorable export forecasts in previous years, only happily to have been proven wrong, inquired about export prospects. Dr. Singh felt that to maintain the high rates of growth of recent years would be difficult. Firstly, the world situation was changing. Secondly, India's own accelerated development

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effort would reduce opportunities for exporting temporary surpluses which had appeared in previous years. Nevertheless, 7-8% per annum growth in real terms was a conservative and attainable export target.

Mr. McNamara inquired about the current state of the population program--a subject which he considered of paramount importance for India's future though he did not endorse the use of coercion. Dr. Singh indicated that particularly in the Northern States where coercion had been a factor during the emergency, the program had suffered a setback. Nevertheless, the new Government was fully and firmly committed to reducing birth rates through an effective family planning program, and while he did not want to sound too optimistic, he felt that the lost ground would be made up. The plan envisioned a reduction of the birth rate from 33 per thousand to 30. This objective had behind it specific targets for acceptors including sterilizations.

Mr. McNamara welcomed Dr. Singh's observations on the economy, exports and population. He fully endorsed the priorities of the Government and particularly the emphasis on rural development. If anything, he found himself in the unique and unusual position of wondering whether India was setting its sights high enough. Dr. Singh acknowledged that India's policy makers clearly had a psychological barrier to break after years of experience on the brink of financial viability. Nevertheless, very positive action was being taken. The new budget provided for a 12-15% increase in expenditures in real terms. There was also recent evidence of a pick-up of private sector activity. Term lending institutions were stepping up their lending significantly. Construction capacity around the country was greatly strained. Also, India had taken significant steps towards import liberalization. In most fields, quantitative restrictions had been removed and tariffs were being relied on. Further liberalization was also contemplated. Nevertheless, this was an area in which the Government had to proceed cautiously, since imports should not be seen as destroying domestic employment. If this were to happen, the hand of those against liberalization would be greatly strengthened and some of the ground already gained would be jeopardized. Dr. Singh also argued that the presence of high cost producers in India should not be seen as proof of an intrinsic industrial inefficiency. Often this was caused by the tax element built into costs. In a country like India where it is administratively easier to tax inputs than final products, the share of taxes in industrial costs could be as high as 40% or more.

Dr. Singh responded to Mr. McNamara's query as to how the Bank Group could better assist India, by highlighting India's needs for external assistance and expressing the Government's gratitude for the large and important contribution the Bank Group makes. He felt that the current level of foreign exchange reserves should not detract from India's needs. Mr. McNamara endorsed Dr. Singh's assessment of India's longer term external capital needs. No doubt, questions would be raised in view of India's favorable foreign exchange situation, but he would defend the case of India because

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he firmly believed that an accelerated development effort would require substantial external resources over the long term and because he appreciated the basic vulnerability of India's situation despite the current foreign exchange situation. While the need for continuing assistance was not in doubt, over the longer term as India continues its present progress it might become feasible for India to incur debt on somewhat harder terms.

Dr. Singh underlined the importance that the Government attaches to India's IDA share and he expressed the hope that this would not be affected for the next ten years. Mr. McNamara indicated that he had meant that if India is successful in mounting a development effort which requires additional external resources, India should consider, in the future, drawing on Bank resources beyond the presently agreed level of US\$250-300 million per year. He also made clear that the level of Bank lending would continue to be assessed both in terms of India's needs and her creditworthiness which at present was considerably improved.

cc: Messrs. Hopper  
Picciotto  
Blobel (o/r)  
Kraske  
Koch-Weser

BAlisbah:ebc

I. UNDP

UNDP ACTIVITIES IN INDIA

India and the UN Technical Assistance Programme - A Retrospect

1. From the days of the establishment of the Technical Assistance Administration in 1950 within the Secretariat of the United Nations, the Government of India has been actively associated with the programme of technical assistance operated by the UN system both as a major beneficiary and also as a contributor of Indian expertise and placement facilities for foreign fellows in India. From the first financial period ending in December 1951 to the end of 1960, India received the services of 203 UN experts on a yearly programme basis under the Expanded Programme of Technical Assistance and 31 under the UN Regular Programme. The advent of the UN Special Fund in 1959 heralded a new era in technical cooperation between India and the UN. At its very first session in May 1959, the Governing Council approved the Government proposal for the establishment of an Industrial Instructors Training Institute at Calcutta involving over \$3.40 million, of which the Special Fund contributed \$1.03 million by way of international experts, equipment and fellowships for training abroad of Indian counterparts of the project. In January 1966, the Special Fund was merged with the Expanded Programme of Technical Assistance to form UNDP. By the end of 1971, just prior to the introduction of long-term programme planning, the approved contribution to India under these three programme totalled over \$195 million, of which \$62 million was from the Special Fund/UNDP for 64 large-scale projects.

Profile of the India-UNDP Country Programme

2. The first India-UNDP Country Programme, covering a seven-year span from April 1972 to March 1979, was submitted to the UNDP Governing Council at its session in June 1972. The Programme included 125 large-scale projects<sup>1/</sup> and 64 illustrative small-scale projects,<sup>2/</sup> totalling \$89 million in value of UNDP inputs. The Governing Council approved the first five-year programme cycle from 1972-76 with a targeted expenditure level of \$50 million. The second programme cycle from 1977-81 has a targeted expenditure of \$108 million including \$11 million unspent balance of the last programme cycle. Although the next Country Programme is yet to be submitted by the Government, 51 large-scale projects which were started in the last programme cycle are operational and 22 new large-scale projects have been further approved and are operational. From its commencement in 1972 until now, field operations have been completed on 41 large-scale projects and several small-scale projects, involving a total cash outflow of \$54 million from UNDP, including \$39 million during the 1972-1976 programme cycle.

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<sup>1/</sup> Large-scale projects are those involving over \$150,000 of UNDP inputs.  
<sup>2/</sup> Small-scale projects are those involving less than \$150,000 of UNDP inputs.

3. The Indian programme is the largest among all the countries participating in UNDP. The time span of seven years in respect of the last Country Programme was chosen to make it coincide with the duration of two national plans - the Fourth Five Year Plan which ended in March 1974 and the Fifth Five Year Plan which was originally scheduled to end in March 1979 but terminated a year earlier. The Second Country Programme is expected to coincide with the Sixth Five Year Plan now being finalized. The available resources from UNDP, though small in relation to India's total developmental investments, have been carefully apportioned among important sectors of the Indian economy and the individual project proposals included in the programme reflect the Government's philosophy in channelling the scarce resources from UNDP to fill certain vital technological gaps within the national plan framework. The Programme is made up of an assortment of projects involving, in several cases, the application of highly sophisticated technology. For instance, use of remote-sensing techniques in the fields of hydrology and forestry; development of techniques in the cladding of materials using hydrostatic extrusion; development and operation of computer installations at regional levels as part of the national network of computers; satellite communication; establishment of a demonstration sponge iron plant; and setting up of a Numerical Control Centre for Engineering Manufactures. At the other end of the scale are projects aimed at upgrading the vocational skills of manpower in the organized industrial sector and investment-oriented projects aimed at systematically exploring the mineral wealth of the country.

World Bank Association with the India-UNDP Programme

4. The World Bank and UNDP have been jointly associated with the following three projects in India.

- ( i ) The World Bank was the Participating and Executing Agency for a \$103,000 investment study of rock phosphate deposits in Rajasthan, financed by UNDP. Field operations on this project were completed in 1972.
- (ii) Two pre-investment projects of the Government of India assisted by UNDP -- surveys of water supply resources of Greater Calcutta and of land and water use in the Chambal-irrigated area of Rajasthan -- led to development financing by the World Bank of \$87 million.
- (iii) At the request of the World Bank, UNDP is presently carrying out a pre-investment study of water supply and sewerage in Tamil Nadu. The approved UNDP input is approximately \$2.8 million.

5. The India-UNDP Country Programme 1972-79 contains a few investment-oriented projects for developing natural resources, rural water supply, industrial pilot plants, etc., which may be of possible interest to the Bank. One such project is to assist in the development and exploration of geothermal resources for generation of electricity and the local development of cottage/medium-size industries. The presently approved UNDP contribution is \$761,360.

UNFPA PROGRAMME ACTIVITIES IN INDIA

Major UNFPA activities in India began after the signing of the Country Agreement with the Government of India in July 1974. The Agreement provided for assistance in the delivery of family planning services, contraceptive supplies, operational research, innovative schemes, introduction of health education in schools, expansion of documentation facilities and any other activities within the priorities of the Government and UNFPA. A sum of \$40 million was allocated for a 5-year period. Implementation of the Agreement began only in 1975. Expenditure under the Agreement has been as follows:

1975 - \$ 2.8 million  
1976 - \$ 5.6 million  
1977 - \$ 7.6 million  
1978 - \$12.0 million  
(forecast)

The principal programmes financed under the Agreement are:

1. Support for the Sterilization Programme: UNFPA contributes 40 percent of the estimated cost of drugs, dressings, diet and transport of sterilization acceptors. This percentage contribution declines annually. Estimated expenditure for the 5-year period is \$14 million.
2. Expansion of Condom Production: UNFPA is financing the expansion of the condom factory at Trivandrum to double its output as the current capacity for condom production, both in the Government and private sectors, is inadequate to meet the projected demands. Cost \$1.9 million.
3. Organized Sector: UNFPA is financing an innovative group of projects in the organized sector designed to enlist the help of employers, employees and labour administrations, in promoting the small family norms. This group of projects aims specifically at involving trade union leaders and members in family planning education motivation, in involving employers' organizations in the systematic provision of family planning facilities, and in expanding the use of medical facilities operated by labor welfare organizations so as to provide family planning services and facilities. Although the total investment in this programme is small, it is regarded as highly significant and promises to enlist an altogether new section of the community to promote family planning.
4. Supply of Contraceptives: UNFPA has supplied the Government with one million IUDs of the new Cu T 200 type. It appears that this has higher clientele acceptability and UNFPA proposes to assist the Government in national manufacture of this Cu T 200. UNFPA is also assisting the Government to develop the cafeteria approach by providing it with oral pills and the imported raw materials required for the national manufacture of orals.



5. Training: UNFPA finances the major part of the training required to retrain five types of uni-purpose health workers and convert them into a unified multipurpose health worker cadre. Approximately 150,000 trainees are involved. Total project cost \$8 million.
6. Strengthening of Field Workers Cadres: At present the field staff is deployed on the ratio of 1:10,000. UNFPA is financing a programme designed to increase the number of field workers so as to provide 1:8,000. Total project cost \$4.5 million.
7. Training of Dais: The training of traditional birth attendants (Dais) has been taken up as a priority programme. Total project cost \$7.5 million.
8. Infrastructure Improvement: UNFPA has two programmes designed to improve infrastructure facilities. The first programme finances the completion and commissioning of a number of Rural Family Welfare Centres begun some years ago on which work has been stopped for lack of funds. This project will add approximately 800 such centres to the existing field structure at a cost of \$2.7 million. The second project is aimed at providing Rural Family Welfare Centres at those PHCs where these activities are at present being carried out either on rented or improvised buildings. Total project cost \$5.5 million.
9. Transport: Field work is being hampered by the lack of mobility. UNFPA is supporting a programme of vehicle renewal. Approximately 400 jeeps are being provided. Total cost \$2.2 million.

Other projects are being discussed in the field of Media, Social Marketing, Maternal and Child Health, etc. The present Agreement will come an end in December 1979. UNFPA is planning the next phase of its assistance to India (1980-1985) and will shortly field a mission in India in order to identify the broad areas on which the second phase will concentrate.



# COMMERCE

## Aid India's imaginative gesture

THE significant element in the outcome of the Aid India Consortium meeting in Paris last week is that the level of assistance pledged for 1978-79 has risen further; at \$2.3 billion it has touched a new peak. With India's foreign exchange reserves growing at an astonishing pace—they have risen from \$1.4 billion in March 1975 to \$5.8 billion at the beginning of this financial year—some had feared that the case for providing aid to this country on an increasing scale had ceased to be strong. Thanks to these reserves, it was argued, India had no balance of payments difficulty which constituted an important reason for continual and growing assistance until 1975 when a dramatic change in the foreign exchange situation occurred. In spite of this extremely favourable development, when the Consortium committed the huge sum of \$2.1 billion as aid to this country last year, it was generally thought that it was not sure if the uptrend in the accumulation of external assets would be enduring. The reserves, on the other hand, grew more rapidly in the past year. And yet the Consortium has pledged assistance for this year, which is \$200 million more than for last year.

This means that the Consortium recognises that external aid has a bigger purpose to serve than filling the payments gap. It can go a long way towards supplementing domestic resources for investment and this is what India particularly needs at this stage. The levels of economic activity and *per capita* income in this country are still very low. The vast mass of rural and urban poor, conservatively estimated at 200 million people, have *per capita* incomes below \$70 per year, with which they eke out a living. If resources for putting through development programmes necessary for improving their standard of living have been difficult to raise, it is because domestic savings are insufficient. This calls for not only continual but also rising levels of transfer of resources from the Consortium to India through aid; more so when the development strategy in the Sixth Plan has been reoriented towards regenerating the rural economy.

This involves an appreciable improvement in the living standards of the rural people by providing the basic needs of the poorest sections and creating considerably more employment. Needless to say, financial resources and organisational efforts on a stupendous scale will be required to achieve these objectives. The World Bank, which is the moving spirit behind the Aid India Consortium, is quite optimistic on this score, for it says that India's new development strategy which projects a rapid rise in development expenditure will bring the economy to a more dynamic growth path. It, however, says

that this will also "advance the date when the growth of the economy will, once again, be resource-constrained." This means that all the foreign exchange reserves, even if they continue to grow at the present rate, will not suffice once the implementation of the gigantic task of rural reconstruction gathers momentum. In order that there is no ambiguity about this meaning the Bank goes on to forecast that the trade deficit and the current account deficit will reach high levels during the second half of the Sixth Plan. True, imports have been considerably liberalised and licensing and controls have been relaxed to a great extent. But all this will be unavailing unless determined efforts are made to change the slow and languid ways of the Governmental apparatus. Whether this comes about or not, what is comforting is that there is an assurance of continual aid because the World Bank considers that a stage will soon be reached in India's development when "the flow of external assistance will once again become an important factor in equilibrating savings and investment as well as in balancing external payments."

While it will be ideal to reduce the dependence on external assistance, happily aid is becoming less burdensome because of the considerable softening of its terms in recent years. Most of the loans carry service charges or low interest rates and are repayable over a longer time with initial grace periods. In other words, the grant element is increasing. The World Bank and IDA will provide the major share of the aid promised to India for this year, \$1.1 billion out of the total of \$2.3 billion. Since IDA will account for a good portion of Bank assistance, the debt servicing burden will be lightened as its terms are the softest. Details of the credits offered by other members of the Consortium are not known but it is certain that the UK, Sweden and Norway, which have been providing assistance by way of grants, will continue to do so. Canada and Denmark are expected to increase the grant element of their loans. Among the most industrialised countries, West Germany will surely continue to provide untied loans on IDA terms. Consequently India's debt repayment obligations which are estimated at over \$600 million for 1978-79 are expected to come within the range of \$450 to \$500 million over the next five years.

If alongside the softening of the terms of new credits rescheduling of past debts had been continued, India would have a larger measure of relief. This was discontinued last year on the plea that debt rescheduling, which was primarily intended to ease the balance of payments problem, had lost its validity in

view of the considerable improvements in India's foreign exchange resources. But it is the old credits that have to be tackled. The debt servicing burden is to be reduced to tolerable proportions. According to an UNCTAD study, the external debts of India and other developing countries put together rose steeply from \$100 billion in 1973 to \$180 billion in 1977. Since the softening of the terms of aid significantly is only a recent phenomenon, the bulk of the credits has naturally been obtained on difficult terms. This gives an idea of the enormity of the debt servicing burden that the developing world has to

bear. Though well aware of this, the aid-giving countries have been slow in responding to the legitimate demands of the recipients for readjusting the terms of past credits with a view to bringing them in line with the current softer norms. Some developing countries have also been asking for a generalised cancellation of official credits owed by the poorest among them. This is, of course, an extreme form of relief which India has never asked for. But it must continue to put pressure on the developed countries to come to a proper settlement of the debt problem, for it has to gain so much by it.

## Attaining self-sufficiency in cement

**B**ETWEEN 1974 and 1977 the cement industry improved its capacity utilisation from 73.4 to 90.5 per cent and during the first quarter of the current year the utilisation has been stepped up further to 91.6 per cent. And yet during this period, from a cement exporting country we have turned into a cement importing country. Capacity has not been able to keep pace with the increase in demand at the rate of about 13 per cent; capacity expansion has been just two million tonnes from 19.45 million tonnes in 1974 to 21.33 million tonnes in 1977. It has been estimated that even on the modest basis of a growth rate of eight per cent over 1977-78, the demand by 1982-83 will rise to 30.5 million tonnes. The total capacity needed to meet this demand will be 35.9 million tonnes on the basis of 85 per cent capacity utilisation. Unless, therefore, an additional capacity of 14.2 million tonnes is created, we shall continue to import costly foreign cement.

The promise made by the Industry Minister, Mr George Fernandes, at the annual general meeting of the Cement Manufacturers' Association, to remove all impediments in the way of the growth of the cement industry is, therefore, most welcome. The details of his strategy to achieve an industrial growth rate of seven to eight per cent and the targets fixed for cement and other industries will be awaited with keen interest. But the fulfilment of the promise made by the Minister would not be an easy task. In his presidential address at the meeting, Mr A. K. Jain listed a series of hurdles in the way of capacity expansion. He also pointed out that as many as 30 of the 56 cement units were more than 20 years old and they could not be expected to work continuously at high rates of capacity utilisation. As Mr Jain put it, production and capacity increases in cement have fallen short of targets in every plan period, and there has been virtual stagnation of capacity in the industry in the last three years or so because of the rigid controls that have constrained the industry at every stage. This has been recognised by the Draft Sixth Plan which says that one of the main reasons for the sluggish growth of the industry has been the "unremunerative low levels" of retention prices fixed for the cement industry.

The Cement Manufacturers' Association has estimated that the installation of additional capacity of 14.2 million tonnes to attain self-sufficiency by the Sixth Plan would need an investment of about Rs 1,000 crores and the promoters' contribution from industry's own resources would be about Rs 200 crores.

Institutional finance will, therefore, be required on an expeditious basis, and it is also important to emphasise the infra-structural facilities that will have to be provided in view of the recent experience of shortages of power and wagons and quality coal. Calculations made by the Cement Manufacturers' Association show that by 1982-83 power requirements will rise to 3,660 million units, the number of wagons to 9,70,000 (70 per cent movement), coal supplies to 10.16 million tonnes and limestone to 45.75 million tonnes. These could prove formidable hurdles as recognised by Mr Fernandes himself, who said that a series of measures to improve the power supply situation were in the offing and that to improve transportation the Government had decided to increase wagon production in the shortest time possible.

The Government has already issued licences or letters of intent for an additional capacity of 15 million tonnes. In view of the capital-intensive nature of the industry, it is the large houses which have mainly come up with proposals for new capacity. It was Mr Jain's suggestion that to encourage smaller entrepreneurs to enter this vital industry, the promoters' contribution should be lowered to 10 per cent. Mr Fernandes has agreed to get this suggestion examined. The Government, in recent months, has also announced a series of decisions that should help overcome the crucial problem of retention price for the cement industry: A guaranteed 12 per cent post-tax return on net worth for new investment in cement has been announced. Recently the Government has agreed to give cash incentive of Rs 30 a tonne up to March 31, 1979 for every extra tonne of cement produced by a cement plant in excess of the best of the last three years or 85 per cent of the capacity utilisation, whichever is higher. As the Cement Manufacturers' Association has itself conceded, there is no doubt that a keen awareness now exists in the Government of the nature of problems facing the industry in respect of installation of additional capacity and maximisation of production. This is all to the good and holds promise of a faster rate of addition to capacity than in the past. The industry must recognise that, on its part, it has certain responsibilities to be discharged towards the Government and society. Mr Fernandes has laid so much of emphasis on proper distribution of cement in these days of scarcity so as to avoid blackmarketing. Mere promise of co-operation by the industry with Government's efforts to eradicate blackmarketing is not enough.

INFORMATION MEDIA IN INDIA

Size:

The Indian news media, with some 12,000 dailies, weeklies and periodicals claiming a circulation of over 32 million and the All India Radio (AIR) commanding an audience of over 80 million, is among the largest in a developing country. The Indian press covers a range of languages and a cultural diversity unparalleled anywhere except in the USSR.

Television is not yet a big factor. Estimates are that India has a little over 500,000 sets mostly concentrated in big cities like New Delhi, Bombay, Calcutta, Madras, Lucknow, Hyderabad and Amritsar.

India has a large film industry. With some 5,000 film theatres or "movie houses", this is becoming a very powerful medium of mass communication. The Dravida Munnetra Kazhagam (DMK) of Tamil Nadu used the medium to advantage (the DMK ministry was dismissed by Mrs. Gandhi in 1976). The current Chief Minister of Tamil Nadu, M.G. Ramachandran is a film actor - a la Ronald Reagan.

The largest number of dailies (225) came out in Hindi, followed by 102 in Tamil and 91 in Urdu. There are 73 dailies in English, 72 in Marathi and 56 in Malayalam. The following table gives details of circulation of dailies by language:

<u>Language</u>	<u>Number of Dailies</u>	<u>Circulation</u>
English	73	2.1 million
Hindi	225	1.5 million
Malayalam	56	1.0 million
Marathi	72	876,000
Tamil	102	842,000
Gujarat	36	671,000
Bengali	17	598,000
Urdu	91	386,000
Kannada	44	315,000
Telegu	14	223,000
Oriya	7	80,000
Punjabi	16	79,000
Assamese	2	21,000
Sindhi	5	25,000

Prominent Papers and Persons:

The prominent English language newspapers are the Indian Express, Times of India, the Statesman, the Hindu, the Hindustan Times and Amrita Bazar and Anand Bazar Patrikas.

With seven simultaneous editions in as many centers, the Indian Express commands a total circulation of about 500,000. Other important papers belonging to this group are: the Financial Express (Bombay and New Delhi); Lok Satta (Marathi); Dinamani (Tamil); and Andhra Prabha (Telegu). Ramnoth Goenka is the presiding genius of the Express Group--the largest Indian publishing property (it has several other publications), one of the earliest to raise the flag of revolt against Mrs. Indira Gandhi's "emergency", has been eased out. S. Mulgaokar is the Editor-in-Chief. T.V. Parasuram is the paper's Washington correspondent. Kuldip Nayar, who was put in prison during the emergency, is a leading columnist with the paper.

The three editions of the Times of India (Bombay, Ahmedabad and New Delhi) commanded a combined circulation of 275,000. The Hindi daily Navbharat Times (Delhi and Bombay) has a circulation of 255,000. The circulation of other leading members in the group: Maharashtra Times (Marathi daily 120,000); Illustrated Weekly (238,000). M.V. Kamath, Times of India's Washington correspondent has returned to India to succeed Khushwant Singer; Economic Times edited by Dr. Rangnekar (50,000). Economic Times is published in Bombay, Delhi and Calcutta. Girilal Jain is the Editor of the Times of India. The Resident Editor in New Delhi is Inder Malhotra. The Times of India group belongs to another well-known Indian industrial house, the Jains.

The house of Tatas has an interest in the Statesman (Calcutta and Delhi). Tatas have other interests like steel, chemicals, textiles, and soap. Nihal Singh is the editor of the paper. He is stationed in Calcutta, but the real power in the Statesman rests with Irani, the General Manager who vigorously fought Mrs. Gandhi. Warren Unna is the Washington correspondent. The paper's economic expert is N.S. Jagannathan (Delhi).

The Hindu is published from Madras. G. Kasturi is the editor and part-owner of the paper. He has come to the Bank six years ago and called on Mr. McNamara. Easwar Sagar is the Washington correspondent. The paper is celebrating its centenary this year. Gopalakrishnan, the New Delhi correspondent visited the Bank last year.

The Hindustan Times is part of the Birla group. B.G. Verghese left the editorship after a well publicized court dispute. Hiranmay Karlekar is the editor. N.C. Menon is the Washington correspondent. Hindustan (160,000) is a Hindi daily published by this group.

The Amrita Bazar Patrika, published from Calcutta, has a circulation of over 100,000. T.K. Ghosh is the editor. The Ananda Bazar Patrika, a Bengali daily, claims a circulation over 300,000. The Ananda Bazar group also publishes an English daily, the Hindustan Standard with a circulation of about 90,000. A.K. Sarkar is the publisher.

#### Wire Services

In May of this year, Samachar, the national news agency brought into being by Mrs. Gandhi was broken up. Press Trust of India (PTI) is

the main news agency with headquarters in New Delhi. T.S. Neelakantan is the Acting General Manager. S. Sethuraman is the Chief News Editor. Sethuraman visited the Bank in 1973 (sponsored by IPA) and carried an interview with Mr. McNamara. The U.S. correspondent is R. Chakrapani, New York. The other important wire service is the United News of India (UNI) also headquartered in Delhi. G.G. Mirchandani is the General Manager.

In a country of India's size and diversity, the two wire services are the channels to get a national audience. In addition to providing a national news service to newspapers and commercial subscribers, they serve the All India Radio. They also offer to subscribers the following foreign wire services: Reuter, AFP, AP, Tanjug, ANSA and Jiji. These two wire services also help to reach a wider national audience beyond the English-speaking elite. This is particularly important with the growing emphasis on Hindi and regional languages among policy-makers in Delhi and the State capitals.

#### All-India Radio

In India, as in many developing countries with low literacy rates, the spoken word is a more powerful means of communications than the written word. The All-India Radio (AIR) is by far the most important means of mass communication in India. It is in its 50th year. It is a relatively sophisticated outfit with some 80 broadcasting stations covering the country. It broadcasts nearly 240 news bulletins every day, and in its Home Service it uses 20 languages and 136 dialects. There are about 18 million receivers (these are licensed; the unlicensed sets may amount to some 12 million), an average of one set for 35 persons. In metropolitan towns like Bombay, Delhi, Calcutta and Madras, the average would be one set for every eight or ten persons. AIR claims that it covers 90% of the population and 80% of the area of the country. S.C. Bhatt is the Director of News Services and C.V. Raman is the Senior Correspondent who covers economic news.

#### Weeklies

Among the weeklies, the Economic and Political Weekly published from Bombay has an influential following both in India and abroad. It is left-of-center. Its circulation will be around 5,000. The other weeklies devoted to economics and finance, are Commerce, Bombay; the Eastern Economist, New Delhi; Capital, Calcutta. Each of these should be enjoying a circulation of about 5,000. A new weekly - India Today - published from New Delhi is gaining ground.

#### The State of the Indian Press

The Indian press has just come out of the strict Government control and censorship introduced by Mrs. Gandhi in 1975. The Desai government has appointed a press commission to review the state of the media. There is a move afoot to give greater autonomy to the All India Radio. The two wire services--PTI and UNI--are heavily relying on financial support from the Government.

.../

The Indian print media's major weakness is its limited circulation--e.g. 73 English language dailies commanding a circulation of a little over two million in a country with a population over 600 million. Even this circulation is concentrated in the urban areas, leaving the more numerous rural population to the care of the All-India Radio and the financially weak smaller newspapers. Although the print media does not enjoy a commanding position, it plays a crucial role in shaping opinion of the elite who set the goals of development and the strategy to achieve these goals. Increasingly the Indian language press is becoming more important in Delhi and some of the states.

The Indian press is still subject to indirect pressure--the Government and Public Sector Corporation's advertising, allocation of newsprint, provision of housing, telephone and other scarce facilities to leading journalists. The Indian news media may be free but not independent. Jawaharlal Nehru's biographer Chalapathi Rau--was slightly exaggerating when he described the Indian press as a "magnificent illusion. Largely a subsidiary industry run by the owners of other industries..."

#### Bank-India Media Relations

On the whole the Indian news media has been very good to the Bank and to its President, Mr. McNamara. They have given extensive coverage to our Annual Reports and the McNamara speeches. PTI carried the McNamara-Leonard Silk interview twice. But there are some critics who tend to interpret Bank lending to India during 1975-77 as a support to Mrs. Gandhi's emergency. We have formally and informally denied these criticisms. Through our New Delhi office most of our operations in India are simultaneously announced in Delhi and getting good coverage. The Indian press is conscious of the growth in the volume and range of Bank assistance to India, particularly IDA assistance. Both the Government of India and the Indian press were favorably impressed by results of the international press tour of Indian development projects organized by the Information and Public Affairs Department in November 1977.



# Big Plus Small Is Beautiful

By V. Balasubramanian

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IN his Foreword to "The World Development Report, 1978", which is the first of a series of annual reports on global development issues, which the World Bank is planning to bring out, Mr Robert S. McNamara categorically suggests that, unless economic growth in the developing countries can be substantially accelerated, the now inevitable increases in population will mean that the numbers of the absolute poor (about 800 million in today's world) will remain unacceptably high even at the end of the century. Thus the reduction of poverty and economic growth are inter-linked; they are and must be the twin objectives of development.

Obvious as this nexus is, many politicians in some developing countries find it profitable to try to obstruct the public's view of it by raising the dust of essentially irrelevant controversies. An attempt is thus made to push the issue of economic growth into the background by rigging up endless debates over the relative importance of agriculture and industry to the elimination of mass poverty, the degrees of reliance of the organised and the decentralised manufacturing sectors to the generation of employment and a possible conflict of interest between rural development and the expansion of the urban economy.

## Absolute Poverty

"The World Development Report, 1978" (prepared under the direction of Ernest Stern, by its principal author, D. C. Rao) treads the ground over which these battles rage, but carefully avoids any partisan involvement in them. The report follows the classification of developing countries into low-income countries (i.e., those with a per capita income of US \$250 and below) and middle-income countries (i.e., those with income per person above US \$250). There is a chapter on "Low Income Asia" in which India, of course, is included. Of the more than one billion people in the region thus designated, about half are trapped in absolute poverty as described by the phrases which Mr McNamara has often been employing in the belief that they would some day jolt the conscience of mankind—"so characterised by malnutrition, illiteracy, disease, squalid surroundings, high infant mortality and low life expectancy as to be beneath any reasonable definition of human decency". Four large countries of low income Asia, viz., Bangladesh, India, Indonesia and Pakistan, contain about two-thirds of the world's absolute poor. "The main reason for the stagnation in the living

standards of the Asian poor", says the report, "has been slow economic growth".

To what extent and in what manner have defects or drawbacks in the industrial sector, or, rather industrial planning and policies been responsible for the predicament of the Asian poor? Despite the different approaches adopted by the governments of the region, "the main characteristics of the industrial structure today are high production costs and excess capacities". According to the report, the poorest industrial performance in recent times has been in the manufacturing of consumer goods. This reflects "the slow and uncertain growth of demand from agriculture and the lack of sustained momentum within the industrial sector".

How can things be improved? One answer is: "with a more favourable policy environment, industry can clearly grow much faster than it has". In India and Pakistan, the report points out, the efficiency of some firms demonstrates that vigorous industrial growth is possible. Who, or what, then, comes in the way? The suggestion in the report is that the culprits are industrial policies that rely on extensive systems of licensing and controls. The governments, however, are not to be exclusively blamed for this. Industrial interests, as much as politicians and bureaucrats, develop vested interests in these systems—a truth which Rajaji, for instance, never wearied of reiterating.

The primary purpose of industrial planning in a conspicuously poor and predominantly agricultural economy should be the bringing down of the prices of industrial goods to rural consumers, thereby stimulating additional domestic demand, which could be a dynamic factor in generating employment opportunities. This is a reality which political opposition to large-scale industry wickedly denies and fanatical champions of exclusive rural development foolishly ignore. The World Bank report, naturally, measures its words in discussing this subject:

## Designing Policy

"Some gains could be realised from a more labour-intensive pattern of industrial growth. To achieve this will generally mean encouraging small enterprises which, as a group, employ the majority of industrial workers and use more labour per unit of output than larger enterprises. Policies for the promotion of small enterprises will have to be carefully designed, however, to avoid subsidising enterprises that are engaged in production that

is very capital-intensive, or in the manufacture of goods that can only be efficiently produced on a large scale.

"It is best to rely on measures that will give small enterprises full access to scarce inputs on the same terms as large enterprises so that they can compete on equal terms and to provide technical and institutional support in the areas of credit, training and technological information. Small enterprises flourish best where there is rapid growth in demand and in a complementary relation to agricultural growth and the growth of larger scale enterprises, by supplying labour-intensive ancillaries. Insufficient recognition of these complementarities and the over-zealous promotion of small enterprises as principal instruments of employment creation or regional development may frustrate the purpose by fostering productive inefficiency".

## False Suggestion

Far be it from me to suggest that the above passage comes straight from the Book of Revelations. Nevertheless there is this sad fact that the people of this country are being made to lose sight of these home truths by the blinding glare of hostile political publicity against large-scale industry. The rot has set in to such an extent that public opinion is beginning to lose the capacity to resist the outrageously false suggestion that the "reservation" of areas of production is the only way of protecting small-scale industry from the 'aggrandisement' of large-scale industry. In the process, the cause of small-scale industry itself has suffered because the reality is that this sector has so much to gain from creative co-operation with the large-scale sector.

This could be illustrated with reference to the soap industry. Thanks to its R & D efforts, the organised sector has almost wholly replaced imported tallow and palm oil by non-traditional edible oils in the manufacture of laundry soap. The small-scale units, which collectively produced in 1976 some 580,000 tonnes of laundry soap, or two-thirds of all soap produced in the country, however, rely heavily on imported tallow and palm oil, which are natural 'hard' oils, requiring little pre-treatment. In addition, they also use large quantities of edible oils such as groundnut and cotton seed oils, depending on their price and availability.

The large-scale sector is in a position to extend to or share with the small-scale units the results of the technology developed by it for upgrading non-tradition-

al minor oils such as rice bran, neem, kusum, karanja and sal. In addition to unconventional oils such as castor. The Indian Soap and Toiletries Makers' Association has proposed that instead of thinking in terms of curtailing the production of laundry soap in the large-scale sector, the Government should promote or support a scheme under which the large-scale sector would process the minor oils, saponify them in order to recover glycerine—a valuable by-product—and supply semi-finished soap in the form of noodles to the small-scale units for further processing. Alternatively, the large-scale soap-makers could convert minor oils into fatty acids, after recovery of glycerine, and supply the fatty acids to the small-scale sector for soap-making. Either way not only foreign exchange could be saved on imports of tallow or palm oil for soap-making, but also edible oils conserved for cooking purposes. Moreover, the collection of sal and other tree-seeds for the extraction of minor oils could provide considerable employment to the rural folk. In fact, it is already the case that this kind of secondary employment created by minor-oil technology has upgraded the large-scale sector in the soap industry as a superior provider of work and jobs.

## Textile Industry

There is similar scope for mutually beneficial co-operation between the decentralised sector and the organised sector in the textile industry, which, again, is plagued by "reservation" problems. It is stange but true that many of the controls which are claimed to be for the protection of the decentralised sector are actually coming in the way of this constructive co-existence. For instance, mills are prohibited from printing any heading or border on any saree, bedspread, bed cover or table cover produced on powerlooms. Outside processors are banned from piecedyeing any dhoti or saree manufactured by mills. Mills, again, are prohibited from processing outside cloth without the Textile Commissioner's permission. All this apartheid is becoming anachronistic and absurd. Wisdom dictates that the decentralised sector of the textile industry should be enabled to have full access to the technological and marketing facilities developed in the large-scale sector. The "plus" sign and not the "minus" should guide any policy for the co-ordination of development in all those industries where small-scale and large-scale units have to learn to work together for the greater benefit of the people.

## WORLD BANK'S WARNING

The warning contained in the World Development Report 1978, published by the World Bank, cannot have come as a surprise. In a country where the absolute number of those below the poverty line has grown with each passing year, the report's grim prediction that 600 million people all over the world will live in absolute poverty even at the turn of the century only confirms what has long been feared. The subject is naturally one of urgent concern to this country, for roughly half the 600 million that the report speaks of will probably be Indians. It is the awareness of this prospect that has led to a search for strategies of growth aimed directly at ending poverty.

The World Bank report points out that there is a need to go in for more labour-intensive forms of economic activity, both in agriculture and industry. In the former, multiple cropping must be seen as a major weapon with which to tackle rural unemployment and under-employment (only 10 to 15 per cent of agricultural land in India is cropped more than once a year, against 90 per cent in China). And those without land for productive assets must be given non-farm jobs in the rural areas, if not some kind of asset like milch cattle. The five-year Plan for 1978-83 makes an effort in some of these directions, as by substantially stepping up the Plan outlay for irrigation. But the fact also is that the capacity created by the already existing irrigation schemes is considerably under-utilised. And employment-generating public works prog-

rammes have yet to be launched on the scale necessary. Meanwhile, the funds allocated for providing essential needs like drinking water and housing are utterly inadequate, and no serious effort has been made to re-structure land ownership patterns in order to facilitate a more equitable distribution of the basic productive asset available in the villages.

On the industrial front, biased polemic has tended to confuse the real issue. As the World Bank report states unequivocally, the most important requirement for progress in alleviating poverty is the acceleration of growth. But as the report notes, the vigorous industrial growth that is possible in India has been impeded by policies that rely on an extensive system of controls and licensing. One might add that the issue today is possessed of a new dimension, since one powerful section believes that large-scale industry should be either effectively curbed or done away with altogether. This strange interpretation of what is claimed to be Gandhian thought is then sought to be backed up with measures that reserve vast areas of production for the small-scale sector or subsidise their uneconomic functioning. There is certainly a case for promoting labour-intensive forms of production, but if this is at the cost of general efficiency, the economy as a whole is the loser, because what is often promoted in this fashion is not appropriate technology so much as backward technology. In any case, small and large industries are usually mutually reinforcing, and one cannot grow without the other.

55 LODI ESTATE

NEW DELHI

THE ECONOMIC TIMES

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# IBRD chief lashes out at US interference

NEW DELHI April 19.

In a hard-hitting criticism of US attitude towards international financial institutions and development aid, the World Bank President Robert McNamara has said their lending policies cannot be allowed to be determined by 'narrow political and economic interests' of the US, reports PII.

In an interview to the "New York Times", the full text of which is now available, Mr. McNamara noted that in the past year the US Congress had sought to put restrictions on IMF, the World Bank and other international financial institutions. 'The effort of one nation to force its parochial views on other nations

drawn together in international organisations to pursue common goals is deeply resented. It can only lead to a serious weakening of these organisations', he added.

Mr. McNamara also felt disappointed that 'there is so little understanding' in the US on the changing relationships between the north and the south. In the world of the future, he said, 'the destiny of the US will more and more be affected by the economic and social advance or lack of advance in the developing countries'.

On the issue of human rights, which is being increasingly projected by US Congress in funding for international institutions or bilateral assistance, Mr. McNamara told the in-

terviewer that there was no agreement among member-governments of institutions on 'acceptable standards of civil rights in a wide variety of political circumstances found in developing countries'.

He said many governments, both developed and developing, 'resented efforts of US to force its own values and its own standards of conduct on other states through international institutions which by tradition have operated on the basis of consensus. Even more, they resent being asked to apply those standards except when the US decides that its own security interests or other national interests dictate otherwise'.

Mr. McNamara said the bank had not allowed its lending policy to be determined by civil rights considerations in leftist or rightist governments. Its lending policies to Chile had been dictated, both under Allende and the present regime, entirely by economic considerations. Similarly, loans to Vietnam (which has recently become a member of the bank) would be made 'solely on the basis of economic considerations'.

The World Bank expects to commit a total of \$ 8.5 billion in new lending in the fiscal year ending June 30, 1978 (as compared to a little over \$ 7 billion in fiscal 1977).

The bank group (including its soft-affiliate IDA) financing so far covers 1110 projects costing over \$ 60 billion throughout the developing world.

On the bank's lending strategy, Mr. McNamara said it had two components, first of projects designed to strengthen the economies of developing countries in general like power plants, roads, irrigation works and fertiliser plants. The second component consisted of projects directed or aimed directly at increasing the productivity of the rural and urban poor.

The only way by which poverty could be attacked successfully was by producing more in those nations. The Bank must provide the infrastructure to serve as a foundation for growth in the economy and also programmes for meeting basic human needs as the 'trickle-down theory' of growth could not secure these needs in a reasonable period of time.

Mr. McNamara said for humanitarian reasons alone, the US should provide assistance to nations living 'literally on the margin of life' (with per capita incomes of less than \$ 200 a year).

## 'Developing Nations To Shape U.S. Destiny'

NEW YORK, April 3.—Mr McNamara, World Bank president, said yesterday that "the destiny of the USA will be affected more and more by the economic and social advance or lack of advance in the developing countries", reports Samachar.

He deplored that there was so little understanding of this in the USA.

Mr McNamara was interviewed by the New York Times as he was about to begin a third five-year term as the head of the bank.

He said critics of U.S. assistance to Third World countries were ignoring the fact that developing countries offered export markets larger than those of western Europe, eastern Europe, the Soviet Union and China combined.

Mr McNamara said: "It has become almost a 'cliché' to say that we live in an increasingly interdependent world. But it is a fact, and the trend towards increasing interdependence, I believe, will shape our future in ways that we are just beginning to understand.

"Few among us realize that food shortage in sub-Saharan Africa or in Bangladesh will stimulate inflation in the USA, will cause bread prices to rise in the super markets and will lead to wage increases in the car industry. Even less are we aware that within our lifetime population growth in Mexico is very likely to cause the Spanish-speaking population in the USA to multiply several-fold and to become the largest minority group in the nation".

Mr McNamara in a veiled attack on U.S. protagonists of "protectionism", said they seemed unaware that the health of the economy depended on exports and that export trade in relation to the gross national product had almost doubled in the past 10 or 15 years.

"Today, it is a source of one out of eight of all our manufacturing jobs, it takes the product of one out of every three acres of our farm land. Over a quarter of this trade is with the developing countries."

Asked about the scepticism in the U.S. Congress regarding aid to developing countries he said this was not founded on proper grounds.

Of the 100 developing countries, one group with a population of two billion constituted the poorest countries. In this category came "India, Tanzania and Mali". Their annual per capita income was \$200 compared with \$8,000 in the U.S.A.

"For humanitarian reasons alone, it will be in the interest of the USA to provide financial assistance to these nations so that they can use it to lay the foundation for future economic growth".

In the second group came the middle income countries such as "Brazil, Mexico, Korea and Turkey". These countries, through high rates of growth in their domestic economies made possible by capital transfers, could have a "beneficial effect" on U.S. export trade and domestic employment.

The USA has lost its pre-eminence as the single largest contributor to the bank. The bank has broadbased its financial structure and obtains capital from private capital markets and through contributions from a larger number of countries. Its investment policies are yielding higher returns.

It has been computed that only two cents of every dollar advanced by the bank to the developing countries are contributed by the USA.

# THE LAND OF STONES

## Falling back on ancient habits

### RENTACHINTALA

The road into this southern village is the road into a million villages of India.

The backseat of the national version of an ancient Morris Oxford gives a passenger an intimate education into the abilities of those who built the road and, although one is torn between blaming those who built the road or those who designed the car, one is inclined to the view that the British Raj has much to answer for.

The red dust is all about, and the traffic is chaotically normal — herds of goats and ambling cattle (brake-testers, they are called) and the ultimate beast of burden of unliberated India, woman-kind, gracefully carrying seemingly impossible loads of cane and hemp and straw along the road.

Near the road, women scrub their saris in a pool of muddy water, sharing the pond with blissful water buffaloes, and a little farther on a dead pig lies in the dust. Perhaps the pig is the victim of a Tata truck (a vehicle whose front end is familiar to anyone who ever told an Indian taxi-driver to hurry) that now lies upside down in a stream back down the road a way.

The pig seems ignored. The overturned truck is a village event, crawling with children and surrounded by men giving orders to other men who do not react — though, miracle of miracles, on the trip back out of town an hour later the pig will be skinned, its hide gone to some useful purpose, and the truck will be upright in the stream and without doubt in a few hours it will be back to passing on blind curves on bumpy rural roads.

At the centre of the village, the water pump, more children romp and women wash and men congregate doing nothing much in the heat of a mid-winter day.

This is a good time of the year in an inhospitable land. *Rallu desamu*, they call it — the Land of Stones.

### David Ablett

Mr. Ablett is *The Sun's* Editorial Pages Editor

When the earth is old, when the rocks are broken and worn smooth by the ceaseless rhythms of the seasons and all about is dust, this is what it will look like. Right now, it is the time of the winter monsoon, so it is a good time. But in the summer, until recent times, this village was the hottest place in India — 127 degrees in the shade, in the old degrees.

But Rentachintala is a more hospitable place than it used to be, it is more prosperous than it used to be, and it is a cooler place than it used to be. The population of the rocky land, long ignored, is growing and this area has become one of those solitary islands in rural India where people seek to live and farm rather than escape to the relatively better life in the city slums.

The reason for both the growth and the coolness is the latest phase in the Green Revolution, that massive effort to

transform the agriculture of developing lands by good old North American know-how — more irrigation, more fertilizer, more tractors, and new, high-yielding seeds. It wasn't that simple, as it turned out.

Water and fertilizer, alas, feed weeds better than crops, tractors are expensive in a land without cash, new varieties of rice don't taste as good as the old ones and rice-eaters don't switch easily to the wheat that can be grown with much less water.

And in the end, modern know-how was foundering on ancient practices, on human inertia, on ignorance, on suspicion of new ideas and new people, on a land tenancy system that still, in much of Asia, keeps those who farm the land in feudal conditions, and on simple fear that the expert who gave advice would not be around when the crop failed and starvation arrived.

What has saved the revolution and made it work is one of the cheapest and most productive programs in foreign aid — a program first tried here four years ago so successfully it is now being financed and encouraged by the World Bank all over India and developing Asia.

It is the essence of common sense and simplicity, requiring more of what the farmer has a lot of, time, and less of what he has not got, money to buy tractors, seed and fertilizer.

It involves an agricultural expert's meeting groups of "contact" farmers regularly during the growing season, week after week in the same place and the same time, to discuss what needs to be done right then, and mostly it involves the mundane problems of choosing seeds, planting, weeding, and watering.

The contact farmer explains to other farmers what they should be doing and he listens to their problems and passes them back up the line and next week, same time, same station, he will be back with an answer from an agriculture extension agent who has been stripped of all duties except to help farmers.

But as has been pointed out by Daniel Benor, who developed this program for the World Bank and who is now spoken of with awe wherever agriculture is discussed in Asia, while it is a simple program it is not an easy one, for it involves changing the habits of centuries.

Through much of southern India the preferred crop is rice and one reason it is preferred is that it involves very little effort — once the paddy has been planted, it can be left to the sun and the water until harvest. That produces a steady

## THE TIMES OF INDIA

NEW DELHI

2.5.78

## India Needs Sustained Flow Of Aid: World Bank

NEW DELHI, May 1 (PTI).

**T**HE 'aid-India' consortium meets in Paris on June 8 and 9 to consider India's external assistance requirements for 1978-79.

The World Bank in its report to the consortium is believed to have emphasised that notwithstanding the improvements in its reserves, India's developmental needs call for a sustained flow of external aid with an annual increase in real terms.

The World Bank and the IMF have taken note that India is not in need of any immediate balance of payments assistance. In fact the level of the reserves is such that India has to consider repurchase of the only outstanding obligation to IMF, namely the 1975 oil facility drawing of Rs. 207 crores.

This drawing has not been repaid so far because of the subsidised interest rate applicable to the 1975 oil facility drawing, i.e. two to three per cent. But under the new rules, the fund can determine the point with reference to a country's level of resources at which such obligations should be repurchased by the country concerned.

### AID UTILISATION

India has closed the year 1977-78 with new aid commitments exceeding two billion dollars, the highest for any year except 1975-76. But aid utilisation had declined during the year. Some of the consortium countries, particularly the U.K. and France, are known to have been urging effective utilisation of their assistance. India is buying six ships out of the U.K.'s aid.

The bank's annual report, which will be before the consortium meeting, is understood to have made a favourable appraisal of the economic trends but notes that private investment is stagnating and needs a push. It has welcomed the stepping up of public investment proposed in the budget and the development strategy outlined in the draft plan document allocating 40 per cent. of the resources for agriculture and rural development.

The plan objectives and assumptions about the role of external assistance were discussed here with the government and the Planning Commission by Mr David Hopper, vice-president of the World Bank for south Asia, during his visit here last month.

In the bank's view India needs continued aid flows on concessional terms for its growth strategy unlike in the past when aid was filling the payments gap.

While the report does not indicate any figure of assistance for 1978-79, it says that the current level of aid should be maintained in real terms. The consortium had indicated a total assistance of \$2.1 billion inclusive of \$1.1 billion by the World Bank credit. The bank group has nearly fulfilled its target.

The bank takes the view that notwithstanding the present comfortable foreign exchange position, the consortium should keep up rising levels of transfer of resources to a country with the lowest per capita aid. Also India's import needs would increase with the liberalised policies set in motion by the government.

### NOT LARGE ENOUGH

The current level of foreign exchange reserves is not considered large in relation to the investments required in the economy over the next five years. For investment and growth, imports would have to be stepped up and the country should be able to absorb external assistance more effectively than in the past, it is pointed out.

The Indian delegation in the consortium will be led by Dr. Manmohan Singh, Secretary, Economic Affairs, who is expected to give the member-countries an account on the outlook of the Indian economy in 1978-79 and of the development priorities for the medium term.

MAY 10-78

*Mr. Sarhan*

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38—The Daily Reflector, Greenville, N.C.—Wednesday, May 10, 1978

# Calcutta Improving Slums Instead Of Ending Them

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By JOHN NEEDHAM  
CALCUTTA, India (UPI). —  
In the fetid slum of Darapara,

a man squats next to a six-inch drain at the left side of a six-foot wide alley that serves as a main road.

The man urinates into the drain, while a woman 10 feet away washes her pots and pans in the oily water.

A wider drain farther along flows into a catchment that is clogged. The black water, floating with human and animal excrement, overflows into the middle of an unpaved walkway and runs down the middle.

Dozens of goats and chickens run through the narrow lanes, mingling with naked children, many with the distended stomachs of the ill fed. At a tiny butcher shop, five pieces of meat hang in the sun, so covered with flies and so gray it is impossible to guess from what animal they came.

One out of every three people in the city of Calcutta — 1.1 million of 3.3 million, lives in a slum, or "bustee," as it is called here.

Officials have now given up trying to abolish the slums. Instead, they work to improve them.

"The registered slum dwellers are respectable citizens, who pay their taxes, who pay their rents," said S.C. Basu, an official of the Calcutta Met-

ropolitan Development Authority, in an interview.

"Our goal is to provide improvements for all the slums in (metropolitan) Calcutta in four years. There will be one water tap for each 100 persons, one sanitary latrine for 25 persons and the main roads in the slums will be paved. There will be electricity on the streets."

"To our shame, nobody has done this before. Until 1947 we could say the British were to blame. But from 1947 (India's independence from Britain) to 1970, nothing was done."

The CMDA was formed in 1970, funded by the state and central governments and helped considerably with money from the World Bank.

It has concentrated on improving roads and transport, water supply, sewerage and drainage and the slums.

The authority says it has made improvements for more than 1 million of the 2.5 million people who live in "registered"

slums in metropolitan Calcutta. Another 500,000 to 1 million live in "unregistered" slums.

Darapara is a registered, unimproved slum, waiting for CMDA attention.

The police estimate that 40 percent of the adult men in Darapara bustee are criminals. Outsiders do not enter after dark.

A home for destitute women, run by Mother Theresa's Missionaries of Charity, is surrounded by a 10-foot-high wall, topped with strands of barbed wire and broken glass to prevent break-ins.

Darapara has no sewer connection, no electricity, no paved road, and water for only two to four hours a day.

Abdul Hussain, who thinks he's about 30 years old, sits with one of his sons next to a once-whitewashed wall painted with faded political slogans. He is surrounded by dozens of tin cans he has scavenged from the numerous garbage dumps in the slum. They are hammered

out, painted and he is now covering with them hide to make tiny drums.

"I came here looking for work," Hussain says. "I've been living here 15 years."

He says he makes 50 rupees (\$6.25) per week selling the drums and pays 15 rupees (\$1.87) per month to rent the 6-by-8 foot, one-room flat where he lives with his wife and five children.

"We want water, electricity, roads to be fixed, better drainage," he says. "When this road gets flooded during the monsoon, we can't work and there's nowhere to go."

About a mile from Darapara is Kasia Bagan, an "improved bustee."

The roads are paved, but some are showing gaps. A garbage dump that should have been emptied a month ago is overflowing. But there are sanitary latrines, lighted streets and enough water for all.

"There's been a lot of

improvement, things are more comfortable," said Anwar Hussain, 28, who works the night shift at a nearby packing plant. "And the rents haven't gone up."

Hussain says the best improvement has been a park on the fringe of the bustee, where

children now play.

Past attempts to move bustee dwellers to four-story apartment buildings failed.

"We are no longer going to try to move the bustee dwellers. We are going to improve the bustees," Basu said.