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McNamara Papers

Travel briefs –
Sept. 29 – Oct. 14,

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VISIT TO INDIA and SRI LANKA, Sept. 29-Oct. 14, 1978

DATE	TIME	GMT		REMARKS
Sept. 29	1750	2150	Depart Washington (Dulles)	PA066 B707 nonstop
Fri.	1910	2310	Arrive New York (JFK)	
	2045	0045	Depart New York (JFK)	PA066 B747 nonstop
Sept. 30	0905	0805	Arrive Frankfurt	
Sat.	1110	1010	Depart Frankfurt	PA002 B747 Tehran 2000/2120
Oct. 1 Sun.	0110	1940	Arrive Delhi	Oberoi Intercontinental
Oct. 2-6			Ford Foundation	
Oct. 5 Thurs.	1630-1700		Call on President of India	
Oct. 7	0840		Depart Delhi	IC425 B737
Sat.	0950		Arrive Srinagar	
Oct. 8	1220		Depart Srinagar	IC426 B737
Sun.	1330		Arrive Delhi	
	2000		Informal dinner hosted by Mr. Kraske (pending final arrangements on Srinagar return)	Ashoka Hotel
Oct. 9				
Mon.	0930		Minister for Industry	
	1030		Minister for Petroleum and Chemicals	
	1130		Minister for Commerce, Civil Supplies and Cooperation	
	1230		Prime Minister	
	1300		Lunch hosted by Prime Minister	
	1515		Representatives of Federation of Indian Chambers of Commerce and Industry	
	1700		Deputy Chairman, Planning Commission	
	2000		Dinner hosted by Finance Minister and Miss Patel	
Oct. 10				
Tues.	1000		Finance Minister	
	1130		Minister for Agriculture and Irrigation	
	1230		Depart for Baroda by special plane	Box lunch on plane
	1500		Arrive Baroda	
	1510		Depart Baroda for Jalodra Village	By helicopter
	1530		Arrive Jalodra Village	
	1530		Briefing on agricultural field visits	
	1605		Visit to fields	
	1700		Meeting with farmers	
	1745		Depart for Baroda	By helicopter
	1805		Arrive Gujarat State Fertilizer Company, Baroda	
	1815		Chief Minister of Gujarat and other senior officials	
	1910		Depart for Anand	By car
	1940		Arrive Anand	
	2030		Dinner hosted by Dr. and Mrs. V. Kurien	

DATE	TIME	GMT		REMARKS
Oct. 11 Wed.	0600		Visit village milk producers' cooperative societies	
	0730		Visit veterinary section of Amul Dairy	
	0745		Breakfast	
	0845		Visit Amul Dairy	
	0930		Visit Amul Jersey Farm	
	1000		Visit cattle feed factory and artificial insemination center	
	1100		Drive to National Dairy Development Board	
	1115		Visit NDDB facilities	
	1200		Discussions with NDDB staff	
	1230		Lunch	
	1330		Depart for Baroda	By car
	1400		Arrive Baroda	
	1410		Depart for Bombay	Indian Air Force plane
	1510		Arrive Bombay	
	1515		Visit urban development projects in Bombay	
	1745		Arrive Tajmahal Hotel	
	1815		Meet with Arvind Mafatlal and Manibhai Desai to discuss rural development	
	2000		Dinner hosted by Governor, Reserve Bank of India	
Oct. 12 Thurs.	0830		Governor of Maharashtra	
	0910		Chief Minister and state officers at the Mantralaya	
	1110		Governor, Reserve Bank of India and representatives of financial institutions	
	1300		Lunch hosted by Chief Minister of Maharashtra	
	1500		Depart for Colombo	By special plane
	1730		Arrive Colombo	Intercontinental
	1830		Finance Minister Ronnie de Mel	
	1930		Dinner hosted by President Jayewardene	President's House
Oct. 13 Fri.	0800		Briefing on Mahaweli Ganga Development Program	Central Bank Ceylon
	0845		Depart for Army Grounds	
	0900		Depart Army Grounds--fly over Kotmale	By helicopter
	1000		Arrive Dickoya Sports Club Grounds--brief inspection Tea Rehab. area at Maskeliya and meet w/planters and estate work force	
	1100		Depart Dickoya--fly over Polgolla, Victoria, Randenigalla, Maduru Oya and Polonnaruwa	By helicopter
	1200		Arrive Anuradhapura	
	1230		Lunch hosted by Mr. Gamini Dissanayake, Minister of Land, Land Development & Mahaweli Development	Miridiya Hotel
	1400		Depart Anuradhapura for Maha Illupallama Research Station	By helicopter
	1420		Visit homesteads in IDA-assisted Mahaweli Ganga Development Project II	By car
	1600		Depart Maha Illupallama	By helicopter
	1700		Arrive Colombo (Army Grounds)	
	1730		Arrive Hotel	
	1930		Dinner hosted by MinFin Ronnie de Mel	Intercontinental
	2330		Depart Hotel for Katunayake Int'l Airport	
Oct. 14 Sat.	0135	2005	Depart Colombo	BA034 VC10 Damascus 0450/0535
	0935	0935	Arrive London	
	1130	1130	Depart London	BA191 B747
	1450		Arrive Washington (Dulles)	

CKW
September 28, 1978

INDIA

Country Brief

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A. Itinerary

सत्यमेव जयते

PROGRAMME
FOR
THE VISIT OF

MR. ROBERT S. McNAMARA
PRESIDENT

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

AND

MRS. McNAMARA

October, 1978

Notes

Mr. Robert S. McNamara,
President, World Bank.

Stay at
Ashoka Hotel,
Delhi;

Mrs. McNamara.

Amul Guest
House, Anand
and
Taj Mahal Hotel,
Bombay.

Mr. D. Hopper, 7D1
Vice-President, South Asia,
World Bank.

Mr. D. Clark, 7DV
Vice-President,
External Relations,
World Bank.

Mr. B. Alisbah,
Director,
Western Africa Country
Programmes Deptt.
Word Bank.

Mr. K. Weser, 741
Special Assistant to
Mr. McNamara.

MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

	Telephone Numbers	
	Office	Residence
Dr. M.D. Godbole, Joint Secretary.	372817	387285
Mr. R. Swaminathan, Director.	376744	385838
Mr. A.K. Jain, Under Secretary.	372882	662577

PROTOCOL

Mr. Surendar Singh, Protocol and Hspitality Officer.	376724	226882
Mr. T.S. Ahluwalia, Liaison Officer.	376724	

Thursday, October 12, 1978

Hrs.	
0800	Interviews.
0830	Leave for Raj Bhavan.
0840 - 0900	Call on Governor of Maharashtra.
0910 - 1100	Meeting with Chief Minister Maharashtra at Mantrayalaya followed by discussions regarding Urban problems, World Bank Projects and Employment Guarantee Scheme.
1110 - 1245	Meeting with Governor, RBI and representatives of financial institutions.
1300 - 1400	Lunch by Chief Minister, Maharashtra.
1415	Departure for Airport.
1500	Leave Bombay for Colombo by IAF Plane.

1½ hr flt – Sri Lanka briefing

Wednesday, October 11, 1978 (Contd.)

1435- Briefing at Santacruz Airport
1500 regarding Urban problems.

1500- Visit to Urban Development
1730 Programmes.

1745 Arrival at Hotel Taj Mahal

1815- Interviews.
1900

2015 Dinner by Governor, RBI.

Sunday, October 1, 1978

Hrs.	
0110	Arrive Delhi by PAN AM 2.

Thursday, October 5, 1978

Hrs.	
1630	Call on the President - Rashtrapati Bhavan (Mrs. McNamara will also accompany)

Wednesday, October 11, 1978

Hrs.	
0600- 0815	Visit to Primary Village Milk Producers Society to study milk collection and visit to Veterinary Section.
0815- 0915	Breakfast.
0915- 1015	Visit to Amul Dairy.
1015- 1130	Visit to AI Centre.
1130- 1215	Lunch
1215	Departure for Baroda by Car.
1300	Arrive Baroda.
1310	Leave Baroda for Bombay by IAF Plane.
1430	Arrive Bombay.

Tuesday, October 10, 1978 (Contd.)

1705 Arrive GSFC Baroda.

1715 - 1805 Meeting with Chief Minister and senior officials.

1810 Departure for Anand by Car.

2000 Arrive Anand after visiting Dairy Cooperative Societies on route.

2030 Dinner by Dr. V. Kurien, Chairman, National Dairy Development ~~Dairy~~ Board (NDDB) and Mrs. Kurien.

Monday, October 9, 1978

0915 Ive hotel

Hrs.	
0930	Meeting with Shri G. Fernandes, Minister for Industry (Room No. 155, Gate No. 11, Udyog Bhavan).
1030	Meeting with Shri H. N. Bahuguna, Minister for Petroleum, Chemicals and Fertilizers (Room No. 201, A-Wing, Shastri Bhavan).
1130	Meeting with Shri Mohan Dharia, Minister for Commerce (Room No. 146, Gate No. 14, Udyog Bhavan.
1230	Call on the Prime Minister. (1 - Safdarjang Road).
1300	Lunch by Prime Minister (1 - Safdarjang Road).
1500	Meeting with Dr. D. T. Lakdawala, Deputy Chairman Planning Commission, (Room No. 130, Yojana Bhavan).

Monday, October 9, 1978 (Contd.)

1600 to 1730	Meeting with Representatives of Federation of Indian Chambers of Commerce and Industry (Federation House, Tansen Marg).
2000	Dinner by Shri H.M. Patel, Finance Minister and Miss Patel (Room No. 479, Ashoka Hotel).

Tuesday, October 10, 1978

8:30 Hopper

Hrs.	
0900	Meeting with Shri S. S. Barnala, Minister for Agriculture & Irrigation (11, Race Course Road). Room No. 120, Gate No. 2, Krishi Bhavan
1000 to 1050	Meeting with Shri H. M. Patel, Finance Minister (2, Akbar Road).
1115-25	
1125	to VIP lounge
1130	Leave for Baroda by IAF Plane.
	Lunch on board.
1400	Arrive Baroda Airport.
1410	Leave Baroda Airport for Jalodra village by helicopter.
1435	Arrive Jalodra Village.
1435 - 1640	Briefing about development programme, visit to fields and meeting with farmers.
1640	Leave for Gujarat State Fertilizer Company (GSFC), Baroda by helicopter.

September 26, 1978

REVISED ITINERARY

Thursday, October 5

4:30 p.m. - 5:00	Call on the President of India

Monday, October 9

9:30 a.m.	Meeting with the Minister for Industry
10:30 a.m.	Meeting with the Minister for Petroleum and Chemicals
11:30 a.m.	Meeting with the Minister for Commerce, Civil Supplies and Cooperation
12:30 p.m.	Meeting with Prime Minister
1:00 p.m.	Lunch hosted by Prime Minister
3:15 p.m. - 4:45 p.m.	Meeting with representatives of the Federation of Indian Chambers of Commerce and Industry
5:00 p.m.	Meeting with Deputy Chairman, Planning Commission
8:00 p.m.	Dinner hosted by Finance Minister and Miss Patel

Tuesday, October 10

10:00 a.m.	Meeting with the Finance Minister
11:30 a.m.	Meeting with the Minister for Agriculture and Irrigation
12:30 p.m.	Leave for Baroda by special plane (box lunch on plane)
3:00 p.m.	Arrive Baroda
3:10 p.m. -	Leave Baroda by helicopter for Jalodra Village
3:30 p.m. -	Arrive Jalodra Village
3:30 p.m. - 4:00 p.m.	Briefing on agricultural field visits
4:05 p.m. - 5:00 p.m.	Visit to fields.

October 10 (Contd.)

5:00 p.m. - 5:45 p.m.	Meeting with farmers
5:45 p.m. -	Leave for Baroda by helicopter
6:05 p.m. -	Land at Gujarat State Fertilizer Company, Baroda
6:15 p.m. -	Meeting with Chief Minister of Gujarat and other senior officials
7:10 p.m. -	Departure for Anand by car
7:40 p.m. -	Arrive Anand
8:30 p.m. -	Dinner hosted by Dr. V. Kurien and Mrs. Kurien

Wednesday, October 11

6:00 a.m. -	Visit to village milk producers' cooperative societies to view milk collection procedures
7:30 a.m. -	Visit to veterinary section of Amul Dairy
7:45 a.m. -	Breakfast
8:45 a.m. -	Visit to Amul Dairy
9:30 a.m. -	Visit to Amul Jersey Farm
10:00 a.m. -	Visit to cattle feed factory and artificial insemination center
11:00 a.m. -	Drive to National Dairy Development Board
11:15 a.m. -	Visit NDDB facilities
12:00 noon -	Discussions with NDDB staff
12:30 p.m. -	Lunch
1:30 p.m. -	Departure for Baroda (by car)
2:00 p.m. -	Arrive Baroda
2:10 p.m. -	Leave for Bombay by Indian Air Force plane
3:10 p.m. -	Arrive Bombay
3:15 p.m. - 5:30 p.m.	Visit to urban development projects in Bombay

October 11 (Contd.)

5:45 p.m. -	Arrive Tajmahal Hotel
6:15 p.m. - 7:30 p.m.	Meeting with Arvind Mafatlal and Manibhai Desai to discuss rural development
8:00 p.m. -	Dinner hosted by Governor, Reserve Bank of India

Thursday, October 12

8:30 a.m. - 9:00 a.m.	Meeting with Governor of Maharashtra
9:10 a.m. - 11:00 a.m.	Meeting with Chief Minister and state officers at the Mantralaya
11:10 a.m. - 12:45 p.m.	Meeting with Governor, Reserve Bank of India and representatives of financial institutions
1:00 p.m.	Lunch hosted by Chief Minister of Maharashtra
3:00 p.m.	Leave for Colombo by special plane.

B. Press Statement

PRESS STATEMENT

1. I would like to begin by expressing my thanks to the Government of India for once again extending their hospitality to Mrs. McNamara and myself.

2. This is my fifth trip to India as President of the World Bank. Ten years ago I undertook my first mission to India soon after becoming President of the Bank. These past 10 years have brought remarkable changes -- changes in the world development scene in general and in India and the World Bank in particular.

3. In India, a major transformation has taken place. Foodgrain and foreign exchange reserves, in serious shortage in the late 1960s and early 1970s, are now strong. The 1975/76 foodgrain crop reached record levels, and signs are promising for an equally good harvest this year. Moreover, industrial output has increased on average by 7% a year in 1975-78, as compared to 3% per annum in the five preceding years. The overall resource position in India, then, is exceptionally strong, and provides a sound basis for further expansion of the development effort.

4. The World Bank has also undergone major changes in the past 10 years. The Bank Group's global lending in fiscal year 1968, when I first visited India as the Bank's President, was US$953 million, with India receiving approximately US$25 million in assistance from the Bank Group. In fiscal year 1978, the Bank and the International Development Association committed a total of nearly US$8.5 billion. Of this total, India received nearly US$1.3 billion. Over all these years, we in the Bank have been proud to be associated with India's development effort as India is not only a great nation in and of itself, but is also a hallmark to the rest of the world of the prospects for the developing countries.

5. In closing, I would like to express my sincere concern for those of your countrymen who have so deeply suffered the vagaries of nature this year. The cyclones and floods that have struck India over the year have been particularly cruel. I am confident, however, that, as in the past, the Indian people will amaze us all with their resilience and strength of purpose in the face of difficulty.

Thank you.

C. Map & State Dept. Notes


IBRD 10483R3
SEPTEMBER 1978
INDIA
State and Union Territory Capitals
National Capital
Other Cities
State and Union Territory Boundaries
International Boundaries
AFGHANISTAN
PAKISTAN
CHINA
NEPAL
BHUTAN
BANGLADESH
BURMA
SRI LANKA
Approximate Line of Control
JAMMU and KASHMIR
Srinagar
HIMACHAL PRADESH
Simla
Chandigarh
PUNJAB
HARYANA
Delhi
DELHI
NEW DELHI
UTTAR PRADESH
Lucknow
Kanpur
Gorakhpur
RAJASTHAN
Jaipur
Udaipur
SIKKIM
Gangtok
ARUNACHAL PRADESH
Itanagar
ASSAM
Dispur
Shillong
MEGHALAYA
NAGALAND
Kohima
MANIPUR
Imphal
TRIPURA
Agartala
Aijal
MIZORAM
Patna
BIHAR
WEST BENGAL
Calcutta
Gandhinagar
Ahmedabad
GUJARAT
Anand
Baroda
Bhopal
MADHYA PRADESH
ORISSA
Cuttack
Bhubaneswar
MAHARASHTRA
Bombay
Hyderabad
ANDHRA PRADESH
Panjim
GOA
KARNATAKA
Bangalore
Madras
TAMIL NADU
Cochin
KERALA
Trivandrum
Arabian Sea
Bay of Bengal
0 100 200 300 400 500 MILES
0 100 200 300 400 500 600 700 800 KILOMETERS
70°
80°
90°
30°
20°
10°
This map has been prepared by the World Bank's staff exclusively for the convenience of the readers of the report to which it is attached. The denominations used and the boundaries shown on this map do not imply, on the part of the World Bank and its affiliates, any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries.

background

notes

India

department of state * may 1978

OFFICIAL NAME: Republic of India

PEOPLE

Although India occupies only 2.4 percent of the world's land area, it supports 14 percent of the world's population. Only the People's Republic of China has a larger population.

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

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

The caste system, which encompasses the various "classes" of Indian society, is theoretically based on employment-related categories ranked

PROFILE

People

POPULATION: 629 million (1977 est.); urban 20%. ANNUAL GROWTH RATE: 2.01%. DENSITY: 495 per sq. mi. (191 per sq. km.). ETHNIC GROUPS: 72% Indo-Aryan, 25% Dravidian, 3% Mongoloid, others. RELIGIONS: 84% Hindu, 10% Muslim, 2.6% Christian, Sikh, Jain, Buddhist, Parsi. LANGUAGES: Hindi, English, 14 official languages. YEARS OF COMPULSORY EDUC.: 9 yrs. LITERACY: 34%. INFANT MORTALITY (1974 est.): 130 per 1,000 (US: 19/1,000). LIFE EXPECTANCY: 51 yrs.

Geography

AREA: 1,211,000 sq. mi. (3,136,475 sq. km.); about twice the size of Alaska. CAPITAL: New Delhi/Delhi (pop. 3.6 million). OTHER CITIES: Calcutta (7 million), Bombay (6 million), Madras (3.2 million).

Government

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

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

POLITICAL PARTIES: Janata Party, Congress Party, Congress Party-I, Communist parties.

SUFFRAGE: Universal over 21.

POLITICAL SUBDIVISIONS: 22 States, 9 Union Territories.

DEFENSE EXPENDITURES: 3.1% of GNP (1977 est.).

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

Economy

GNP: $87.8 billion. REAL GROWTH RATE: 1.6%. PER CAPITA GNP: $143. REAL PER CAPITA GNP GROWTH RATE: -0.4%. (All figures for 1976-77.)

AGRICULTURE: *Labor* 74%. *Land* 54%. *Products*–rice, wheat, pulses, oilseeds, cotton, tea.

INDUSTRY: *Products*–textiles, jute, processed food, steel, machinery, transport equipment, cement.

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

TRADE (1976-77): *Exports*–$6.05 billion: engineering goods, cotton apparel and fabrics, handicrafts, tea, iron and steel. *Imports*–$5.97 billion: petroleum, foodgrains, nonelectrical machinery, fertilizer. *Major partners*–US, Japan, UK, USSR, Iran, FRG.

OFFICIAL EXCHANGE RATE: 8.50 rupees=US$1 (1977-78).

ECONOMIC AID (1947-1977): *Total*–$28.4 billion: multinational lending agencies, OECD, Communist, and OPEC countries. *US only*–$10.8 billion, of which AID $3.8 billion, PL 480 $6.2 billion, Exim Bank loans $539 million, wheat loan $244 million.

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

on a theocratically defined hierarchy. Discrimination against castes on the lower end of the ritual hierarchy is outlawed by the Constitution.

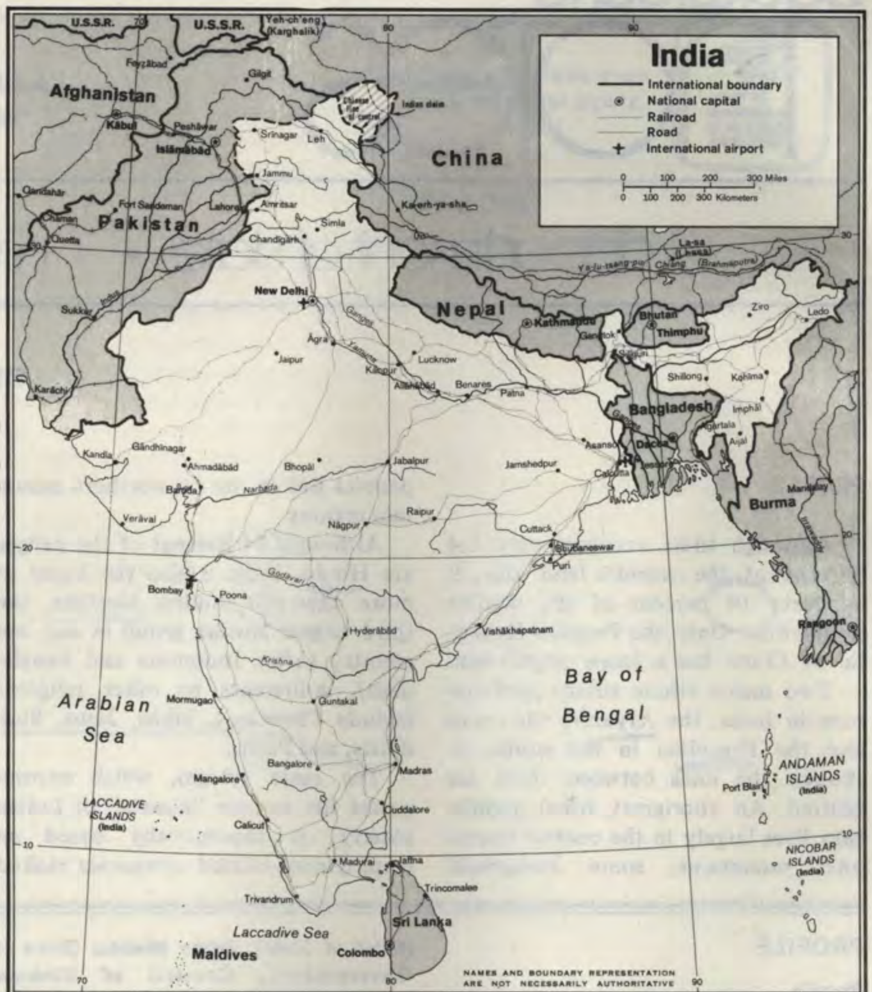
India has 14 official languages; a dozen of these are spoken by more than 10 million people. Hindi and its dialects are spoken by 38 percent of the population. English continues to be widely used in government, business, and education.

HISTORY

The people of India have had a continuous civilization since about 2500 B.C., when the inhabitants of the Indus River Valley developed an urban culture based on commerce, trade, and to a lesser degree, agriculture. This civilization declined about 1500 B.C., and Aryan tribes originating in central Asia absorbed parts of its culture as they spread out over the South Asian subcontinent.

During the next few centuries India flourished under several successive empires. The Arabs expanded into western India in the seventh and eighth centuries A.D., bringing with them the Islamic faith and beginning a period during which the two systems—the prevailing Hindu and the Muslim—mingled, leaving lasting cultural influences on each other. In the period before the arrival of the British the Mogul Empire (a Muslim dynasty) controlled virtually the entire subcontinent.

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



NOTE: New Delhi is about 8,000 miles (12,800 km.) by air from Washington, D.C.

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

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

GEOGRAPHY

India, located midway between Africa and Australia, dominates the South Asian subcontinent geographically. It is bounded by Bangladesh, Burma, Pakistan, the People's Republic of China, Nepal, and Bhutan.

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

The climate varies from tropical in the south to temperate in the north, with three well-defined seasons throughout most of the area: the cool season from November to March; a dry, hot season from March to June; and a hot, rainy season during the remainder of the year. In addition, much of southeastern India is subject to a second rainy period during the cool season. Precipitation ranges from more than 400 inches (1,000 cm.) annually in the northeast (Assam Hills) to less than 5 inches (12 cm.) in the northwest (Rajasthan Desert).

GOVERNMENT

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

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

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

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

The legislatures of the States and Union Territories elect 232 Members to the Council of States, and the President appoints another 12. They serve 6-year terms, with one-third retiring every 2 years. The House of the People consists of 544 Members, 542 of whom are directly elected to 5-year terms. The remainder are appointed.

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

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

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

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

Principal Government Officials

President–N. Sanjiva Reddy
Vice President–B. D. Jatti

Council of Ministers

Prime Minister; Minister of Atomic Energy, Electronics, Planning, Science and Technology, Shipping and Transport, Space–Morarji Desai
Agriculture and Irrigation–Surjit Singh Barnala
Commerce, Civil Supplies, and Cooperation–Mohan Dharia
Communications–Brijlal Verma
Defense–Jagjivan Ram
Education, Social Welfare, and Culture–Pratap Chandra Chunder
Energy–P. Ramachandran
External Affairs–Atal Bihari Vajpayee
Finance–H. M. Patel
Health and Family Welfare–Raj Narain
Home Affairs–Charan Singh
Industries–George Fernandes
Information and Broadcasting–L. K. Advani

TRAVEL NOTES

Climate and Clothing–Summer clothing is suitable year round in the south. In the north, lightweight woolens are necessary from mid-Dec. to mid-Mar.

Customs and Currency–Travelers other than tourists and tourists traveling overland must have a valid visa for the duration of their stay. Tourists arriving at Indian international airports without a visa may obtain a 30-day "landing permit" on arrival, if they have not traveled to India within the preceding 6 months. The landing permit may be used for two additional trips to neighboring countries, except Pakistan, during its validity. It cannot be extended.

All travelers must have a current international health certificate showing smallpox and cholera inoculations. *Health requirements change. Check latest information.*

Foreign currency (including travelers checks) over $1,000 must be declared to customs on arrival, but it is not otherwise restricted. Indian rupees may not be imported in any amount.

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

Telecommunications–Telephone service within India and to international points is fair. Telegraph service tends to be unreliable. India is 10 standard time zones (10 hours) ahead of Wash., D.C.

Transportation–Many international carriers provide service to New Delhi, Bombay, Calcutta, and Madras. Indian Airlines has daily flights to all major Indian cities. An extensive railway system provides comfortable service between most major cities. The 900-mile (1,450 km.) trip from Delhi to Calcutta or Bombay takes about 24 hours. The 1,535-mile (2,470 km.) trip from Delhi to Madras takes 40 hours. It is possible to travel almost everywhere by road; however, outside urban areas the roads are narrow. Local transportation includes buses, taxis, three-wheeled scooters, cycle rickshaws, horsedrawn tongas, and bicycles. Buses are overcrowded and service is irregular. Taxis are plentiful.

READING LIST

These titles are provided as a general indication of the material published on this country. The Department of States does not endorse unofficial publications.

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Labor and Parliamentary Affairs–Ravindra Varma

Law, Justice, and Company Affairs–Shanti Bhushan

Petroleum, Chemicals, and Fertilizer–H.N. Bahuguna

Railways–Madhu Dandavate

Steel and Mines–Biju Patnaik

Supply and Rehabilitation; Works and Housing–Sikandar Bakht

Tourism and Civil Aviation–Purushottam Kaushik

Ambassador to the U.S.–N. A. Palkhivala

Ambassador to the U.N.–Rikhi Jaipal

India maintains an Embassy in the U.S. at 2107 Massachusetts Ave. NW., Washington, D.C. 20008 (tel. 202-966-9550), and Consulates General at New York, Chicago, and San Francisco.

POLITICAL CONDITIONS

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

During the emergency, thousands of Mrs. Gandhi's political opponents were imprisoned, and government restrictions on the press, courts, and trade unions were imposed. Widespread resentment of these measures was further increased by a forced sterilization program in a number of north India States and the increasingly intrusive role played in the nation's political and economic life by Mrs. Gandhi's son, Sanjay.

In an effort to seek a broader foundation of legitimacy, Mrs. Gandhi called for national elections to be held in March 1977. In a major upset, the coalition Janata (People's) Party was elected by an overwhelming margin, capturing 331 of the 542 seats in the lower house. The 30-year rule of the Congress Party ended when that party gained only 153 seats. Mrs. Gandhi lost her own seat.

The Janata Party leader, Morarji Desai, who was 81, was sworn in as Prime Minister on March 24, 1977. The new Janata government's attention focused on dismantling the structures of the emergency, including the release of political prisoners, lifting restrictions on the press and courts, and reaffirming India's commitment to democracy and human rights.

Political Parties

India's new ruling party, the Janata, actually represents a coalition of five non-Communist opposition parties which allied in January 1977 to oppose the emergency rule of Mrs. Gandhi and her Congress government. Following their March victory, these five parties formally merged into the Janata Party on May 1, 1977. The five parties were:

Congress (Opposition), a splinter party formed in 1969 with the defection from the Congress Party of Sanjiva Reddy (now India's President), Morarji Desai (now its Prime Minister), and several other prominent Congress politicians;

The *Jana Sangh,* a north India-based party which espouses a Hindu-oriented nationalist political philosophy;

The *Bharatiya Lok Dal (BLD),* a coalition of splinter political groups reflecting a variety of interests, including populist, Socialist, and business;

The *Socialist Party,* which is committed to democratic socialism and drew its chief support from intellectuals disillusioned with the Congress Party; and

The *Congress for Democracy (CFD),* a group of Members of Parliament who were dissatisfied with Mrs. Gandhi and bolted from the Congress Party in the last days before the March 1977 election.

For the second time in less than 10 years India has two Congress Parties. Both advocate secularism and a loosely defined democratic socialism. One group, known as the Congress-I (for "Indira"), is led by former Prime Minister Indira Gandhi. The second group, known simply as the Congress Party, has stressed its preference for collective leadership. The two parties are nearly equal in terms of parliamentary representation and are currently vying for recognition as the second largest national political party.

There are three Communist parties in India. The *Communist Party of*

India (CPI), which is pro-Soviet; the *Communist Party of India/Marxist (CPI/M)*, which broke with the CPI in 1964 and is nonaligned; and the *Communist Party of India/Marxist-Leninist (CPI/M-L)*, which is pro-Chinese.

The first two parties participate in the parliamentary process and currently hold or share power in the States of West Bengal, Kerala, and Tripura. The third party, whose supporters are sometimes called Naxalites, advocates violent revolution and has occasionally fomented urban terrorism in Calcutta.

India's political parties reflect regional differences based on religion, language, and ethnic group. Most prominent are the DMK and AIADMK parties of the State of Tamil Nadu in south India. These parties, which have controlled the local government in Tamil Nadu and hold 20 seats in the national Parliament, have in the past opposed attempts to make Hindi the national language of India.

ECONOMY

Domestically, India has made considerable economic progress since independence. A relatively sophisticated industrial base and a large pool of skilled manpower has been created. Nevertheless, agriculture, which is influenced significantly by the monsoons and upon which 74 percent of the population depend, remains the crucial sector (over 40 percent of gross national product).

India's economy, the 13th largest in the world, has been growing relatively slowly (an average of 3 percent annually). The population, estimated at 629 million in 1977, has been increasing in recent years at around 2 percent per year. Consequently, only modest gains in per capita GNP have been achieved.

Agricultural production has been increasing at the average annual rate of 2.6 percent. There was a surge in production in the late 1960's and early 1970's because of the "green revolution" in wheat. A record foodgrain harvest of 121 million metric tons occurred in 1975-76, and foodgrain production of an almost similar magnitude is expected during the 1977-78 crop year. The government has placed high priority on increasing irrigated land, and nearly 30 percent of total cropped area receives some irrigation water.

Cotton and jute textile production continues to be the most important industrial sector, but public-sector firms in steel, heavy industry, and chemicals have come into prominence since 1960. India now manufactures a variety of finished products for both domestic use and export. Mineral resources (coal, iron ore, bauxite, and manganese) are substantial but have been only partially exploited. Despite industrial development, unemployment and underemployment problems continue to worsen.

Foreign Trade and Assistance

India's foreign trade in 1976-77 totaled $12 billion and was essentially in balance. A similar picture is expected for 1977-78. While petroleum import costs have grown substantially since 1974, due largely to OPEC (Organization of Petroleum Exporting Countries) price rises, foodgrain imports have been negligible in 1977-78. Exports have increased notably in recent years, with engineering goods now as the leading category.

Although the U.S. share in India's trade has declined recently, the United States still remains India's largest trading partner. In 1977 total bilateral trade was $1.56 billion and was in balance.

FOREIGN BUSINESS INFORMATION

For information on foreign economic trends, commercial development, production, trade regulations, and tariff rates, contact the Bureau of International Commerce, U.S. Department of Commerce, Washington, D.C. 20230. This information is also available from any of the Department of Commerce district offices located throughout the United States.

Total foreign assistance authorized since 1947 has amounted to over $28 billion. The most important donor in recent years has been the International Development Agency of the World Bank Group. The United States has provided to India over $10 billion in aid of various kinds, much of it in the 1960's. A U.S. aid development program was terminated in 1971 but is being resumed with emphasis on agricultural/rural development. Export earnings, substantial foreign aid flows, and remittances from Indians abroad have resulted in record foreign-exchange reserves of $5.4 billion by January 1978.

FOREIGN RELATIONS

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

India's role in world affairs has derived from its size and population, the prestige and influence attained as a result of its successful independence struggle, and the personal influence of Jawaharlal Nehru, a chief architect of "nonalignment." More recently, India's broadening industrial base and growing scientific and technical capacity have added to its prominence in international affairs. India continues to be a leader in the nonaligned movement and has an important voice in the North-South dialogue.

Pakistan and Bangladesh

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

In December 1971, following the crisis in what was then East Pakistan and the flight of millions of Bengali refugees to India, India and Pakistan again went to war. The brief conflict ended with the creation of Bangladesh in the east, which quickly established relations with India, and the Pakistani acceptance of an Indian cease-fire offer in the west. In July 1972 Indian Prime Minister Gandhi and Pakistani President Zulfikar Ali Bhutto met at Simla to begin a lengthy process of negotiations to resolve problems resulting from the war and to seek a more stable basis for long-term relations. The two countries subsequently agreed to a repatriation of prisoners of war (with the concurrence of Bangladesh in 1973), the reestablishment of mail, travel, and telecommunications links (1974), a resumption of shipping (1975), the restoration of diplomatic relations and civil air links (1976), and the exchange of sports teams and cultural delegations (1978). The visit to Pakistan of India's Foreign Minister in February 1978 was considered helpful by both countries.

Meanwhile, the overthrow of Sheikh Mujibur Rahman in Bangladesh in 1975 led to a period of tension between that country and India, whose leaders had enjoyed warm relations with him. The passage of time and conclusion of an agreement in 1977 to share the water of the Ganges River have helped to improve relations between India and Bangladesh.

People's Republic of China

After independence, India initially sought to maintain friendly relations with the P.R.C. However, competition and tension between the world's two most populous states developed toward the end of the 1950's and ultimately led to military conflict in October 1962.

After a month's fighting, in which the Chinese forces made deep penetrations into Indian territory, the Chinese proclaimed a cease-fire and generally withdrew to positions held prior to the outbreak of hostilities. Some areas of the border remain disputed. Between 1962 and early 1976, relations remained cool and at the level of chargé d'affaires. The P.R.C. has developed a close relationship with Pakistan, to whom it has given military assistance and diplomatic support. Sino-Indian relations were also strained by the Indo-Pakistan war of 1971.

In 1976 India and China exchanged ambassadors after a 15-year interval. The following year the two countries reopened trade and shipping links; they also began exchanging delegations in the fields of agriculture and medicine. A quasi-official Chinese delegation visiting India in March 1978 invited India's Foreign Minister to visit China.

Soviet Union

Since independence, India and the Soviet Union have built a relationship based on a general coincidence of views—on international political problems, their mutual proximity to the P.R.C., Soviet support for India's position in the Kashmir dispute, and Soviet economic and military assistance. In August 1971 the two countries signed a 20-year Treaty of Peace, Friendship, and Cooperation which India viewed as an important support for her position in the Bangladesh crisis of that year.

After visiting the Soviet Union in October 1977, Prime Minister Desai characterized Indo-Soviet relations as "a model for any two countries to emulate." He alluded to his earlier-stated intention to pursue a policy of "genuine" nonalignment by adding that close Indo-Soviet ties did not inhibit either party from developing ties with third countries.

U.S.-INDIA RELATIONS

Indo-U.S. relations were particularly strained in the 1971 Bangladesh crisis. Since then, an Indo-U.S. dialogue has aimed at developing a new pattern of relations based on greater mutual understanding and reciprocal concern for each other's interests.

The termination of the 1975 state of emergency in India and the restoration of full democratic freedoms were greeted with considerable public support in the United States and helped set the stage for the development of a more cordial and closer relationship between the United States and India. An atmosphere for greater cooperation and better dialogue evolved, which was reflected in President Carter's January 1978 visit to India. While differences remain, leaders in both countries express confidence that these can be managed amicably.

Principal U.S. Officials

Ambassador—Robert F. Goheen
Deputy Chief of Mission—Archer K. Blood
Minister for Public Affairs—Jay W. Gildner
Counselor for Economic Affairs—Natale H. Bellocchi
Counselor for Political Affairs—Howard B. Schaffer
Counselor for Scientific Affairs—Thomas Vrebalovich

Consuls General

Bombay—William F. Courtney
Calcutta—Raymond L. Perkins
Madras—Charles W. McCaskill

The U.S. Embassy in India is located at Shanti Path, Chanokyapuri 21, New Delhi (tel. 690351).

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D. General Ref. Material

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RECENT POLITICAL AND ECONOMIC DEVELOPMENTS IN INDIA

1. Political Developments. The Janata Party, a coalition of diverse parties bound by opposition to Mrs. Gandhi in the 1977 General Election, has formed the center government since April 1976. The main thrust of the Janata Government is the reorientation of the country's development toward improving the position of the poor by shifting the allocation of development resources so that a higher proportion is spent on rural development and basic needs. However, many important elements of this strategy remain on the rhetorical level and have yet to be formulated into operational programs.

2. Since the General Election, the Janata or one or another of its constituent parties, have formed governments in northern Hindi-speaking states while opposition parties, including some loyal to Mrs. Gandhi, have formed governments in southern states. Relations among parties within the Janata coalition have become increasingly strained. There is currently a struggle for party leadership between Morarji Desai and Charan Singh, leader of one faction and, until recently, Home Minister. The Janata Party at the Centre has been preoccupied by these political affairs and has yet to develop clear economic policies in important areas.

3. Another consequence of the uneasy political coalition at the Centre has been a shift in Centre/State balance toward more State autonomy. The first and still most serious indication of this was the meeting of the National Development Council in March 1978, called to endorse the first of India's new rolling Five-Year Plans. The states withheld their endorsement, complaining of short notice and inadequate consultation. More importantly, many states indicated they wanted first to see that the new provisions for transferring funds from the Centre to the States would result in a larger portion of funds placed automatically under their control, correspondingly less to be doled out at the discretion of the Centre. They will consider the Plan when the committee reports on these transfer provisions are ready (perhaps as soon as October 1978). Other independent and even provocative maneuvers by certain state governments underline a lack of political cohesion among the diverse and local interests represented by parties either within or outside of the Janata coalition.

4. Economic Developments. The 1977 monsoon was very favorable; foodgrain production in 1977/78 reached a record level of 127 million tons. This compares with 111 million tons in 1976/77, 121 million tons in 1975/76 and an everage of 103 million tons for the first five years of the decade. In addition to good weather, both irrigated area and fertilizer consumption continued to grow rapidly. Annual additions to irrigated area have averaged two million hectares since 1965/75 compared with 1.3 million hectares per annum from 1969 to 1975; fertilizer consumption grew almost one quarter in 1977/78. The good harvests have helped considerably to stabilize foodgrain prices and thus contain inflation. Foodgrain procurement amounted to 10 million tons in 1977/78, roughly the same as the high level of the previous year. Public distribution of foodgrain has averaged just under one million tons a month. This, along with small amounts of wheat repaid to the Soviet Union, allowed a marginal drawdown of India's ample stocks to just under 20 million tons by the end of June 1978. Other agricultural commodities, including sugarcane, cotton and oilseeds, did well and agricultural production grew 11 per cent overall in 1977/78.

5. In contrast, industrial production grew only 3.5 per cent in 1977/78, a disappointment following the previous year's dramatic 10 per cent rise. Poor performance of such industries as coal, cement, steel and power more than offset the healthy growth in production of crude petroleum and petroleum products, chemical fertilizer, and nonferrous metals. A continuing problem is the low demand for manufacturing output from agriculture, investment, exports and import substitutes. In 1977/78 exports turned sluggish. Although public expenditure has increased recently after its decline in the early 1970, there are as yet no clear indications of resumed private investment demand. A further part of the explanation for slow industrial growth lies in supply problems. In fact, the vicious circle of constrained power, coal and railway transport abetted by labor disruptions shows signs of reemergence.

6. The combination of 11 per cent growth in agricultural output and 3.5 per cent in industrial production resulted in a 6 per cent growth in GDP in 1977/78. This, combined with the 2 per cent growth in 1976/77 and 8 per cent growth in 1975/1976, yielded 5 per cent average growth over the last three years. With a population growth of about 2 per cent per annum, per capita income grew 3 per cent per annum compared to a 1 per cent decline in the first half of the 1970s and a trend rate since Independence of less than 1.5 per cent. The price rise in 1977/78 and in fact since 1974/75 has been very mild. Wholesale prices at the end of March 1978 were just below their level of a year earlier and only 4 per cent above their level of three years ago, March 1975. Because of a rise and fall during the year, the yearly average wholesale price level in 1977/78 was 5 per cent above the previous year's average.

7. The balance of payments continues to be strong despite a large and unexpected increase in the trade deficit and minor fall in net aid transfer, due to a near doubling of miscellaneous capital and invisible receipts. Merchandise imports jumped 21 per cent from US$6 billion in 1976/77 to US$7.3 billion in 1977/78. Export performance was disappointing, with an increase from US$5.8 billion to US$6.3 billion in current prices which, given estimated US dollar prices rises, represents an actual decline in export volume. Possible reasons for this poor performance are many--reduced export incentives, restrictions on the export of some items, increased domestic absorption of others, notably coal, cement, iron and steel, and growing protectionism and recessionary trends in overseas markets--but overall the impression is one of reduced export effort.

Balance of Payments
(US$ millions)

	World Bank Estimates 1976/77	1977/78	Change 1976/77 - 1977/78
Merchandise Exports (f.o.b.)	5760	6300	540
Merchandise Imports (c.i.f.)	- 5950	- 7300	- 1350
Trade Balance	- 190	- 1000	- 810
Debt Service	- 830	- 930	- 100
Gross Aid Disbursements	1953	1840	- 113
IMF Transactions (net)	- 336	- 330	6
Miscellaneous Capital and Invisibles	1270	2420	1150
Errors and Ommissions	- 292	76	368
Use of Reserves (- = increase)	- 1575	- 2076	501
Reserve Level at End of Period	3747	5823	2076

7. The US$1 billion trade deficit, the US$930 debt service requirement and the US$330 repurchase from the IMF resulted in a US$2.26 billion gross financing requirement, which was met by US$1.84 billion of gross aid disbursements and by US$2.42 billion of miscellaneous capital and invisible receipts with enough left to add US$2 billion to reserves, which stood at US$5.8 billion by the end of March 1978.

8. The current year looks promising. The summer monsoon arrived right on time and shows every sign of providing adequate, broadly distributed and timely moisture for good crop growth; but there have been major floods in northern India with substantial dislocation of population and an inundation of cropped areas totalling between 7 and 10 million hectares (almost 10 per cent of total cropped area). It is as yet too early to estimate the effects of the floods on production but with continued growth in fertilizer consumption, agricultural output could perhaps equal 1977/78's record production. Early indications suggest industrial production could grow at a rate closer to the GOI's 7 to 8 per cent target than 1977/78's low 3.5 per cent performance. Nevertheless, overall GDP growth in 1978/79 is unlikely to exceed 4 per cent with the possibility of a much lower figure if flood damage proves permanent. The only up-to-date and accurate information on balance of pay-

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ment variables is for external reserves, which stood at US$6.1 billion by July 1978. Even allowing for India's gold purchase and currency repurchase from the IMF, this figure indicates something of a slowdown in the rate of increase in reserve accumulation. This is consistent with our projection of a leveling off of the growth of invisible receipts and a further expansion of the trade deficit, due both to increased imports resulting from liberalized policy and to stagnant export volume, based on the GOI's current export projection.

8. Although the new draft Plan for 1978/1983 lays first stress on the objectives of the removal of unemployment, alleviation of poverty among the poorest and provision by the state of basic needs, it recognizes that these objectives can be met only in the context of an expanding economy and in fact plans for an increase in the GDP growth rate to level higher than during any previous Plan period. The projected 4.7 per cent annual rate of growth should be compared to 4 per cent achieved during the four years of the Fifth Plan and the 3.5 per cent long-run trend since the early 1950s rather than to the considerably higher but unachieved targets in previous Plans. This rate is to be achieved by an acceleration of the growth of agricultural production to 4 per cent per annum, and industrial output to 7 per cent. Both rates are higher than those achieved in the recent past but neither is higher than achieved at some point in the past. Given India's current situation, both are feasible under supportive policies and good economic management.

9. The agricultural growth target of the Draft Plan is ambitious; but it can be achieved if India's current agricultural strategy is effectively implemented. Its basic elements focus on: i) improving cultural practices through reorganization of the agricultural extension service, ii) increasing more rapidly India's irrigated area while improving the efficiency of the entire system by raising the technical standards of water distribution, iii) improving the infrastructure required for more rapid groundwater development, iv) ensuring ready availability of inputs and v) maintaining profit incentives with appropriate input and output prices.

10. India's industrial development strategy is not nearly as well worked out; consequently the Draft Plan growth target of 7 to 8 per cent, though reasonable when measured against past achievement, must be still considered problematic. To the extent that large increases in plan expenditure can provide the necessary impetus in public investment, the Draft Plan will facilitate industrial growth. It anticipates expenditures at a rate 82 per cent (in real terms) above those achieved during the four years of the Fifth Plan. As a result the public portion of investment is expected to rise from 42 per cent in 1976/77 to 56 per cent for the entire five year period of the Draft Plan. However, uncertain prospects for private investment, potential supply constraints for key inputs and the level of public savings proposed for financing anticipated plan expenditures all present difficulties for achieving the industrial growth target.

11. India's balance of payments situation is unlikely to be a constraint on growth over the Plan period. With aid levels maintained in real terms, net invisibles maintained in current terms and exports growing at the targetted 7 per cent per annum in volume terms, import capacity will increase by over 18 per cent per annum in current and by 11 per cent per annum in constant dollar terms over the next five years. This provides for an import elasticity of about 2.2 per cent. This is about as high as any rapidly growing developing country has experienced over the

medium term, although imports could easily exceed these levels in India for a few years given their past compression. However, India's current food and foreign exchange reserves will provide ample cushion should imports rise precipitously in any one year.

Discussion Topics for Meetings in New Delhi

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

Industry - Mr. George Fernandes

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

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

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

Petroleum and Chemicals - Mr. H. M. Bahuguna

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

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

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

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

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

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

Prime Minister - Mr. Morarji Desai

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

Planning Commission - Mr. D.T. Lakdawala

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

Finance - Mr. H.M. Patel

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

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

Agriculture and Irrigation - Mr. S.S. Barnala

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

11/7/77

COUNTRY PROGRAM PAPER -- INDIA

		IBRD/IDA Lending Program /b (Current US$ million)		
		FY69-73	FY74-78	FY79-83
1976 Population: 620 million /a	IBRD(TW)	210.5	990.0 (145.0)	1,900.0
1976 per capita GNP: $150 /a	IDA	1,529.6	3,106.1	6,080.0
	TOTAL	1,740.1	4,096.1	7,980.0
Current population growth rate: 2.3% per annum				
	No. of Loans/Credits	39	61	87
	No. of Loans/Credits per million population	0.07	0.10	0.14

Current Exchange Rate:
Rs 8.51 = US$1.00
(floating rate)

	Average Lending Per Capita Per Annum Current $ (Const. FY77 Commitment $)		
IBRD/IDA	0.52(0.98)	1.33(1.39)	2.35(1.78)
IDA	0.50(0.86)	1.00(1.06)	1.79(1.36)

/a World Bank Atlas, 1977.

/b The FY78-82 lending program proposed in this CPP compares with the program for the same period approved at the last CPP review (October 1976) as follows:

	FY78-82 Lending Program Approved	FY78-82 Lending Program Proposed	Percentage Change Proposed/Approved
No. of loans and credits	85	88	4
Current $ million	6,630.0	7,430.0	12
Constant FY77 commitment $ million	5,341.8	5,999.7	12
Per capita per annum (Constant FY77 Commitment $)	1.60	1.79	12

POLITICAL DEVELOPMENTS

1. Prior to 1975 India rightly had been regarded as having one of the longest and deepest commitments to democracy among developing countries. When it seemed gone -- and with it the rights of India's masses to air their views and grievances -- much of the rest of the world adjusted sadly but quickly to what many regarded an inevitable and irreversible development. The sudden return of democracy was as revolutionary in effect as it was orderly in procedure. That such a profound political change occurred with relatively little disruption of basically sound economic policies is extremely satisfying.

2. These dramatic political developments began with the dissolution of the Lok Sabha, the lower house of Parliament, in January 1977, and consequent elections in March. The strength of the opposition Janata Party, bolstered by defections of key Congress leaders, notably Jagjivan Ram, became increasingly apparent during the brief but intense campaign. Nevertheless, few were prepared for the sweeping defeat of the Congress party which had governed India since Independence. The northern and middle States returned overwhelming majorities for the Janata Party while the Congress retained a strong position only in the southern States. The new Government has declared its intention to reformulate economic policy along the lines of its election Manifesto. This document emphasizes decentralization in Government and the economy, and accords priority to agriculture and small-scale industry with the objective of increasing employment opportunities. Understandably, in the revised budget for 1977/78, presented in June, the new Government was able to undertake only limited initiatives. The coming year will be an important one for the translation of policies into programs.

3. The Janata Party is a coalition of heterogeneous elements united largely by their opposition to Mrs. Gandhi and the common experience of prison during the Emergency. It includes the Old Congress, the Jan Sangh, the Bharatiya Lok Dal (which incorporated the Swatantra Party) and the Praja Socialists -- disparate groups which had formed a united block in Parliament in the previous year at the urging of Jayaprakash Narayan. The opposition received a major boost with the resignation of Jagjivan Ram from the Government. Ram, the recognized leader of the Harijan community, has been a Minister in every Government since 1947 and commands a wide following, particularly in the populous Eastern Region. The coalition includes some strange bedfellows: militant Hindus, Harijans, Muslims, large farmers, and labor groups in both urban and rural areas. All these constituencies found representation in the new cabinet headed by Morarji Desai. Having formally constituted itself as one party in April 1977, Janata may well become a pluralist centrist party not too unlike the Congress Party as it functioned until the split in 1969. One should expect that the diversity of ideologies and views within the parties and the potential incompatibility of some strong personalities in key cabinet posts will create some difficulties in decision making and policy formulation.

4. The first priority of the new Government was to consolidate its power by arranging for State assembly elections in those States where Janata had won in the national elections or which had been under President's Rule. As a consequence by mid-July twelve new State governments had been elected, eight with overwhelming Janata majorities. Regional parties allied to Janata won in the Punjab and in Tamil Nadu, while the Communist Party of India (Marxist) was victorious in West Bengal, and the Conference Party in Jammu-Kashmir. Only in Kerala, which is governed by a coalition in which Congress participates, was the Congress Party's position strengthened. Elections are expected in the States in which State assembly elections were not held -- Maharashtra, Karnataka, Andhra Pradesh and Assam -- sometime in 1978.

5. The transition to the new Government was made peacefully, and the Janata Government moved quickly to restore individual and press freedoms. Reaction against the sterilization campaign of 1976 was widely regarded as a key factor in the Congress defeat, and any form of coercion in administering the family planning program was eschewed immediately. However, the use of 1971 population figures for purposes of allocations among States has been retained (it is mentioned explicitly in the mandate for the seventh Finance Commission), thus continuing the incentive for States to reduce their proportion of the population by lowering growth rates. The commitment to a strong voluntary birth control program has been repeatedly affirmed by the highest officials, who have emphasized that there will be no financial constraints on the implementation of a program to achieve the objective of reducing the birth rate to 25 per thousand by 1983/84. The Government now speaks of integrating family planning with an expanded rural health care program, but its policies are clearly at the formative stage and the implementation of the program is in shambles, with all-time lows for sterilization and other acceptors.

6. New directions in economic policy are expected to be expressed in the new Government's first development plan. Changing its format from a major exercise every five years to an annual rolling five-year perspective is under active consideration. However, some indications of new directions are available. The Government has declared agriculture to have priority and its rapid development is seen to be essential to the Government's goal of providing full employment in ten years. The Government intends to double the rate of increase of the area under irrigation. In addition, special employment schemes such as promotion of small-scale enterprises and expansion of rural works are prominent parts of the Government's policy. Although growth is stressed, the Government also places great emphasis on the direct provision of basic needs as a means of reducing the incidence of absolute poverty and offsetting the regional and distributional disparities which growth sometimes entails.

7. Emphasis on decentralization and the private sector is a part of Government rhetoric on industry, and the objective of generating more employment through greater labor-intensity is constantly stated. However, the diverse foundations of the new Government appear nowhere more apparent than in the formulation of industrial policy. Socialists, neo-Gandhian idealists, proponents of the private sector, and supporters of the current regulatory system all are represented in key Cabinet posts. A consensus has not been, and will not easily be, reached.

8. The policies of the Janata Government do not represent a radical departure from the recent past, but it is equally the case that the relative strength of different interests has shifted with the formation of a new majority. Decentralization, less reliance on heavy industry and relatively greater emphasis on rural development will probably constitute the framework within which the objectives of faster growth of output and employment are likely to be pursued. However, the Government seems far from a consensus on how to achieve these desirable ends; nor has it considered the hard choices that are likely to arise. Hopefully, the priority of formulating a consensus on such issues will not be lost sight of in a preoccupation with consolidating power.

THE ECONOMIC SITUATION

9. An analysis of recent events is contained in "Economic Situation and Prospects of India", (Report No. 1529-IN of April 25, 1977). A comprehensive treatment of India's export situation is contained in "India: Export Performance, Problems, Policies and Prospects", Volumes I and II, (Report No. 1352-IN of May 18, 1977).

10. The new Government has inherited a generally favorable economic situation. India's adjustment to the adverse shift of about 30% in its terms of trade that occurred following 1973 has been managed successfully. After a record harvest in 1975/76 and a good one in 1976/77, the food situation is exceptional with record public foodstocks and negligible current grain imports. Export growth over the past two years has been outstanding, remittances from Indians working overseas have soared, and imports of food and fertilizers have been cut sharply. With continued high levels of aid disbursements, the result has been a large balance of payments surplus with reserves rising from US$1.4 billion at the end of 1974/75 to US$4.5 billion by mid-August 1977. This favorable conjunction of events, for parts of which the Indian authorities can take considerable credit, has created a remarkable opportunity to raise the long-term rate of growth above the 3% average of the past decade.

Recent Developments

11. Over the two years 1975/76 and 1976/77 growth averaged a compound rate of close to 5% per annum, which is in line with Plan targets. GDP grew 8.8% in 1975/76 as a result of a record foodgrain crop of 121 million tons and 6% growth in industrial production. In 1976/77 GDP growth was less than 2%, largely because the foodgrain harvest fell 8% to 111 million tons -- a level closer to the long-term trend. Some other crops did better, and agricultural output probably fell only 3% overall. Industrial growth continued to accelerate in 1976/77 to 9.2%, a level not approached since the early sixties. Thus, in spite of falling agricultural output, GDP as a whole continued to rise. Balance of payments performance continued to improve. However, inflation re-emerged as a problem, and the power situation became increasingly tight toward the end of the year.

12. Although rainfall during the 1976 monsoon seasons was within normal limits, its timing was erratic and its regional distribution uneven. Nonetheless, the foodgrain output of 111 million tons was the second highest on record. This encouraging performance seems to be due to the continued increase in irrigation potential and to the rising and more balanced use of fertilizers, whose use is estimated to have risen by about 25%. Irrigation potential, which had grown at an average compound rate of about 3% per annum between 1950/51 and 1974/75, has more recently grown at twice that rate. Foodgrain stocks continued to rise, reaching about 23 million tons by the end of June, and now represent an investment on the order of US$4.2 billion at 1976 world prices. This amount is adequate to almost cover two years of public distribution, even at the highest rate recorded in the seventies, without any further procurement. The production of many cash crops did well in 1976/77 -- coffee, tea, sugarcane, raw jute, and tobacco being important examples -- and this helped to offset the fall in foodgrain production. However, cotton and oilseeds, both of which figure prominently in the wholesale price index, suffered declines in production of 14% and 19%, respectively, from levels recorded in the previous two years. The result was price rises of 60% for cotton and 90% for oilseeds between March 1976 and February 1977, and these in turn had a significant effect on the overall price index.

13. Industrial production as a whole grew by 9.2% in 1976/77, over that in 1975/76, which had registered a significant improvement over 1974/75's performance. Manufacturing output grew by as much as 11%. Particularly rapid growth was recorded by such industries as transport equipment, chemicals including fertilizers, basic metals, and electrical machinery. This reflected continued improvement in public sector capacity utilization and, to some extent, the effect of increased public sector investment expenditures. However; the growth of demand did not keep pace with the spurt in public sector supply, and surpluses of a number of commodities -- most importantly, steel -- appeared. There has been continued stagnation of consumption industries, particularly textiles, apparel and footwear, and modest growth of food manufactures.

14. Energy supply was generally favorable throughout 1976/77. Hydro and thermal power generation rose 17% over the level of 1975/76; crude oil production rose 7%; and the coal position remained comfortable. However, power problems have begun to re-emerge. Total generation during the first seven months of 1977 was only 2% higher than in the corresponding period of 1976.

15. The most remarkable evolution has been in the balance of payments, especially in exports. Reserve accumulation was US$1,575 million during 1976/77 and the rate of increase has continued to accelerate. By August 19, reserves were at US$4.5 billion, indicating a rise of US$750 million in a little over four months. The trade deficit fell by US$1,060 million between 1975/76 and 1976/77, and net miscellaneous capital and invisibles rose by US$641 million. These more than offset a US$350 million reduction in net aid and a swing from net receipts of US$205 million from the IMF to net payments of US$365 million.

Balance of Payments
(US$ millions)

	1975/76	1976/77	Change 1975/76-1976/77
Merchandise Exports	4,555	5,700	1,145
Merchandise Imports	-6,085	-6,170	- 85
Trade Balance	-1,530	- 470	1,060
Debt Service	- 766	- 840	- 74
Gross Aid Disbursements	2,326	2,050	- 276
IMF Transactions (net)	205	- 365	- 570
Miscellaneous Capital and Invisibles (net)	559	1,200	641
Use of Reserves (- = increase)	- 794	-1,575	- 781
Reserve Level at End of Period	2,172	3,747	1,575

16. India's exports rose by 25% in nominal terms and about 13% in real terms in 1976/77. The increase was broad-based, shared by such categories as engineering goods, iron and steel, gems and jewelry, oilcakes, leather products, coffee, and marine products, which together accounted for more than 80% of the value increment. The increase also compares favorably with the performance of most other LDCs. The performance of 1976/77, coming on top of the 11% volume growth in 1975/76 despite a fall in sugar exports (the main growth item of 1975/76), is very encouraging. There is quite good reason to believe that India's exports are responding favorably to the improved policies discussed in our recent export report. The import of food, fertilizers, POL, and steel and non-ferrous metals fell almost US$1 billion. The import of finished fertilizers, in particular, fell below expectations because of reduced world prices and decreased volume due to increased domestic production. Other imports rose by 50% in nominal terms, or by US$959 million. This rise was somewhat greater than anticipated a year ago and reflects the considerable effort to accelerate absorption of available foreign exchange.

17. The continued rise in "net miscellaneous capital and invisibles" from US$559 million to US$1,200 million is the most striking change in the balance of payments after the rise in exports. Data from the Reserve Bank of India indicate that the workers' remittances, which are the main underlying factor, stem largely from the Persian Gulf where large numbers of Indians have recently found employment. It now appears that these remittances may become a fairly permanent part of the balance of payments picture and not the "one-shot" capital transfer feared only a year ago.

18. In 1976/77 inflation re-emerged as a major concern. From a peak in September 1974, the index of wholesale prices had fallen fairly steadily at an annual rate of 8.5% through March 1976. Since then prices have risen at a rate of about 11% per annum through the end of July 1977. Almost all of this fall and subsequent rise occurred in primary or processed agricultural commodities. As non-agricultural prices did not fall during the period, the agricultural vs. non-agricultural terms of trade fluctuated considerably, falling and rising with the overall price index. These changes corresponded to broad changes in production; agricultural NDP grew 13% in 1975/76 while industry grew only 6%; agricultural output fell 3% in 1976/77, while industry's grew 9%. These structural characteristics of the shift in relative prices were soon recognized but efforts to increase imports and limit exports of agricultural commodities whose prices were rising were inadequate to contain the price increases.

19. It is difficult to sort out the effects of monetary policy and its timing in these price movements. After rising at 16% and 15% in 1972/73 and 1973/74, respectively, the money supply rose only 6% in 1974/75. In addition, the Government effected a general increase in interest rates and imposed a variety of selective credit controls which continued into 1975/76. However, starting in the middle of 1975/76, the financing needs of the foodgrain procurement operations and the rupee counterpart of the increased foreign exchange inflows resulted in unplanned increases in the money supply. During 1975/76 the money supply increased 9.7% while real output increased 8.8%; during 1976/77 the money supply increased 19.5% while real output increased at most by 2%.

20. Many observers of the economy, both within and outside India, remain uncertain as to how to interpret the current macro-economic situation, which is unprecedented for India. Before any policy prescriptions for handling the situation can be offered or accepted with full confidence, better answers are needed to several interrelated questions. What has been the disposition of the increased flow of funds into private hands from the rupee counterpart of workers' remittances and from foodgrain procurement? What is the relative importance of the growth in the money supply, on the one hand, and the structural shifts resulting in the changing agricultural terms of trade, on the other, in the inflation that has occurred since March 1976? How can the lack of any pronounced demand increase for manufactured consumer items and imports in general be explained in light of the increased flow of resources into private hands? Finally, what would be the effect on inflation of a more expansionary Government policy and larger budget deficit? On the basis of present knowledge, the macro-economic policies which have been, and are now being pursued by the Government seem sound, and we have no substantial disagreement with them. We have urged their continuation and, in the case of investment expansion and import liberalization, their expansion; but this seems to be the Government's intention in any case.

Growth Prospects and Aid Requirements

Prospects to 1980

21. India's growth potential for the near term is promising. Weather is always an uncertainty, but the 1977 monsoon is a good one. With the 12-18% projected increase in fertilizer consumption and continuing growth in irrigated area, a foodgrain crop larger than last year's is expected and one as large as that in 1975/76 is possible. Either would add to the 23 million tons of stocks and would virtually preclude sizeable food imports before 1980. The monsoon will also boost hydro power generation, although power shortages will remain. Their alleviation in the near term will require careful attention to power plant management and continued improvements in regional cooperation. There is no reason why other sources of energy should become a problem, given the ample stocks and eased transport of coal and the increased production of crude petroleum and products with balancing imports. Export growth should be at least 6-7% in volume terms, even considering problems such as the quota restrictions in overseas markets. A continuing increase in net invisible flows is expected. Industrial production, despite healthy growth over the last two years and with the exception of a few cases such as cement, is still constrained by demand rather than productive capacity.

22. India's capacity to import can be expected to grow by at least 15% per annum in nominal terms in the next three years. Although OPEC assistance declined in 1976/77 and is likely to fall further and bilateral Consortium commitments have reached a plateau, IDA availabilities have increased and India has potential access to the IMF's Trust Fund of about US$300 million. In addition, of course, India has potential access to other IMF access to other IMF facilities to support its reserves. These plus India's improved creditworthiness for World Bank and commercial lending -- its first Eurodollar loan was at 1% over LIBOR with other terms equivalent to those offered Norway -- should enable the goal of constant real availability of external capital to be more or less achieved. In addition, the current level of foreign exchange reserves gives room for a drawdown of about US$1 billion. Given the success of import substitution in POL, fertilizer, steel and cereals, imports in other categories could rise by as much as 40% per annum in nominal terms. Although the imports in these categories rose by more than this percentage in 1976/77, the continued absorption of these imports will require a sustained rapid expansion of the economy and continued and considerable import liberalization.

23. The prospects for realizing this potential for sustained growth will depend in part on the effects of a set of fiscal, budgetary and trade policies recently introduced by the Government. The 1976/77 and 1977/78 budgets contained a number of changes designed to stimulate private demand: a reduction in excise duties on selected consumer durables with lagging demand, the introduction of an investment allowance designed to stimulate private investment in priority industries and the reduction in marginal tax rates at the higher levels on both corporate and individual income. After remaining virtually stagnant between 1971/72 and 1974/75, spending on the public sector Plan increased in real terms 27% in 1975/76, 18% in 1976/77 and is expected

to rise 15% or more in 1977/78. Administrative controls over imports have been liberalized in various respects and import licenses for many items have become relatively freely available.

24. However, the expansionary effects of these policies may have been partially offset by other changes introduced at the same time. Although Plan outlays have been increased significantly, non-Plan expenditures have not increased by as much and budget deficits have been kept within narrow limits. Despite the fiscal incentives to new private investment, there is still uncertainty over the new Government's overall industrial policy. Protecting domestic producers from foreign competition still figures in import policy, and this has limited liberalization in some cases.

Long-Term Priorities and Prospects

25. In the past twenty-five years the real per capita income of India's population has risen at an average annual rate of 1.5%, the difference between a population growth rate of about 2% and a GDP growth rate of around 3.5%. A substantiation of this growth is found in the rise in life expectancy, literacy, proportion of children undergoing formal education and other broad indicators of social progress. These gains reflect both increased incomes and the effects of Government health and education programs. However, these growth figures also reveal that, while the population growth rate is not particularly high by developing country standards, the GDP and per capita growth rates are low. The long-term challenge for India remains unchanged -- to reduce the population growth rate and raise the rate of growth of production to raise levels of per capita income, while ensuring the more equitable distribution of this increased income.

26. India's population growth rate is estimated at 2.1% per annum over the period 1971-1976, with a crude birth rate of 38 per thousand and a crude death rate of 17. The birth rate is low by international standards -- it is higher in Indonesia and the Philippines -- and the growth rate of population is 3% per annum in the Philippines and 2.9% in Brazil. There is strong evidence that population growth in India may have passed its peak in the 1960's and is expected to continue to slow down, both because the birth rate will continue to decline and because the death rate will not fall as steeply as in the past. With a revived and then sustained family planning effort, it should be possible to lower the population growth rate to 1.1% per annum by the end of the century. Our "best guess" projection of India's population by the year 2000 is 890 million. Many of the benefits of family planning policy will only be felt beyond the turn of the century, but the decline in fertility will bring about an early change in the age structure of the population. The school age group will grow much less rapidly after 1981, thereby reducing the pressures on the primary and secondary education system. The labor force, however, will continue to grow at a fast rate until the end of the century. This growth in the labor force will add to India's persistent employment problem and is what motivates the special emphasis on employment generation in the new Government's agricultural and industrial strategies discussed below.

27. The prospects for reducing population growth have been made uncertain by the previous Government's sterilization campaign and the political

reaction to it. From April 1976 - January 1977 the estimated number of acceptors was 11.4 million, of whom 7.6 million were sterilized. These are extraordinary numbers. However, there has been a considerable backlash and, subsequent to the election campaign, sterilizations have fallen dramatically. The new Government's commitment to voluntary family planning is thus far only at the rhetorical level, and the Minister in charge of Family Welfare is thought to be neither serious in his commitment nor interested in managing the program. In the 1977/78 budget, outlays were reduced by 30%, although the Government has announced the effort will not suffer from lack of funds. Nevertheless, the future of the family planning program and, consequently of population growth, is now quite unpredictable.

28. Population size, the denominator of India's per capita income calculation, is not growing fast in comparison to those of other less developed countries and the prospects are for it to slow even further. The numerator -- Gross Domestic Product -- has grown slowly in the past but the prospects are for faster growth in the future. With a brief exception the annual growth rate of output has fallen over time through the early 1970s -- from 3.8% during the First Plan, to 3.7% during the Second Plan, 3.2% during the Third Plan and 3.0% during the Fourth Plan. The exception is the period of the Annual Plans of 1966 to 1969 when the rate of growth rose to 4.3% for three years. For the first three years of the Fifth Plan growth of real GDP has averaged about 3.5%. That these rates are low hardly needs substantiation. They compare to aggregate rates for developing countries as a whole from 5.5 to 6.0% from 1960 onwards. Aggregate rates for lower-income developing countries, a category in which India has a heavy weight, are not as high as these and fall in the 3 to 4% range. India's rates are lower than some of its neighbors -- Pakistan and Sri Lanka -- but are higher than others -- Afghanistan, Bangladesh, Burma and Nepal -- for all but a few years.

29. An explanation for these relatively low rates of growth is not to be found in unusually low rates of saving and investment. Gross investment as a percent of GDP rose from about 10% in the early 1950s to about 20% currently. This latter rate compares favorably with investment rates in a number of developing countries. In 1973, average gross investment as a percent of GDP was 14% in Pakistan, 20% in Brazil and Argentina, 26% in South Korea, and 25% in Kenya and Yugoslavia.

30. Rather, the striking feature of India's past growth performance is that the doubling since the early 1950s of the gross investment rate has not been followed by a comparable rise in the growth rate of output. India's efforts to accumulate a larger capital stock has been partially offset by a marked upturn in the incremental capital/output ratio (ICOR). This phenomenon was not apparent between 1950 and 1961; during this period NDP grew at an average annual rate of 3.8% while the total capital stock grew at 3.7%. Between 1961 and 1971, however, NDP grew at an average rate of 3.5% while the capital stock grew at 5.3%. India's ICOR is high by international standards--more than double Korea's and Brazil's, for example, in the 1968-73 period.

31. It seems clear that for higher growth over the long run, improved efficiency in resource use is essential. In last year's CPP we demonstrated

that with the very high ICORs currently prevailing, growth even at 4% per annum was problematic at feasible levels of domestic saving or foreign borrowing. On the other hand, improved efficiency could accelerate growth dramatically. Improved performance is possible in all sectors; in agriculture, for instance, there is great scope to increase productivity by more efficient use of irrigation water and improved cultural practices such as would be fostered by programs of command area development and reorganized extension systems. However, it is hard to conceive of the agricultural sector growing at more than 3.5-4% per annum over a long period. To raise GDP growth above 4% would require relatively rapid industrial growth, which in turn would require improved efficiency. Continued improvement in public sector management and a more profitable environment for the private sector will be important determinants of how resources will be used. In addition, a freer trade regime is particularly important.

32. The trade policy built up in an environment of scarce resources and low confidence in the economy's ability to compete in world markets has led to inefficient resource allocation, lack of access to scale economies and foreign exchange scarcities. The scarcity of foreign exchange, combined with the imperative to import food and fuel, meant a system of controls which limited industry's access to imported raw materials, spares and components of all kinds. These scarcities have raised costs of production and often reduced capacity utilization -- i.e., limited the efficiency of capital use. Freer access to imported industrial goods along with increased domestic demand should allow the gains in efficiency needed to raise the growth rate of industrial production above the historical trend. The Government is aware of these needs and has taken the steps mentioned earlier to liberalize imports and stimulate demand.

33. With the basic adjustments India has made in the last few years and with good management of the increased availability of resources, India should be able to grow at a rate faster than the 3 - 4% of the past. India has the potential to extend the 5% growth rates of the past two years into the near future, assuming continuation of high export growth rates and improved efficiency, as discussed below (paragraphs 41 and 42). If India can manage growth at this rate in the near term, there is no reason this rate should not continue longer, since the increased flow of resources that permit it and the policy improvements that induce it could and should continue. Of course, achieving 5% growth is not simply a matter of adjusting the macro-economic variables -- public expenditure, import licensing, export policy, foreign exchange management -- mentioned above. It also requires sound sectoral programs, projects and institutions to improve the efficiency of the economy. With favorable long-term prospects for a falling population growth rate and a rise in the growth rate of output, the prospects are also good for a significantly faster rise in per capita income -- in excess of 3% per annum.

34. Increases in per capita income, even at faster rates than in the past, are not sufficient to ensure all goals of development. Independent India has never relied solely on the trickling down of aggregate growth to fulfill the basic needs of its people. India's Constitution is unusual in that it explicitly includes universal literacy, adequate housing, improvements

in health and other measures of human uplift as basic objectives of national development. The First Five-Year Plan set forth a strategy not only for aggregate growth but for making progress in education, public health, family planning, nutrition, drinking water, rural roads, housing, clothing, poverty alleviation and community development. Although much of the effort in these areas was directed through the regular functional Ministries, a vast Community Development system was designed specifically to concentrate attention and effort on these very measures. As such, India's Community Development Program is one of the most ambitious and long-standing programs ever organized to meet the basic needs of low-income people. The program has met with mixed success over its twenty-five year history. It fulfilled many of its goals of political integration of the countryside into a nationwide representative system. Attainment of the social and economic goals of social uplift, increased productivity and supply of basic needs differed widely between areas, but in general there has been sufficient disappointment in the progress achieved for the Government to seek additional solutions to the problem of supplying India's population with a minimum level of consumption.

35. The Fifth Plan formulated a strategy with these objectives in view. The areas of priority consumption were elementary education, rural health, nutrition, drinking water, provision of house sites, slum improvement, rural roads and rural electrification. In each of these areas, norms of service levels were established so as to ensure the equity of their distribution, and the program allocated resources for all areas of India so these norms could be met irrespective of resource constraints of individual States. The Minimum Needs Program, as it was called, undoubtedly increased the overall level of funding flowing into the priority areas. The Fifth Plan called for a 150% increase in outlay over the nominal Fourth Plan expenditures on these programs. Under this program nutritional intervention, provision of house sites for the landless and slum improvement became significant expenditure items for the first time. However, the succession of the oil crisis and the poor harvests of 1972/73 and 1974/75 significantly set back the ability of the Government to follow through completely on these plans, although some elements were features in the 20-point program which accompanied the Emergency. Economic policies of the new Janata Government are not yet fully developed; but it seems apparent that, although the Government's commitment to meeting basic needs will continue, the emphasis will shift to an approach based, first, on increasing employment and improving the productivity of the poor and second, on improving the distribution of goods and services to the poor. The employment objective is likely to be tackled in ways compatible with other objectives, in particular increasing agricultural production and expanding the output of small-scale industry. In agriculture, the key to expanding output and increasing employment is seen to be a rapid expansion of investment in irrigation; in small-scale industry, the Government is considering plans for the expansion of rural non-farm employment, particularly in sectors such as handloom cloth manufacture, food processing, leather processing and simple fabrication.

36. There has been a debate in India over the effects on income distribution of India's agricultural development strategy. In broad terms the question is to what extent agricultural growth has benefited mainly the larger farmers. Large farmers make up the core of the rural elite and are

seen by many to be able to appropriate all or almost all benefits of the increased agricultural productivity through their control of land, input supply, financing and Government services. This is, of course, a very complicated area, evidence is fragmentary, and the debate is likely to go on for a long time. Part of our economic work on India over the last year focussed on this question and has clarified several aspects of the issue in useful ways.

37. One broad conclusion is that there was little growth in real per capita agricultural output since 1960 to be distributed. Because of a shift in the terms of trade in favor of agriculture over the same period, there was an increase in per capita income; however, it is not possible to be very definite about its disposition. Some rural regions of India -- Punjab, Haryana, Gujarat, Karnataka and Rajasthan -- have grown faster than others and, to the extent the faster-growing areas were wealthier to start with, the growth may have resulted in a greater regional inequality than before. However, this is virtually inevitable when one geographic region is better placed to take advantage of opportunities than others. The incidence of absolute poverty in rural areas in India most probably increased over the period 1960/61 - 1970/71, reflecting the growing numbers of people and almost constant per capita output levels. The incidence of poverty in any given year was found to be very sensitive to the size of the agricultural harvest of that year, suggesting that incomes of all improve when agricultural output expands. Nevertheless, none of the above addresses very directly the question of whether or not big farmers are the main beneficiaries of increased agricultural productivity.

38. Much of this question concerns the involvement of small farmers in agricultural progress -- whether or not they have access to improved technology and its complementary inputs. Small farmers can be taken to be those who cultivate farms of less than two hectares. They and their families total over 200 million people or nearly half of India's rural population; they farm about one-quarter of total land. An important point about small farmers is that their share of total rural income is considerably greater than their share of ownership holdings of land; in other words, rural income is distributed more equally than land ownership. One reason for this is that small farmers lease land from others to supplement their own. Another reason is that small farmers cultivate theirs and others' land more intensively; the proportion of land irrigated and the cropping intensity is an inverse function of size of holding. This has long been true. A more recent finding is that small farmers now have adopted high-yielding varieties of wheat as extensively as large farmers. The earlier concern that this was not so was evidently a reflection of the lag between large and small farmer adoption rates, as both were increasing rapidly. Small farmers still lag behind larger farmers in adoption of HYV rice varieties, but HYV rice is much less popular than HYV wheat among all classes of farmers, and adoption by small farmers is improving and coming closer to that of large farmers. The use of fertilizer varies little by farm class. It also appears that small farmers simply cultivate their land more intensively -- put in more labor per hectare -- than larger farmers. The net result of all of the above is that small farmers' production per hectare is often found to be as high as or higher than that of large farmers. Combining this with the greater tendency of small farmers to supplement

their incomes by working for others helps to explain how rural income is more equitably distributed than the pattern of land holding alone would suggest. None of these findings support the argument that small farmers have not benefited from India's agricultural production strategy because their situation precludes their growing access to its essential elements.

Aid Requirements

39. A country of 620 million people with a per capita income of US$150 and with India's potential for faster growth should be able to absorb foreign resources equal to less than 2% of GDP without difficulty. While the rapid adjustment to the 1973/74 crisis has led to a temporary inability to absorb rapidly the increased flow of foreign resources, this is necessarily a temporary phenomenon. The current level of foreign exchange reserves -- US$4.5 billion in mid-August -- is equivalent to about 8 months of expected imports in 1977/78. The "right" level of foreign exchange reserves is an issue that is broader than simply an economic one for India, which, over the years, has had a number of close brushes with severe food shortages. Indeed, to the extent they bolster the Government's confidence to pursue bolder policies, some degree of "excess reserves" may be a precondition of desirable change. Nevertheless, given the diversity of India's exports, likely levels of imports in the short term and present levels of foodstocks, reserves of about US$3.5 billion would probably be adequate for contingency purposes. Hence, present reserves are about US$1 billion above what they confortably could be, and we project this level will grow further in the current year unless there is an unexpected surge in non-maintenance imports. However, as variations in current aid commitments other than program loans would have their effects only over a period two to five years in the future, the relevant period for consideration of aid levels is the medium and longer term, when the important variables are the efficiency of resource use -- ICORs -- and the import elasticities that can be expected.

40. It was demonstrated last year that with India's high historical ICOR of 6, sustaining the rate of growth at even 4% required the augmentation of domestic resources by foreign transfers that mounted by 1990/91 to US$31 billion, a level that greatly exceeds any realistic assumptions about aid availabilities and commercial borrowing for which India would be creditworthy. This low efficiency of capital was associated with administratively compressed levels of imports. Between 1964 and 1974 India's import elasticity was roughly zero. Higher levels of growth in other countries have been associated with much higher import elasticities, as in the table below.

Country	Period	Average Annual Real GDP Growth	Average Composite Import Elasticities
Brazil	1964-73	9.0	2.00
Turkey	1965-72	6.6	1.77
Korea	1965-73	10.9	2.20
Indonesia	1965-73	6.9	2.67

Of course, the Indian economy is very unlikely to grow as fast as any of the above in the near term, but these examples demonstrate the normally positive relation between GDP and import growth rates. In India the increased efficiency required for higher growth almost certainly will require freer access to imports and result in higher import elasticities.

41. Aid requirements have been projected in the context of a "two gap" -- domestic savings and foreign resources -- model similar to that used last year, in which the effects of alternative ICORs and import elasticities can be analyzed along with normal balance of payments variables. The various scenarios demonstrate the importance of improving the efficiency of capital use. At the historical level of efficiency — i.e., an ICOR of 5 or 6 — a GDP growth rate of 3% is feasible (see Attachment 4), but 4% cannot be sustained, because the volume of external resources required becomes too large. With an improvement in the efficiency of capital use, higher growth rates become feasible from the viewpoint of resource availability. Thus, with an ICOR of 3.8, GDP growth of 5% per year is sustainable. The first projection in Attachment 4 illustrates that, after a period of adjustment up to 1980/81, during which reserves first accumulate and are then drawn down, aid at somewhat more than present levels in real terms is essential to this rate of growth, even with a substantially improved ICOR of 3.8. Increasing the efficiency of capital use is a complex process requiring, in addition to shifts in investment composition, substantial strengthening of institutions and improvements in management practices. Rapid changes are not likely, but we assume continued improvements in efficiency, based on present and probable policies.

BANK GROUP ASSISTANCE

42. The purpose of Bank Group assistance to India is to help in efforts to increase the rate of growth of the economy, increase the efficiency with which resources are used and improve the distribution of the benefits of growth. We share with the Government of India a desire to increase the emphasis given to the agricultural sector both as necessary to increased growth but also as a means to generate employment and alleviate poverty on a wide scale. Support for these objectives is warranted both by the Bank's ability to offer assistance and the GO[illegible] willingness to accept. The level of the Bank Group program presented below, although larger than approved last year, is less than would be warranted by usual IDA criteria because of limitations on IDA's availability to India. The level of Bank lending is a prudent supplement to the IDA availabilities; a larger program could be justified on normal creditworthiness criteria.

43. It is implausible that India could not absorb the level of aid that is likely to be available. Aid inflows are small in relation to the size of the Indian economy and to the extent of poverty. A GDP growth rate of 5% is feasible; with plausible savings, efficiency and import parameters this growth would more than utilize projected aid levels. Lower growth rates than this are possible, but the Government's intentions, as revealed by steps taken already and by more recent policy statements, are clearly to pursue

higher growth. In any case, slower growth along the lines of the past would eventually lead to a recurrence of foreign exchange scarcity as the result of prolonged bad weather or industrial difficulties. The real issues, then, are to what extent we can expect the Government of India to make the policy shifts required to improve economic performance and in which ways the Bank Group can assist the GOI in doing this.

44. The extent to which the Government of India already has taken steps in the desired direction is briefly discussed above. In recent meetings with the Bank's management the GOI's Minister of Finance indicated that a number of further expansionary and liberalizing steps were expected, including a 50% rise in the public investment rate over the next five years and further liberalization of policies governing capital goods import. It probably never will be possible to know in advance just how much increase in public investment, incentives to the private sector and import liberalization is sufficient to induce the right rate of growth and the right amount of imports. That the changes made so far have not yet had their full effect should not be very surprising. It takes some time to shift from a set of policies designed to manage severe resource scarcity to a set that manages an increased flow of resources to grow faster.

45. The more specific ways the Bank can encourage increased efficiency of resource use are discussed below in the context of the Bank Group's strategy and program. It is worth noting here only the more general point that proceeding with our lending program as outlined below with increased World Bank and IDA availabilities will not only offer the GOI help in improving efficiency in the form of the technical assistance that accompanies our projects, but also will maintain and increase the confidence of the GOI in embarking on a more expansionist and import-intensive path.

46. The program presented below is based on India receiving 40% of IDA availabilities and an IBRD program of US$250 million in FY78, US$350 million in each of FY79 and FY80 and US$400 million per annum thereafter. This represents an increase over the program approved last year, which contained US$200 million of IBRD lending per year from FY78 onwards. The increase reflects India's improved creditworthiness; with faster growth and improved resource efficiency India may well require and be creditworthy for still higher IBRD levels. The program presented is based on the assumption that India will be able to absorb the proposed levels; the validity of this assumption along with the program level will have to be kept under periodic review. The issue of India's creditworthiness for Bank lending was discussed extensively in both of the last two years. It is clear from the discussion above that in almost all respects India's creditworthiness has improved since last year. Because of the changed assumptions about exports and imports detailed above, our current best estimate of growth is 5% with some improvement in the efficiency of capital use. Even with pessimistic assumptions on the balance of payments variables and capital efficiency variables, a 3% growth rate is almost certainly sustainable. This low growth has been politically acceptable for the past decade; therefore there is no reason to suppose that a default situation will emerge in the foreseeable future. With the level of Bank lending indicated above, IBRD exposure would rise to US$2,227 million by FY85, about 10.5% of total Indian debt and 4.2% of total Bank lending.

WORLD BANK LENDING STRATEGY

47. The sectoral composition of the proposed program for the next five years is compared below with actual lending in the two previous five year periods.

Sectoral Distribution of Bank/IDA Operations
(percent)

	FY69-73	FY74-78	FY79-83
Agriculture and Rural Development	21	36	44
Urban Development and Water Supply	3	7	12
Energy	9	20	23
Human Resources	2	0	1
Industry	37	27	14
(of which: Industrial Imports)	(25)	(13)	(0)
(Other Industry)	(12)	(15)	(14)
Transportation and Telecommunications	28	10	6
Total	100	100	100

48. The composition of the proposed program reflects a further extension of the directions in which we have intended to move and have succeeded in moving in recent years. It is also consistent with India's development priorities as viewed by the Government and ourselves. Looking beyond this CPP, we have probably reached the stage where the share of our proposed lending for agriculture and possibly for urban development is pretty near the maximum of what it ought to be. On the other hand, there may well be scope for increasing our industrial lending -- particularly for small-scale and labor-intensive industry — and for human resource development. In these areas, however, as discussed below, the constraint is not limited resources but limited solutions. We are exploring new solutions, and to the extent that satisfactory results are obtained from the modest beginnings embodied in our program, both in experimental operations and in our economic and sector work, our lending in these areas could increase. These are also areas which the Government is expected to emphasize and the availability of sound projects may be enhanced once the specific programs of the Government are formulated.

49. A common thread unites most of the projects in our proposed program -- namely, the imperative need for India to improve the efficiency of capital use. In irrigation, for example, the thrust of the projects is to ensure that water already developed is efficiently used (i.e., command area development projects) and that technical criteria for the selection and preparation of medium and small irrigation schemes place a premium on efficiency. Even apparent repeater operations such as Railways and Telecommunications are being reoriented to address more directly the question of efficiency.

50. The nature and the design of most proposed projects also reflects our objective of supporting projects which have a demonstrable impact on a

significant number of target group members and on major institutions. The program contains a growing number of Statewide, regional or national schemes (e.g., Statewide irrigation projects, the National Dairy and Seed Projects, the Agricultural Refinance and Development Corporation). Also, to avoid counting on the "trickle-down" effect to have an impact on the absolute poor, we must promote low-cost solutions. This has been the basic feature of our extension and research projects -- an approach which will be continued in the context of Statewide agricultural projects. The promotion of low-cost solutions to urban services will also remain at the heart of our urban projects.

51. We want to retain the flexibility of pursuing innovative projects which, although small in money amounts, have high impact and may also become prototypes for larger subsequent efforts. This, for example, was the case of our extension and research series and might prove to be the case with the proposed rainfed agriculture and leather projects. The ability to finance small, high-impact projects requires, as an offsetting factor, an ability to finance some projects large in money amounts when warranted on project grounds. Consequently, the proposed program contains 10 operations of US$150 million or more, including 5 of US$200 million or more.

52. As in previous years, the proposed program is dominated by projects with high developmental impact and small foreign exchange content. India imports relatively few capital goods because of the capacity of the domestic capital goods industry. The import component of projects tends to be especially low in such high-priority areas as agriculture and family planning. Hence, to contribute to India's development in these crucial areas, substantial local cost financing is required. This is also justified on country grounds, as India's long-term external capital needs exceed amounts which would constitute import financing of high-priority projects. Therefore, we have traditionally financed 50% of the total cost of projects, even when their foreign exchange content was substantially less than that.

53. The capacity to implement the proposed program will need to be watched carefully. While the numbers of operations appear manageable, it cannot be emphasized enough that a number of the new types of operations are likely to be much more staff-intensive than any projects hitherto. For example, the preparation and appraisal of a Statewide irrigation project -- e.g., that in Maharashtra, which encompasses six dams and six command areas and calls for a review and discussion of a range of Statewide issues, including the State Government budget -- will no doubt require a more intensive staff effort than a simple irrigation project.

54. The implications of the new types of projects for future administrative budgets will depend largely on the speed with which GOI institutions develop their capabilities of preparing, appraising, implementing, monitoring and supervising projects. The recent GOI decision to increase to 70% the additionality for State governments of Bank Group financing is a major breakthrough. It has created a great incentive for State governments to seek actively our assistance. This has already resulted in a longer list of mutually agreed priority projects than we have had at any previous time. This, however, is only a first step. We are pursuing with the Government the ways

in which the systematic preparation of these projects can be undertaken. A project preparation unit has been recently established in the Ministry of Agriculture, though it remains weak. Several States, with the encouragement of the Center, have recently established multi-disciplinary project preparation and monitoring units for irrigation projects. The Ministry of Finance plans to introduce a simplified and more effective monitoring system for the preparation of Bank Group projects. We are also exploring the feasibility of GOI establishing a project preparation facility which could be made available to project authorities for financing consultant services. In connection with the first of our Statewide medium irrigation projects, GOI has established a special central unit which we will monitor and which will appraise State schemes on the basis of mutually agreed criteria. How well these various arrangements work will have much to do with our capacity to implement the proposed program and its implications for our future budgets.

55. The increase in the number of operations expected in the next five years also has serious implications for our supervision efforts. As of September 30, 1977 we had 65 projects under implementation. By September 30, 1982 we will have roughly 100 projects under implementation, an increase of some 54%. To manage this huge supervision task, we are taking measures to improve the effectiveness and efficiency of project supervision. This includes (i) identifying problems which have a sector-wide or multi-project impact, (ii) taking more advantage of Program staff to assist in supervision, (iii) development of local capacity to supervise subprojects, and (iv) more effective scheduling of supervision visits -- i.e., less frequent supervision of relatively trouble-free projects so staff can give higher priority and more frequent attention to projects with difficult problems. We have found that frequent supervision very early in the project cycle tends to improve implementation and reduce delays. This is particularly true, of course, with projects dealing with new institutions, new technology or new procedures. Thus, where appropriate, we intend to give high priority to intensive early supervision of projects. The payoff should be smoother implementation and much less supervision required at the later stages.

56. As noted in last year's CPP, the reduced lending for well-established repeater projects, including industrial import credits, is bound to have an effect on disbursements. In formulating new types of projects we are paying attention to disbursement considerations (e.g., taking shorter time slices, reviewing and simplifying contracting procedures). Our target is to maintain annual disbursement levels at not less than 30% of the beginning undisbursed pipeline in any fiscal year. This should be achievable, given our past experience, and compares favorably with most other countries' programs. However, this would still mean that by the beginning of FY83, the undisbursed pipeline of Bank Group lending to India would be US$4.6 billion, compared with US$2.0 billion at the beginning of FY78.

WORLD BANK PROGRAM

Agricultural and Rural Development

57. The new Government has indicated its determination to increase efforts at developing the rural sector, including increased public expenditure on agriculture, particularly irrigation. The close relationship that has developed between the Bank and the GOI in agriculture is highly favorable to Bank operations in this sector. There are no major obstacles in matters of sector policy between the Bank and the GOI. Recent adjustments in Center/State relations, whereby States will receive a significantly increased portion of Bank disbursements on projects executed by the State in addition to normal Center-State transfers, will increase the incentives of State Governments to seek Bank Group project assistance. The sector can absorb more Bank Group funds than it has in the past, and we are planning accordingly. We expect to commit an average of US$700 million per year over the next five years on agricultural projects compared with US$310 million per year for the last five years. As before, the thrust of the program is in increasing foodgrain production, particularly by investment in surface irrigation and groundwater development. The program is also geared to assisting small farmers and the rural poor, not only to increase food crops but to increase incomes through cash crop development as well.

58. There is now a wide consensus within the GOI as well as in the Bank that irrigation is a crucial determinant of increased agricultural productivity, not only because of the direct effects of improved water control, but because of its role in encouraging adoption of other components of a higher-yielding technology. The GOI and State governments have traditionally spent roughly half of total expenditures in agriculture on major and medium surface irrigation schemes; additional amounts are spent on public and private groundwater development. In the past several years the Government has attached great importance to increasing the pace of completion of surface irrigation schemes; the pace has quickened to about one million hectares a year since 1974/75 after two decades at about half that rate. The GOI and State governments have stepped up expenditures to correspond to higher physical goals. It is expected that irrigation development will be further accelerated in the next several years.

59. The Bank's program reflects this priority by programming for surface irrigation just under half of Bank Group funds for agriculture. Irrigation projects suit well the Bank's goals of lending for high-priority projects, allowing discussion of important policies, using Bank expertise and committing funds efficiently. The Bank has been making progress, albeit slowly, on improving standards of irrigation system operation and design, on improving on-farm development and standards of irrigated agriculture, and on creating awareness at the State level of the need to raise water rates. There has been some encouraging progress on the Ganga waters dispute between India and Bangladesh; its resolution would open several river basins to Bank involvement and increase the scope for Bank operations in India's irrigation development.

60. Because of the very long gestation periods of some large irrigation/CAD projects, we have moved toward financing a time-slice of both CAD and infrastructural development in the projects we help fund. An extension of this approach now being implemented is to consider several irrigation schemes in a single State and to finance a time slice of these in a single project. This approach is designed to have a greater impact on efficiency by encouraging State-wide involvement in design criteria and in the pace of project completion. Moreover, by involving all concerned staff of a State in the new criteria, the solutions developed are likely to have a more lasting impact than if their application was limited to the staff associated with a single project. Finally, this approach can be expected to reduce the lag between commitment and disbursement. This approach could lead in the case of some States to inclusion of all irrigation schemes planned during a defined time period; in this case, the operation would be essentially a sector loan or credit.

61. The Orissa irrigation project, approved by the Board in September of this year, incorporates elements of this approach; we reached agreement with the Government of Orissa on criteria to apply to Bank-assisted medium irrigation projects and stand ready to help finance any projects that meet these criteria. For this project we are using a specially created appraisal unit in the Central Water Commission to appraise individual subprojects. The successful functioning of this unit at the Center would allow the development of a line-of-credit approach to irrigation medium financing. The Gujarat irrigation project scheduled to be presented in June 1978 is similar in form. We have begun investigations into Maharashtra's irrigation sector which may result in a composite irrigation project including a number of individual irrigation/CAD schemes and related agricultural components. It is still uncertain if and when the State governments and the Bank will reach a sufficiently close understanding and identity of views on irrigation policies to allow a true sector operation, but we are working toward that end.

62. In agricultural credit, the Bank will continue working through the Agricultural Refinance and Development Corporation (ARDC). Lending to ARDC allows the Bank to discuss sector-wide policies and establish uniform lending criteria which seek to strengthen in various ways agricultural credit institutions. ARDC also serves as a vehicle for efficient resource transfer. Future operations will focus on upgrading the technical standards of investment financed and will earmark somewhat higher proportions for non-groundwater lending such as cash crop or export crop development, animal husbandry and fishery development.

63. One sector policy issue of recent concern in agricultural credit involves the control of groundwater development. Projects financed with IDA funds have included well-spacing criteria to minimize the risk of over-exploitation of this valuable water resource. However, in some States the role of institutional credit in financing wells is too limited for the spacing criteria to provide effective control over groundwater exploitation. We have urged GOI and the States where the control problem exists to adopt State-wide legislation to control the exploitation of groundwater directly rather than by limiting access to institutional finance. Should the problem become

sufficiently severe, the Bank may have to limit IDA funds to States that do have adequate control over groundwater development.

64. Another major thrust of the Bank's program is State-level agricultural development through the transfer of new technology and institutional strengthening. This approach deals with a variety of components of State governments' agricultural service delivery systems, attempting to improve their organization, management and effectiveness with the ultimate aim of increasing farmers' productivity and income. Perhaps the best examples of this approach have been the six extension and research projects -- Orissa, Assam, West Bengal, Madhya Pradesh, Rajasthan and the upcoming Bihar project -- over the last two years. The Bank will continue to seek ways to encourage the spread of the reorganized extension system to other parts of India, because of its great potential for raising the incomes of the mass of Indian farmers irrespective of the size of their agricultural holdings. The exact form of the Bank's involvement is currently being reconsidered. We may help extend the system to other States by individual, State-wide projects as in those mentioned above, by including State-wide or smaller extension components in our irrigation/CAD projects as was done in several cases, by formulating a composite or multi-State extension and research component, or by some combination of all these. In any case, having contributed to the development of the promising approach, we will encourage its implementation across India. We have included several projects over the next five years that can be used to pursue a State-level agricultural development approach. These are tentatively identified as an extension and research project covering two or more states, and a number of deep tubewell projects designed to improve the efficiency of water use.

65. Development of rainfed agriculture presents a special set of problems that have received insufficient attention in the past, both in the GOI's agricultural strategy and in the Bank's lending program. Only a quarter of Indian cropped area is currently under irrigation, and even when all surface and groundwater irrigation potential is fully developed, half of the area farmed will remain dependent solely on rain for crop moisture. Much of this land is located in semi-arid or arid areas where agriculture is quite different from that in wet or irrigated areas. Although land holdings are on average somewhat larger in dry areas, the lower yields mean farm incomes are low and rural poverty is as much of a problem as in more densely settled areas. The cropping pattern in dryland areas contains a higher proportion of coarse grains -- maize, millet, milo, sorghum, barley -- and pulses. Although there has been genetic improvement in some of these, they have suffered in comparison to the technological breakthrough in rice and wheat. Furthermore, raising yields in dry areas requires different approaches to farming systems -- packages of inputs and cultural practices -- and these different approaches have yet to be as satisfactorily developed as in irrigated agriculture.

66. The International Crop Research Institute for the Semi-Arid Tropics (ICRISAT), which is located in India, is working on the technical aspects of dryland farming. The Bank has supported the GOI's Drought Prone Areas Project with one operation, and we are discussing with the GOI the possibility of a second project in the future. These area-based projects attempt to deal with the agricultural problems of low-rainfall areas as well as poverty and

income instability by developing both farm and non-farm sources of income which are less dependent on rainfall. We plan a program of sector work on the problems of rainfed areas which we expect to lead to a new type of project, and two rainfed projects appear in our program for the first time. On a more widespread basis, our extension and research projects are already covering rainfed as well as irrigated areas in the wetter Eastern Region and in a small part of the drier unirrigated areas of Madhya Pradesh and Rajasthan. As these projects are taken up in more States on a State-wide basis, even where they are associated with irrigation projects as in Gujarat and Maharashtra, we expect the coverage of dry areas to expand.

67. Still another portion of our program in agriculture is cash or specialty crop development. This area includes cotton, dairy, marine and inland fishery, forestry, fruit and vegetable, and oilseed development and agro-industrial processing. The Bank has much worldwide experience to offer India in helping develop smallholder cash crops. Some of these programs can be regarded as poverty alleviation programs, both because of the traditional structure of production and because of the Bank's approach. Cash crops are often grown by farmers with little land, because of the high value of output per hectare and the labor-intensity of many of the crops; dairying is often the occupation of the landless or near landless in India, and even the smallest farmer often has a cow with excess milk to sell; traditional fishermen are among the poorest in India.

68. The Bank's program in dairy development serves to point to the scope for improved production and organization of this type of activity. The Bank has supported three dairy development projects in Karnataka, Rajasthan and Madhya Pradesh, all based on the successful Amul Cooperative model developed in Gujarat. In each case, the Bank helped fund the facilities needed for the various levels of the cooperative societies to supply extension and marketing services to individual members. The experience has been highly favorable, with rapid growth of cooperative membership and the development of strong viable cooperatives due to the great improvements in village marketing efficiency possible under this approach. Two further projects, both at the national level, appear in our current operations program. The projects would help fund creation, using well-developed and successful criteria, of additional dairy cooperative societies whose members would be mostly small farmers and landless families. The improved efficiency of the marketing arrangements has the effect of raising the farmgate price of milk to the farmer and giving him a more assured market while reducing the retail prices, improving the quality, and increasing the steady supply of milk in towns.

69. The lending program in forestry, with components of cutting and reforestation in tree-dense areas integrated with a forest products industry, would result in investment in the most backward areas of India with large tribal populations using highly labor-intensive technology (80% of total costs are for labor, mainly unskilled). An additional approach being considered is farm forestry development, the main objectives of which would be the enhancement of the supply of fuelwood and building poles for village consumption.

70. In addition to the Central institutions mentioned above, the Bank's program includes assisting in the development of several Central support institutions designed to service agricultural development. One project is aimed at strengthening the National Seeds Corporation while reorganizing seed production and financing the establishment of an additional number of State Seed Corporations. Another, with the Indian Council for Agricultural Research, is designed to improve the national agricultural research system by strengthening its financing and helping ensure appropriate national research goals. A third would establish the first stage of a relationship with the National Cooperative Development Corporation through support for the development of cooperative storage facilities at the village and primary market level.

71. Our program of sector work on agriculture concentrates on the need to develop and support our lending program. The development of composite State irrigation projects will require, as a first step, State irrigation reviews to provide a more comprehensive view of the State's irrigation efforts and to clarify basic policy issues. With the completion of the Assam and Bihar foodgrain reviews last year, added to the ones in Orissa and West Bengal of the previous year, and with the decision to proceed with more narrowly focussed studies in Uttar Pradesh, the original intention to undertake foodgrain reviews in the Eastern Region has been fulfilled. Further sector work on State-level agricultural development is planned in rainfed areas and in a second-round effort in the Eastern Region. This year we intend to have a major effort in the fishery sector, reviewing policies and prospects for fresh water and marine fisheries, with the intention of identifying projects. Subsequently, we intend other speciality crop or agro-industrial sub-sector reviews to build our project pipelines in this area.

72. We intend to continue our economic work on agricultural policy issues with further work on the Government's foodgrain pricing policy. Indeed, our earlier work has demonstrated the need to broaden the scope of our interest to include various issues of foodgrain management including pricing, procurement, distribution, imports and storage. This year we intend to review changes made in the new Government's pricing policy and administrative controls over marketing. Also, we intend to review the Government buffer stocking with the aid of some conceptual tools developed in the Development Economics Department. We also have been involved in the development of a research proposal to study the interconnections between the agricultural investment strategy and the rural poor by analyzing the income distribution implications of technical innovations in agriculture.

Industry and DFCs

73. India has a large and diverse industrial sector which we have supported in a number of ways in pursuit of a variety of objectives. In the future we plan to continue in the same vein with particular emphasis, in our sector work and lending operations, on aspects which have proven elusive in the past. These aspects include greater emphasis on employment creation, the small-scale sector and export-oriented projects.

74. Development finance companies have played and will continue to play an important role in the industrial development of India. Through them we channel resources to well-prepared investments with high returns in fields consistent with Government priorities. We have also used our association with the major DFCs to develop a program of special studies carried out in connection with our projects; these studies deepen our understanding of industrial issues, and more importantly, provide the Government with valuable feedback on effects of its policies. Our association with DFCs also permits us to support the attainment and maintenance of high standards of performance.

75. Where appropriate, we will focus our DFC assistance on specific activities which deserve special attention. In the case of the Industrial Development Bank of India (IDBI) this will entail continuing support for organized small- and medium-scale industry to which IDBI channels funds through State Finance Corporations (SFCs). Also through IDBI we plan to assist joint (public/private) sector projects at the State level. The objective of both sets of operations will be to upgrade the capacity of State-level institutions to identify, prepare, appraise and implement projects and to evaluate and improve their own policies. Similarly, through the Industrial Finance Corporation of India (IFCI) we anticipate an association with the cooperative oilseeds processing sector. We also propose to continue our general support of the Industrial Credit and Investment Corporation of India (ICICI), which remains a primary source of foreign exchange for investment by private medium- and large-scale industrial enterprises and continues to be an efficient intermediary. We have emphasized for some time the importance of diversifying ICICI's sources of funds, and modest steps have been taken in this direction.

76. Given the size and sophistication of India's industrial sector and the capacity of the Bank Group, there is a strong case for continued direct lending for large industrial projects. There are a number of instances where Bank Group assistance paves the way for more efficient operation. In the fertilizer industry, for example, our participation in coming years is expected to result in the construction of larger and more efficient production units than would otherwise have been the case. This is simply a case where our involvement strengthens the hands of those who place efficient fertilizer production above the goal of utilizing the capacity of the domestic equipment industry. Direct investments are also anticipated in rock phosphate, and bauxite mining and processing.

77. India's balance of payments situation precludes further industrial imports financing at this time. In the past these operations were a convenient vehicle for discussion of industrial policy issues. We are not precluded from a policy dialogue by the absence of such operations; indeed, our continuing economic and sector work on export policy and industrial efficiency will provide the basis for a constructive dialogue. However, such policy discussions are more conveniently handled in the context of specific broad-based operations. Therefore, an attempt will be made to develop sub-sector lending for the modernization and expansion of selected industries. Engineering and coal are two subsectors in which we are exploring such possibilities with the Government.

78. Reaching very small-scale, informal, and traditional enterprises in industries like leather goods and carpet weaving, or those which produce goods and services in city slums, requires a new approach. Appraisal of individual projects is difficult, the need is for working capital rather than for fixed capital, and the primary objective is generation of substantial additional income directly for the poor. Among the issues are how to reach small-scale enterprises (SSEs), through what intermediaries, and with what sorts of institutional programs. Some of these issues are being explored in the leather goods project currently being formulated. Because it is directed towards exports, the problem of demand is not significant. If the overseas demand is highly elastic, such an export orientation is the best way of ensuring that expansion of output benefits producers. However, the appropriate institutional form is difficult to determine. Because of the experimental nature of our programs in the SSE area, more than one approach will probably be tried and the lessons learned may then be applied in other areas like small-scale textiles and light engineering industries.

79. Quite apart from the Bank's operational program for SSEs, there are a number of major policy issues, such as the efficiency of GOI's current policies of protection for, and promotion of, small-scale industry, and the wisdom of a proposed policy of shifting production from large to small enterprises by administrative control as a means of generating employment. The former issue is being explored in a study being undertaken under the second IDBI-SFC project. Both should be illuminated by a proposed DPS research project on SSEs. In addition, the latter question, which is currently very topical in India, will be examined in our own regional economic work program on employment.

Energy

80. Our program of lending in the energy sector represents about one-fifth of our total program. A small part of this is in the oil and gas and coal sectors. We plan three operations in these sectors over the next five years -- two follow-up efforts to the Bombay High project and a first project in the coal sector. By far the bulk of our program is in the power sector, which is the energy subsector with the most acute supply problems. Although the present power supply is vastly improved over the period of the early 1970s, when crippling power cuts caused serious economic disruptions, local and seasonal power cuts continue and power scarcity permeates the economy. Solutions to this lie in better management of existing capacity, fuller integration of State power systems into a national system of production and transmission, considerably more investment in generation capacity, and rational pricing policies to control demand by giving the right economic signals to consumers and to raise resources to help finance new investment.

81. Since 1950, the Bank has extended loans and credits totalling US$775 million to the Indian power sector. Almost twice as much lending -- US$280 million per year -- is included in our program through FY83, but this is only a fraction of the total investment needed. The Bank's past involvement has resulted in sound projects, in certain specific institutional improvements, especially in financial matters, and in a greater awareness throughout the sector of the need to raise tariffs. We have also been seeking to strengthen

the Central Electricity Authority and to ensure that existing legislation does not preclude sound financial practices by State Electricity Boards. However, major problems of institutional structure, efficiency of resource use, national integration and tariff policies remain.

82. We propose that most of the economic and sector work on the energy sector -- apart from that undertaken in the course of project preparation in the fuel sub-sectors -- in the next few years be devoted to the investigation of the problems affecting power development. As many of these problems need to be addressed largely at the State level, we intend to make an in-depth evaluation of the operations and finances of one State Electricity Board, probably Maharashtra's. This evaluation would be designed to serve as a model for similar work in other SEBs to be carried out by a strengthened CEA. We also intend a broad review of objectives and performance in the sector to better clarify issues for the Bank's operations.

Human Resources

83. In official pronouncements the new Government attaches high priority to family planning, now termed family welfare, and retains most of the objectives and policies which constituted the National Population Policy (all now on an explicitly voluntary basis) with the exception of explicit performance targets. However, the major operational emphasis in the first months of the new Government was to expose abuses committed during the Emergency. The family welfare program is intended to become more closely integrated with a vitalized rural health program, with an emphasis on training village level workers to provide basic preventive and limited curative care. The program is to concentrate on primary health centers where part-time village level health community workers would receive three months' training in basic sanitation, maternal and child health, referral, educational and motivation skills. However, this plan has been criticized for failing to take into account the institutional barriers which have stymied such projects before, and for lacking a sufficient allocation of resources to be effective. Further operational questions are raised by continuing delays in the preparation of specific program proposals by the new Ministry of Health officials and by the dichotomy between Central Government pronouncements in apparent support of a vigorous program and the almost total lack of response to any family planning activity at the village level, which has thus far stymied efforts to revitalize a voluntary program. In this context, an effort by the Bank to formulate a second population project would be premature at the moment, but in anticipation that these obstacles will be overcome during the year, additional lending for family planning is included in the lending program. The progress of the project depends crucially on how well the commitment of the new Government to the broad objectives of the National Population Policy is translated into an effective program of action that can be broadly implemented.

84. Interest developed during the year in the formulation of a State-level nutrition project. A nutrition brief on India has been prepared which identified the major nutritional problems and surveyed Government policies and programs. Calorie deficiency, particularly for women and children, is the most serious problem; however, the wide incidence of dietary imbalances

has also led to many serious nutritional diseases which contribute to high rates of morbidity. In response to informal discussions with GOI, a tentative project outline which emphasizes improving the utilization of existing food supplies through (i) the integration of health, family planning, and nutrition in the context of the rural health program; (ii) some fortification of mass consumption goods (tea, salt); and (iii) nutrition education and training. Production components directed toward specific dietary imbalances may be important depending on location and other project characteristics. An identification mission is planned for FY78 pending the receipt of GOI's actual project outline which will focus on a subset of the above or similar components which can be effectively integrated into an administratively coherent project. It is anticipated that the project would focus initially on one or more States which had already had some experience with and commitment to nutrition activities.

85. In education, the emphasis continues on agricultural training through the agricultural research and extension projects. Although the latter are not officially classified as human resource projects, they in fact focus on an extremely innovative and successful approach to non-formal adult training which has become a model for directly productive human resource development in agriculture. During the year the Education Division prepared an education sector brief for South Asia. It points out that the Indian school-age population is expected to grow slowly or not at all after 1981. If this occurs, universal primary school enrollment can be achieved without massive additional expenditures, and pressures on secondary expansion may also diminish somewhat. Given these prospects, plus the present incidence of unemployment among educated manpower, comparatively unfavorable rates of return to tertiary schooling and its disproportionate share (25%) of total educational expenditure, there appears to be no strong economic case for general support to the expansion of education. However, the brief does note the need for selective, innovative approaches in the non-formal sector which could address some of the serious structural problems facing Indian education: the lack of appropriate curricula, the high dropout rate (60% before grade 4), regional and social disparities in enrollment ratios. Over the next year further background work in this sector will be pursued with attention to these issues; a memorandum under preparation is intended to serve as a basis for discussion with the Government on possible lending for non-farm vocational training and for projects aimed at increasing the internal efficiency of the formal educational system to permit increased coverage of neglected areas without increasing costs.

Railways and Telecommunications

86. To date, the Bank Group has supported thirteen railways projects and six telecommunications operations extending a total of US$896.7 million and US$368 million in loans and credits to Indian Railways and the Post and Telegraphs Department of GOI, respectively. The Bank has played a crucial role in the gradual institutional and policy reform of both sectors through these projects. It was decided at last year's CPP review to phase out our lending with two more projects in each sector, on the grounds that our activities in these sectors offered less scope for institution-building than in other sectors.

87. We have used the proposed railways operation for the current fiscal year to develop programs of rehabilitation and modernization for selected railway industries -- namely, wheels and axles, locomotive and rolling stock manufacture and maintenance. These programs appear likely to lead to important technical improvements and economic savings for Indian Railways. Moreover, they have reopened the possibility of a continued significant institution-building role for the Bank in this sector with primary focus on the improvement of efficiency in railway industries. Given the nature of issues and problems that have been identified, this will not be a short-term affair. Therefore, in addition to the FY78 project, the proposed program includes two further operations in FY80 and 82.

88. Moving away from our earlier technical and institutional concerns in the telecommunications sector, in the context of the next operation (proposed for FY79), we plan to address the crucial sector problems of excess demand for connections and chronic congestion of existing services. We hope to develop a substantial policy dialogue with GOI on such strategic issues as: the tradeoffs between improved service standards and system extension, policies for the allocation of new connections, and the potential role of modified tariff policies in reducing congestion and in generating additional resources for investment. This should form the basis for agreement on a well-defined time-bound program to deal with these problems. In the event that such a program can be defined in connection with the proposed FY79 project, we believe that there is every chance that another operation about three years later would be fully warranted in support of this program.

Urban Development and Sanitation

89. The first phase of our urban lending strategy has concentrated on the problems of three of India's largest cities - Calcutta, Bombay and Madras. In Calcutta and Madras we have supported an integrated package of urban services; in Bombay the approach has been support of larger but more limited components of urban transport and water supply; in all three cases, strengthening of the metropolitan authority is a major objective of the lending.

90. While continuing our involvement in the problems of major cities, we are helping to define a second phase in which the focus will be at the State level, where most responsibility for urban development rests. This will permit the Bank to learn about and contribute to policy formulation and to deal with the State's line departments which are responsible for various aspects of urban development. Moreover, it offers the opportunity to contribute to the development of smaller towns and cities where economic growth must be concentrated if the pressures of urbanization are to be diverted from major metropolitan centers. Preliminary work toward project identification is underway in Tamil Nadu, and several other States are under consideration as possible candidates for future State-level projects.

91. Employment generation through encouragement of small-scale enterprise will be an essential element of our approach to urban development, whether dealing with major cities or the State government; both the Madras and the Calcutta II projects contain components for small-scale enterprise

development. In addition, several projects outside the formal urban definition nevertheless have their primary impact on urban employment. The Leather Industry project in FY79 and the Small Industries projects in FY80 and FY82 will be largely aimed at assisting urban small-scale industries.

92. With increasing pressure of population in urban areas, there has been a steady deterioration in service levels in the water supply and sewerage sector. The Bank Group has shared GOI's concern for upgrading urban service levels through a lending strategy which has supported initially the immediate requirements of major metropolitan areas. In addition to the Bombay water supply project, the water supply components of the Calcutta and Madras urban development projects have this objective in view. These initial measures are being backed by follow-up projects for Bombay and Madras which would help to augment existing water supplies based on the results of studies being conducted under the on-going projects.

93. At the same time, the Bank Group has also supported GOI's efforts to provide hitherto neglected rural areas with water at a low cost. The on-going water supply project in Uttar Pradesh supports an urban-rural mix and is aimed at promoting a sound institutional framework with the objective of establishing self-reliant and autonomous entities on a Statewide basis. Initial progress has been encouraging and GOI has proposed a project for Punjab, based on a similar pattern, which the Bank Group is supporting in the current fiscal year.

94. There has been a good deal of economic work on urban issues in India, including the Bombay Study in 1971 and the Ahmedabad and Bombay Public Finance Studies (1974 and 1976). CPS is currently doing a study of the orientation toward the poor of public utilities delivery systems. DPS is engaged in a Bombay labor market study and a small-scale enterprise research project in which much of the work will be concentrated in India. Nevertheless, many issues remain. The Region's Urban Issues Paper is an attempt to set priorities for economic work as well as an outline on operational strategy. The more promising elements include further work on public finance, a study of State-level urban institutions in one or two States and a special study of Calcutta's economic decline to see what national or State-level policies offer the best chance of reviving Calcutta.

INTERNATIONAL FINANCE CORPORATION

95. IFC's commitments in India total US$58 million to twelve companies manufacturing steel products, engineering goods, machinery, cables, ceramics, chemicals and fertilizers. After sales, cancellations and repayments, IFC's portfolio included US$24 million in loans and US$7 million in equity as of the end of June. IFC's most recent investments in India have been a special steel project (1975) and an automotive piston and pin project (1976). IFC activity in India continues to be constrained by the Government's view that IFC funds are expensive compared with funds available from bilateral aid sources or other international institutions. More generally, IFC has suffered from the

impediments which limit private foreign investment in India. Nevertheless, the Government has from time to time expressed interest in IFC assistance and IFC has maintained a dialogue with the Government to identify investment opportunities. Projects likely to involve IFC in the future would be large and technically complex, where IFC's project evaluation expertise could provide a unique service. The Government would also consider IFC financing in cases where concessionary funds are not available in sufficient amounts.

THE ECONOMIC AND SECTOR WORK PROGRAM

96. Our economic and sector work has three aims: (i) to carry out our basic economic reporting function, especially for the Consortium; (ii) to increase our understanding of salient aspects of the Indian economy, particularly of key policy issues; and (iii) to provide the background understanding for lending and to help in project identification. Although much is known about India, the amount to be learned and relearned is vast. A work program cannot feasibly be defined in relation to gaps in general knowledge to be filled, since a large multiple of available resources could be consumed in filling these gaps. Rather, the program has been devised by defining what are particularly pressing informational and analytical gaps to fill reporting, policy analysis and Bank Group operations. Our sector work is focused closely on the Bank's operations and in fact, is one part of a continuum which leads through project appraisal and supervision.

97. The economic and sector work program, which was mentioned in the earlier sections on individual sectors, is discussed in detail in Attachment 5 and its phasing is shown in the accompanying table. In the past several years we have completed major work on energy, with an update on the oil and gas sector and on export performance and policy. In addition, there have been a series of special studies on capital and growth, agricultural pricing and investment, small farmer development, forestry, population, nutrition, and rural poverty. In future work the major focus will be on agriculture and industry with work on broad policy issues in both sectors, including foodgrain management, industrial strategy and employment issues in both sectors. The investment made in work on energy, trade policy, and population will be maintained with follow-up pieces. In operationally-orientated sector work our main effort is on the agricultural sector, particularly with State-level irrigation reviews, but with some sector work on the urban, energy, water, industry, population and other social sectors as well.

CONCLUSIONS AND RECOMMENDATIONS

98. India's democratic tradition was reasserted and deepened in the past year with the calling of the parliamentary elections, the formation of a new Government, the ending of the emergency and the consolidation of power by the Janata Government. The economic situation continued to improve in most respects with the outlook for a good year in 1977/78 and a growing glut of foodgrains and foreign exchange.

99. The major recommendations of this CPP are:

(i) that India is creditworthy for Bank lending of US$250 million in FY78, US$350 million in FY79 and FY80, and US$400 million thereafter; India would remain creditworthy for higher amounts if present growth rates persist with increased absorption of imports (para 44); and

(ii) the broad sectoral balance approved last year should be reaffirmed (para 45). Compared with earlier periods, this implies an increased proportion of lending in the agricultural and urban sectors, a decreased proportion (and changed emphasis) in railways and telecommunications, and approximately unchanged shares for the energy and industrial sectors.

INDIA - ACTUAL AND PROPOSED LENDING THROUGH 1983
(US$ Millions)

Population : 610 million (mid-1975)
GNP Per Capita: US$151 (1975)
Area : 3.268.580 sq. km.
Literacy Rate:: 36% - 10 years and over (1971)

		Through FY73	Actual FY74	FY75	FY76	FY77	Current FY78	Program FY79	FY80	FY81	FY82	FY83	Total FY69-73	Total FY74-78	Total FY78-82	Total FY79-83	Reserve Projects
Agriculture - Kans Grass	IBRD	10															
DFC - Irrigation, Flood Control	IBRD	19.5															
Punjab Flood Protection, Drainage	IDA	10															
Tubewell Irrigation	IDA	6															
Irrigation - Shetrunji	IDA	4.5															
Irrigation - Salandi	IDA	8															
Irrigation - Sone	IDA	15															
Irrigation - Purna	IDA	13															
Irrigation - Kadana	IDA	35															
Irrigation - Pochampad	IDA	39															
Irrigation - Godavari Barrage	IDA			45													
CAD - Chambal (Rajasthan)	IBRD		53														
CAD - Rajasthan Canal	IDA			83													
CAD - Chambal (Madhya Pradesh)	IDA			24													
Irrigation/CAD - Andhra Pradesh	TW				145												
Irrigation/CAD - Tamil Nadu	IDA					23											
Irrigation/CAD - Maharashtra	IDA						70										
Irrigation/CAD - Orissa	IDA						58										
Irrigation/CAD - Karnataka	IDA						120										
Irrigation/CAD - Gujarat	IDA/IBRD						60/20										
Irrigation/CAD - Haryana	IDA							110*									
Irrigation/CAD - Punjab	IDA							120									
Irrigation/CAD - Maharashtra II	IDA								200								
Irrigation/CAD - Madhya Pradesh	IDA								150								
Irrigation/CAD - Medium	IDA									100*							
Irrigation/CAD - Medium	IDA									150							
Irrigation/CAD - Composite Gujarat	IDA									155							
Irrigation/CAD - Medium	IDA										100						
Irrigation/CAD - Medium	IDA										100*						
Irrigation/CAD - Major	IDA										200*						
Irrigation/CAD - Medium	IDA											100*					
Irrigation/CAD - Medium	IDA											100					
Irrigation/CAD - Major	IDA											300					
Public Tubewells - Uttar Pradesh	IDA								50*								
Public Tubewells II	IDA										50						
Public Tubewells III	IDA											100					
Agricultural Credit - Gujarat	IDA	35															
Agricultural Credit - Punjab	IDA	27.5															
Agricultural Credit - Andhra Pradesh	IDA	24															
Agricultural Credit - Haryana	IDA	25															
Agricultural Credit - Tamil Nadu	IDA	35															
Agricultural Credit - Mysore	IDA	40															
Agricultural Credit - Maharashtra	IDA	30															
Agricultural Credit - Madhya Pradesh	IDA	33															
Agricultural Credit - Uttar Pradesh	IDA	38															
Agricultural Credit - Bihar	IDA		32														
Agricultural Credit - ARDC I	IDA			75													
Agricultural Credit - ARDC II	IDA					200											
Agricultural Credit - ARDC III	IDA							200									
Agricultural Credit - ARDC IV	IDA									200							
Agricultural Aviation	IDA	6															
Wheat Storage	IDA	5															
Grain Storage II	IDA						107										
Cooperative Storage & Distribution (NCDC)	IDA							13									
Grain Storage III	IDA									100							
Marine Fisheries - Gujarat	TW/IDA					16/4											
Marine Fisheries - Andhra Pradesh	IBRD						25										
Marine Fisheries - Kerala	IDA							20									
Marine Fisheries - Karnataka	IDA								30								
Marine Fisheries V	IDA											40*					
Inland Fisheries - Andhra Pradesh	IDA							25									
Inland Fisheries II	IDA										40						
Integrated Cotton Development I	IDA				18												
Integrated Cotton Development II	IDA									65							
Agricultural Development - West Bengal	IDA			34													
Agricultural Development - Kerala	IDA					30											
Agricultural Development - Orissa	IDA					20											
Agricultural Development - Tree Crops	IDA											40					
Tarai Seeds	IBRD	13															
Seeds Development I	IBRD				25												
Seeds Development II	IDA						16										
Oil Seed Development/Processing I	IDA										50						
Extension and Research - Assam	IDA					8											
Extension and Research - Bihar	IDA						8										
Extension and Research - West Bengal	IDA					12											
Extension and Research - Madhya Pradesh	IDA					10											
Extension and Research - Rajasthan	IDA						13										
Extension and Research - Composite	IDA							30									
National Research	IDA							50									
Rainfed Agriculture I	IDA								20								
Rainfed Agriculture II	IDA											50					
Drought Prone Areas I	IDA			35													
Rural Development	IDA										50*						
Hort. Processing & Marketing - H.P.	IDA		13														
Hort. Processing & Marketing - J&K	IDA							10*									
Agro-Industries - Unidentified	IDA											40*					
Forestry Technical Assistance	IDA				4												
Forestry - Social	IDA								20								
Forestry - Plantation	IDA									30							
Agricultural Markets - Bihar	IDA	14															
Agricultural Markets - Mysore	IDA	8															

		Through	Actual				Current	Program					Total	Total	Total	Total	Reserve
		FY73	FY74	FY75	FY76	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY69-73	FY74-78	FY78-82	FY79-83	Projects
Dairy - Karnataka	IDA		30														
Dairy - Rajasthan	IDA			16.4													
Dairy - Madhya Pradesh	IDA			27.7													
National Dairy I	IDA						73										
National Dairy II	IDA								100								
Livestock	IDA										40						
Export Crops - Cashew	IDA								50*								
Export Crops II	IDA										45*						
Karnataka Sericulture	IDA									15							
Uttar Pradesh Sericulture	IDA										25						
Sub-total - Agriculture	IBRD(TW)	42.5	52	-	170(145)	(14)	45	-	-	-	-	-	13	281	45	-	
	IDA	451	75	340.1	22	207	525	580	620	815	700	770	349.9	1269.1	3240	3485	
Population I	IDA	21.2															
Population/Nutrition	IDA							40									
Population/Nutrition	IDA																30(FY82)
Agricultural Universities	IDA	12															
Education - Rural Training	IDA																30(FY80)
Sub-total - Human Resources	IDA	33.2	-	-	-	-	-	40	-	-	-	-	33.2	-	40	40	
ICICI I	IBRD	10															
ICICI II	IBRD	10															
ICICI III	IBRD	20															
ICICI IV	IBRD	20															
ICICI V	IBRD	30															
ICICI VI	IBRD	50															
ICICI VII	IBRD	25															
ICICI VIII	IBRD	40															
ICICI IX	IBRD	60															
ICICI X	IBRD	70															
ICICI XI	IBRD			100													
ICICI XII	IBRD						80										
ICICI XIII	IBRD									80*							
IDBI (SFC) I	IDA	25															
IDBI (SFC) II	IBRD				40												
IDBI (SFC) III	IDA										80						
IDBI I	IBRD						25										
IDBI II	IDA									50							
IDBI III	IBRD											50					
Steel - IISCO I	IBRD	31.5															
Steel - IISCO II	IBRD	20															
Steel - IISCO III	IBRD	30															
Steel - Tata I	IBRD	75															
Steel - Tata II	IBRD	32.5															
Industrial Imports I	IDA	90															
Industrial Imports II	IDA	100															
Industrial Imports III	IDA	150															
Industrial Imports IV	IDA	65															
Industrial Imports V	IDA	125															
Industrial Imports VI	IDA	75															
Industrial Imports VII	IDA	75															
Industrial Imports VIII	IDA	100															
Industrial Imports IX	IDA		150														
Industrial Imports X	IDA			200													
Industrial Imports XI	IDA				200												
Fertilizer - Cochin	IDA	20															
Fertilizer - Gorakhpur	IDA	10															
Fertilizer - Nangal	IDA	58															
Fertilizer - Trombay	IDA		50														
Fertilizer - IFFCO	IBRD			109													
Fertilizer - Sindri	IDA			91													
Fertilizer - Industry	IDA				105												
Fertilizer - Rewas	IDA							200*									
Fertilizer - Industry II	IDA										135						
Fertilizer - Namrup	IDA											225*					
Rajasthan Rock Phosphate	IDA								100								
Industry - Bauxite/Alumina	IDA																150(FY83)
Small Industries I	IBRD								100								
Small Industries II	IBRD										50						
Leather Industry	IDA							20									
Engineering Goods	IBRD									70							
Sub-total - Industry	IBRD	524	-	209	40	-	105	-	100	150	50	50	170	354	405	350	
	IDA	893	200	291	305	-	-	220	100	50	235	225	488	796	605	830	
Bokaro - Konar	IBRD	18.5															
Durgapur	IBRD	25															
Durgapur	IDA	18.5															
Trombay Power (Tata I)	IBRD	16.2															
Trombay Extension (Tata II)	IBRD	9.8															
Koyna I	IBRD	25															
Koyna II	IDA	17.5															
Kothagudem I	IDA	20															
Kothagudem II	IBRD	14															
Seas Equipment	IDA	23															
Coal Mining	IBRD	35															
Coal Mining - IISCO	IBRD	19.5															
Power Transmission I	IBRD	70															
Power Transmission II	IDA	75															
Power Transmission III	IDA	85															
Power Transmission IV	IDA				150												
Rural Electrification I	IDA				57												
Rural Electrification II	IDA							100									
Rural Electrification III	IDA									125							
Power - Singrauli Thermal	IDA					150											
Power - Trombay III Thermal	IBRD						100										
Power - Korba Thermal	IDA						200										
Power - Ramagundam Thermal	IBRD							125									
Power - Singrauli Thermal II	IBRD								150								
Power - Korba Thermal II	IDA								150								
Power - Dahar Pong Hydro	IBRD									150							
Power - Varahi Hydro	IBRD										150						
Power - Indravati Hydro	IBRD/IDA										100/100						
Power - Kalinadi Hydro	IBRD											175					
Power - Ramagundam II	IBRD											175					

		Through FY73	Actual FY74	FY75	FY76	FY77	Current FY78	Program FY79	FY80	FY81	FY82	FY83	FY69-73	FY74-78	FY78-82	FY79-83	Reserve Projects
Bombay High Offshore	IBRD					150											
Oil and Gas Development II	IBRD								100*								
Oil and Gas Development III	IBRD									100							
Coal Development	IBRD										100*						
	IBRD	233	.	.	.	150	100	125	250	250	350	350	.	250	1075	1325	
Subtotal - Energy and Power	IDA	239	.	-	207	150	200	100	150	125	100	-	160	537	675	475	
Telecommunications I	IDA	42															
Telecommunications II	IDA	33															
Telecommunications III	IDA	27.5															
Telecommunications III	IBRD	27.5															
Telecommunications IV	IDA	78															
Telecommunications V	IDA	80															
Telecommunications VI	IBRD					80											
Telecommunications VII	IDA							100*									
Telecommunications VIII	IDA										80						
	IBRD	27.5	.	.	.	80	.	.	.	.	.	.	27.5	80	.	.	
Subtotal - Telecommunications	IDA	260.5	.	.	.	.	.	100	.	.	80	.	260.5	.	180	180	
Bombay Port	IDA	18															
Madras Port	IBRD	14															
Calcutta Port I	IBRD	29															
Calcutta Port II	IBRD	21															
Air India	IBRD	5.6															
Railways I	IBRD	34															
Railways II[a/]	IBRD	90															
Railways III	IBRD	85															
Railways IV	IBRD	50															
Railways V	IBRD	70															
Railways VI	IBRD	50															
Railways VII	IDA	67.5															
Railways VIII	IDA	62															
Railways IX	IDA	68															
Railways X	IDA	55															
Railways XI	IDA	75.2															
Railways XII	IDA		80														
Railways XIII	IDA				110												
Railways Industries	IDA						70										
Railway Industries II	IDA								100								
Railway Industries III	IDA										65						
Highways	IDA	60															
Shipping I	IDA	83															
Calcutta Urban Transport	IDA								75								
Highways II	IDA											75					
	IBRD	448.6	.	.	.	.	.	.	.	.	.	.	.	.	.	.	
Subtotal - Transportation	IDA	688.7	80	.	110	.	70	.	175	.	65	75	315	260	310	315	
Water Supply - Bombay	IDA	55															
Water Supply - Uttar Pradesh	IDA				40												
Water Supply - Punjab	IDA						40										
Water Supply - Bombay II	IBRD							185									
Water Supply - Maharashtra	IBRD							40									
Water Supply - Madras	IDA								75								
Water Supply - Rajasthan	IDA									70							
Water Supply - Karnataka	IDA									80							
Water Supply - West Bengal	IDA										100						
Water Supply - Orissa	IDA											80					
Water Supply - Kerala	IDA											70					
Urban Development - Calcutta I	IDA		35														
Urban Development - Calcutta II	IDA						85										
Urban Development - Bombay	IBRD					25											
Urban Development - Madras	IDA					24											
Urban Development - Statewide	IDA								80*								
Urban Development - Madras II	IDA									100*							
Urban Development - Calcutta III	IDA											100*					
Water Supply and	IBRD	-	-	-	-	25	-	225	-	-	-	-	-	25	225	225	
Subtotal - Urban Development	IDA	55	35	-	40	24	125	-	155	250	100	250	-	224	630	755	
LENDING PROGRAM	IBRD(TW)	1275.6	52	209	210(145)	269(14)	250	350	350	400	400	400	210.5	990	1750	1900	
	IDA	2420.4	390	631.1	684	481	920	1040	1200	1240	1280	1320	1529.6	3106.1	5680	6080	
	Total	3696.0	442	840.1	894	750	1170	1390	1550	1640	1680	1720	1740.1	4096.1	7430	7980	
	Number	95	8	12	11	13	17	17	17	17	19	16	39	61	87	86	
	(of which IDA)	(55)	(7)	(10)	(8)	(9)	(13)	(16)	(14)	(15)	(16)	(13)	(33)	(47)	(70)	(70)	
Lending Program in Constant FY77 Commitment $			542.3	965.6	959.2	750	1090.4	1209.7	1260.2	1246.2	1193.2	1141.3					
Commitment Deflator			81.3	87.0	93.2	100.0	107.3	114.9	123.0	131.6	140.8	150.7					
Standby Projects	IBRD							.	100	80	100	.					
	IDA							420	180	200	395	355					
	Total							420	280	280	495	355					
	Number							(4)	(4)	(3)	(5)	(5)					
IBRD o/s[1/] including Undisbursed		690.4[2/]	666.5[3/]	821.0[4/]	940.4[5/]	1163.1[6/]	1336.4	1604.5	1874.7	2193.4	2531.1	2869.5					
excluding Undisbursed		566.9[2/]	530.8[3/]	519.1[4/]	464.2[5/]	515.6[6/]	585.0	711.6	880.6	1061.3	1294.4	1579.0					
IBRD Gross Disbursements		1055.8	37.2	41.5	35.8	94.3	146.1	208.4	248.8	261.9	295.4	346.1	187.7				
Less: Amortization		577.5	50.3	52.6	55.2	57.6	76.7	81.8	79.8	81.3	62.2	61.5	226.2				
Equals: Net Disbursements		478.3	-13.1	-11.1	-19.4	36.7	69.4	126.6	169.0	180.6	233.2	284.6	-38.5				
Less: Interest and Charges		439.2	34.0	32.3	26.9	33.6	36.9	49.8	63.4	80.4	99.9	123.3	143.3				
Equals: Net Transfer		39.1	-47.1	-43.4	-46.3	3.1	32.5	76.8	105.6	100.2	133.3	161.3	-181.8				
IBRD/IDA Gross Disbursements		2478.2	368.1	480.2	551.5	598.7	517.6	671.9	950.7	1007.9	1225.1	1340.2	760.7				
Less: Amortization		580.3	53.8	58.2	61.6	66.4	87.3	93.4	93.9	98.3	83.8	91.5	229.0				
Equals: Net Disbursements		1897.9	314.3	422.0	489.9	532.3	430.3	578.5	856.8	909.6	1141.3	1248.7	531.7				
Less: Interest and Charges		497.5	47.4	48.1	45.7	57.4	63.5	79.1	96.8	119.1	144.7	175.0	188.8				
Equals: Net Transfer		1400.4	266.9	373.9	444.2	474.9	366.8	499.4	760.0	790.5	996.6	1073.7	342.9				

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.

November 2, 1977

INDIA: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS

($ millions)

as of September 30, 1977

Project & No.	Amount: - Original - Cancelled - Net	Date: - Approved - Signed - Effective		Closing Date	Forecast Date	FY'76	FY'77				FY'78				FY'79	FY'80	FY'81	FY'82	FY'83	FY'84	FY'85
							1	2	3	4	1	2	3	4							
Tarai	13.0	6/10/69	Orig:	12/31/76	9/30/70 (1st)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Seeds	-	6/18/69	Rev:	12/31/77	9/30/73	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 414	13.0	9/12/69	Act:	-	-	6.0	6.3	9.2	9.2	9.3	9.4										
Punjab	27.5	6/11/70	Orig:	12/31/72	9/30/70 (1st)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural Credit	-	6/24/70	Rev:	6/30/77	12/ 1/76	22.0	25.0	27.5	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 203	27.5	9/ 4/70	Act:	-	-	14.1	14.5	16.8	19.6	25.0	27.5										
Andhra Pradesh	24.4	12/15/70	Orig:	6/30/74	12/ 1/70	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural Credit	-	1/ 8/71	Rev:	6/30/77	9/30/74	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 226	24.4	5/10/71	Act:	-	-	20.3	20.5	21.1	22.4	23.8	24.4										
Second	75.0	4/27/71	Orig:	9/30/75	2/ 1/71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Power Transmission	2.1	5/ 3/71	Rev:	3/31/77	4/21/77	-	-	-	-	69.3	-	-	-	-	-	-	-	-	-	-	-
IDA 242	72.9	7/29/71	Act:	-	-	46.3	49.9	55.6	67.1	72.9	72.9										
Haryana	25.0	6/ 1/71	Orig:	3/31/75	5/13/71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural Credit	-	6/11/71	Rev:	6/30/77	1/ 7/75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 249	25.0	11/ 2/71	Act:	-	-	20.3	22.3	24.8	25.0	25.0	25.0										
Tamil Nadu	35.0	6/ 1/71	Orig:	12/31/76	5/14/71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural Credit	-	6/11/71	Rev:	12/31/77	3/31/75	31.4	33.8	35.0	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 250	35.0	11/ 2/71	Act:	-	-	27.3	27.7	29.2	29.8	31.9	33.8										
Cochin II	20.0	7/ 1/71	Orig:	6/30/75	5/14/71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fertilizer	-	7/30/71	Rev:	6/30/77	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 264	20.0	12/ 7/71	Act:	-	-	17.8	18.5	19.0	19.1	19.4	19.7										
Wheat	5.0	7/20/71	Orig:	9/30/75	6/15/71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storage	-	8/23/71	Rev:	9/30/78	3/31/77	-	-	-	-	1.6	2.5	3.5	4.2	4.8	5.0	-	-	-	-	-	-
IDA 267	5.0	11/14/72	Act:	-	-	1.2	1.2	1.3	1.3	1.3	1.5										
Ninth	60.0	10/26/71	Orig:	12/31/76	10/13/71	59.4	60.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ICICI	3.3	10/27/71	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 789	56.7	12/20/71	Act:	-	-	56.1	56.1	56.5	56.7	56.7	56.7										
Mysore	40.0	12/21/71	Orig:	10/31/75	11/30/71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural Credit	-	1/ 7/72	Rev:	6/30/77	6/30/76	29.1	32.0	40.0	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 278	40.0	9/25/72	Act:	-	-	29.0	31.2	34.3	38.0	39.0	40.0										
Bihar	14.0	2/29/72	Orig:	12/31/78	2/ 8/72	7.4	8.5	9.5	10.6	11.7	12.8	14.0	-	-	-	-	-	-	-	-	-
Agricultural Markets	-	3/29/72	Rev:	-	4/30/76	5.3	6.4	7.4	8.5	9.5	10.7	11.8	12.9	14.0	-	-	-	-	-	-	-
IDA 294	14.0	7/31/72	Act:	-	-	3.2	3.4	3.4	3.7	3.8	3.9										
Population	21.2	5/30/72	Orig:	6/30/78	5/15/72	17.4	18.4	19.2	19.8	20.3	20.7	20.9	21.1	21.2	-	-	-	-	-	-	-
Project	-	6/14/72	Rev:	-	8/30/76	8.2	9.8	11.6	13.3	14.3	15.8	16.4	17.0	17.9	21.2	-	-	-	-	-	-
IDA 312	21.2	5/ 8/73	Act:	-	-	8.3	9.8	10.8	12.1	13.7	14.6										
Education	12.0	10/24/72	Orig:	12/31/78	10/11/72	4.2	5.0	5.8	6.5	7.3	8.1	8.9	9.5	10.2	12.0	-	-	-	-	-	-
Project	-	11/10/72	Rev:	-	4/30/77	-	-	-	-	-	-	3.0	4.0	5.0	11.0	12.0	-	-	-	-	-
IDA 342	12.0	6/ 8/73	Act:	-	-	.1	.5	.6	.7	1.4	1.9										
Industrial	25.0	1/ 9/73	Orig:	6/30/77	1/ 1/73	20.0	22.0	23.0	24.0	25.0	-	-	-	-	-	-	-	-	-	-	-
Development Bank	-	2/ 9/73	Rev:	9/30/78	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 356	25.0	6/22/73	Act:	-	-	6.7	8.2	8.6	9.6	12.9	13.3										
Third	85.0	3/27/73	Orig:	9/30/77	2/26/73	72.5	79.5	82.5	84.5	85.0	-	-	-	-	-	-	-	-	-	-	-
Power	-	5/ 9/73	Rev:	9/30/78	4/21/77	-	-	-	-	60.0	67.0	72.0	78.0	82.0	85.0	-	-	-	-	-	-
IDA 377	85.0	9/28/73	Act:	-	-	20.2	28.8	35.2	50.0	62.9	69.5										
Mysore	8.0	3/27/73	Orig:	12/31/79	3/ 7/73	1.4	1.8	2.4	3.0	3.6	4.2	4.8	5.4	6.1	8.0	-	-	-	-	-	-
Agricultural	-	5/ 9/73	Rev:	-	6/30/76	.2	.5	1.0	1.2	1.5	2.0	2.7	3.3	4.0	6.8	8.0	-	-	-	-	-
IDA 378	8.0	9/ 7/73	Act:	-	-	.2	.2	.4	.7	.9	1.0										
Tenth	70.0	6/ 7/73	Orig:	12/31/78	5/21/73	29.9	36.3	42.9	48.9	54.3	59.0	63.2	66.4	68.6	70.0	-	-	-	-	-	-
ICICI	-	6/ 8/73	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 902	70.0	8/16/73	Act:	-	-	56.5	58.4	59.8	60.4	60.8	61.1										
Bombay	55.0	5/15/73	Orig:	12/31/78	4/30/73	40.2	42.2	43.9	45.7	47.5	49.8	52.5	53.8	55.0	-	-	-	-	-	-	-
Water Supply	-	6/ 8/73	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 340	55.0	3/13/74	Act:	-	-	10.8	11.0	11.6	14.7	17.7	21.9										
Madhya Pradesh	33.0	5/24/73	Orig:	12/31/76	4/26/73	30.9	32.0	33.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural	-	6/ 8/73	Rev:	12/31/77	3/31/75	21.0	24.0	25.0	27.0	31.0	33.0	-	-	-	-	-	-	-	-	-	-
IDA 391	33.0	10/10/73	Act:	-	-	20.8	25.4	30.1	33.0	33.0	33.0										
Uttar Pradesh	38.0	5/24/73	Orig:	12/31/76	4/12/73	30.6	32.5	38.0	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural	-	6/ 8/73	Rev:	12/31/77	8/ 2/77	-	-	-	-	30.6	33.0	38.0	-	-	-	-	-	-	-	-	-
IDA 392	38.0	10/31/73	Act:	-	-	17.8	18.7	20.0	24.8	30.6	31.9										

INDIA: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS

($ millions)

as of September 30, 1977

Project & No.	Amount: - Original - Cancelled - Net	Date: - Approved - Signed - Effective		Closing Date	Forecast Date	FY'76	FY'77 1	FY'77 2	FY'77 3	FY'77 4	FY'78 1	FY'78 2	FY'78 3	FY'78 4	FY'79	FY'80	FY'81	FY'82	FY'83	FY'84	FY'85
Fifth	80.0	6/19/73	Orig:	12/31/76	5/25/73	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Telecommunications	-	6/25/73	Rev:	12/31/77	2/25/77	-	-	-	62.6	67.7	73.9	80.0	-	-	-	-	-	-	-	-	-
IDA 403	80.0	7/30/73	Act:	-	-	44.6	48.9	54.2	60.8	67.7	72.9										
Calcutta	35.0	8/14/73	Orig:	12/31/77	7/27/73	34.0	34.2	34.3	34.6	34.8	34.9	35.0	-	-	-	-	-	-	-	-	-
Urban Development	-	9/12/73	Rev:	-	12/31/76	-	-	-	20.9	21.9	24.1	26.5	29.7	30.7	33.8	35.0	-	-	-	-	-
IDA 427	35.0	1/10/74	Act:	-	-	13.4	15.4	16.5	19.2	19.9	22.4										
Bihar	32.0	10/23/73	Orig:	6/30/77	10/ 3/73	17.7	18.5	27.5	32.0	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural Credit	-	11/29/73	Rev:	6/30/78	8/ 2/77	-	-	-	-	14.4	16.5	20.0	26.0	32.0	-	-	-	-	-	-	-
IDA 440	32.0	3/29/74	Act:	-	-	10.4	11.5	11.8	13.5	14.4	15.0										
Himachal Pradesh	13.0	1/ 8/74	Orig:	12/31/78	12/11/73	8.3	9.4	10.2	11.5	11.8	12.5	13.0	-	-	-	-	-	-	-	-	-
Apple Processing	-	1/22/74	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 436	13.0	9/26/74	Act:	-	-	1.3	1.3	1.3	1.3	2.3	3.1										
Fertilizer Expansion &	50.0	6/18/74	Orig:	12/31/77	5/20/74	38.0	42.0	46.0	48.0	50.0	-	-	-	-	-	-	-	-	-	-	-
Plant Operations	-	6/19/74	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 481	50.0	8/21/74	Act:	-	-	8.9	18.2	21.7	25.4	32.7	33.8										
Karnataka Dairy	30.0	6/13/74	Orig:	9/30/82	5/21/74	5.9	7.6	9.3	10.9	11.8	12.7	13.5	14.4	15.8	22.2	28.7	30.0	-	-	-	-
Development	-	6/19/74	Rev:	-	7/31/77	-	-	-	-	.4	.6	1.0	4.5	7.9	12.6	15.7	19.0	26.9	29.4	30.0	-
IDA 482	30.0	12/23/74	Act:	-	-	-	-	-	.2	.4	5										
Chambal Command	52.0	6/18/74	Orig:	4/30/81	5/29/74	9.4	10.9	12.4	14.1	15.8	17.7	19.5	21.6	23.6	33.5	45.4	52.0	-	-	-	-
Area Development	-	6/19/74	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1011	52.0	12/12/74	Act:	-	-	8.5	9.6	9.6	10.1	12.1	14.1										
Canal Command	83.0	7/16/74	Orig:	6/30/81	7/ 1/74	32.0	34.5	37.0	39.5	42.0	45.0	48.0	52.0	56.0	69.0	79.0	83.0	-	-	-	-
Area Development	-	7/31/74	Rev:	-	6/17/77	-	-	-	-	30.0	33.8	37.5	41.3	45.0	60.0	75.0	83.0	-	-	-	-
IDA 532	83.0	12/12/74	Act:	-	-	21.4	23.1	23.6	24.8	26.8	27.8										
Sindri	91.0	11/26/74	Orig:	9/30/78	11/11/74	51.7	70.8	83.7	90.0	90.4	90.7	91.0	-	-	-	-	-	-	-	-	-
Fertilizer	-	12/18/74	Rev:	-	1/31/77	-	-	53.0	68.0	80.0	86.0	89.5	91.0	-	-	-	-	-	-	-	-
IDA 520	91.0	2/27/75	Act:	-	-	13.2	19.5	39.8	53.5	61.4	63.0										
Rajasthan Dairy	27.7	12/ 5/74	Orig:	12/31/82	11/ 4/74	2.2	4.1	6.0	8.7	11.3	12.6	13.8	15.2	16.6	19.8	22.6	26.4	27.7	-	-	-
Development	-	12/18/74	Rev:	-	6/ 3/77	-	.1	.2	.3	.4	2.0	5.0	6.0	8.7	17.9	22.6	26.4	27.7	-	-	-
IDA 521	27.7	8/ 8/75	Act:	-	-	.1	.1	.2	.3	.3	.6										
Madhya Dairy	16.4	12/ 5/74	Orig:	6/30/82	11/ 4/74	1.4	2.6	3.8	5.6	7.4	8.2	9.1	9.4	9.7	11.7	13.4	16.4	-	-	-	-
Development	-	12/18/74	Rev:	-	4/30/77	-	-	.3	.3	.9	3.8	5.6	7.4	8.2	10.1	12.7	15.9	16.4	-	-	-
IDA 522	16.4	7/23/75	Act:	-	-	-	-	-	.3	.7	.8										
Drought Prone	35.0	12/ 3/74	Orig:	6/30/80	11/14/74	7.7	8.8	10.5	13.0	15.8	17.5	19.3	21.7	24.5	33.3	35.0	-	-	-	-	-
Areas	-	1/24/75	Rev:	-	9/23/77	1.5	1.9	2.1	4.8	7.4	8.9	11.0	13.0	15.0	23.0	31.0	35.0	-	-	-	-
IDA 586	35.0	6/ 9/75	Act:	-	-	1.5	1.9	2.1	4.8	7.4	8.9										
IFFCO	109.0	1/ 7/75	Orig:	3/31/79	12/ 9/74	37.2	38.1	49.0	61.0	71.9	88.0	98.6	100.2	108.6	109.0	-	-	-	-	-	-
Fertilizer	-	1/24/75	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1079	109.0	4/28/75	Act:	-	-	2.8	8.5	14.6	18.6	21.3	23.3										
Godavari	45.0	2/11/75	Orig:	6/30/80	1/10/75	16.0	19.5	23.0	27.5	32.0	34.0	36.0	38.0	40.0	44.0	45.0	-	-	-	-	-
Barrage	-	3/ 7/75	Rev:	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 532	45.0	4/ 9/75	Act:	-	-	5.7	6.2	6.9	9.9	15.3	18.0										
Eleventh	100.0	4/ 1/75	Orig:	12/31/80	3/14/75	17.1	22.7	29.7	37.2	44.5	54.1	60.0	65.6	71.0	89.4	100.0	-	-	-	-	-
ICICI	-	4/ 2/75	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1097	100.0	7/ 1/75	Act:	-	-	8.1	18.4	26.6	32.7	45.9	53.7										
Agricultural	75.0	4/15/75	Orig:	12/31/77	3/15/75	15.0	22.5	31.5	41.5	52.5	63.5	75.0	-	-	-	-	-	-	-	-	-
Refinance	-	4/28/75	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 540	75.0	8/ 5/75	Act:	-	-	18.0	26.8	31.2	37.4	54.8	75.0										
West Bengal	34.0	4/22/75	Orig:	3/31/80	4/ 4/75	1.6	2.7	3.9	5.8	7.8	9.8	12.5	15.8	18.7	32.6	34.0	-	-	-	-	-
Agricultural	-	4/28/75	Rev:	-	8/ 2/77	-	-	-	-	4.3	6.0	6.5	8.0	9.5	19.0	30.0	34.0	-	-	-	-
IDA 541	34.0	8/28/75	Act:	-	-	-	-	.5	2.0	4.3	6.0										
Chambal Command	24.0	6/17/75	Orig:	12/31/79	5/27/75	5.4	6.5	7.6	10.4	13.1	15.2	17.2	18.9	20.6	24.0	-	-	-	-	-	-
Madhya Pradesh	-	6/20/75	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 562	24.0	9/18/75	Act:	-	-	.3	1.5	1.9	2.5	3.5	4.0										
Rural	57.0	7/ 8/75	Orig:	12/31/79	7/23/75	-	-	10.0	16.8	23.5	35.0	46.5	51.8	57.0	-	-	-	-	-	-	-
Electrification	-	7/23/75	Rev:	-	4/14/77	-	-	-	-	7.7	13.9	20.0	28.0	36.0	57.0	-	-	-	-	-	-
IDA 572	57.0	10/23/75	Act:	-	-	-	-	-	1.1	3.1	4.6										
Thirteenth	110.0	8/19/75	Orig:	9/30/77	7/28/75	50.0	70.0	90.0	110.0	-	-	-	-	-	-	-	-	-	-	-	-
Railway	-	8/26/75	Rev:	9/30/78	7/22/77	-	-	-	-	-	74.0	81.0	89.0	98.0	110.0	-	-	-	-	-	-
IDA 582	110.0	10/10/75	Act:	-	-	38.6	48.4	54.0	60.0	66.8	79.5										

INDIA: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS

($ millions)

as of September 30, 1977

Project & No.	Amount: - Original - Cancelled - Net	Date: - Approved - Signed - Effective		Closing Date	Forecast Date	FY'76	FY'77 1	FY'77 2	FY'77 3	FY'77 4	FY'78 1	FY'78 2	FY'78 3	FY'78 4	FY'79	FY'80	FY'81	FY'82	FY'83	FY'84	FY'85
Uttar Pradesh	40.0	8/19/75	Orig:	6/30/80	7/29/75	3.3	5.7	7.8	11.0	15.9	19.6	22.3	26.0	30.0	38.2	40.0	-	-	-	-	-
Water Supply	-	9/25/75	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 585	40.0	2/ 6/76	Act:	-	-	-	-	-	-	.5	.7										
Fertilizer	105.0	12/16/75	Orig:	6/30/80	11/24/75	13.6	16.8	21.0	27.3	34.6	46.2	57.8	71.4	84.0	105.0	-	-	-	-	-	-
Industry	-	12/31/75	Rev:	-	8/22/77	1.0	1.3	1.8	7.0	7.5	9.8	18.4	28.7	39.9	66.8	105.0	-	-	-	-	-
IDA 598	105.0	3/ 1/76	Act:	-	-	.9	.9	1.3	7.0	7.5	9.4										
Fourth Power	150.0	1/13/76	Orig:	6/30/81	12/23/75	-	-	-	6.0	16.0	26.0	36.0	48.0	62.0	125.0	147.0	150.0	-	-	-	-
Transmission	-	1/22/76	Rev:	-	4/21/77	-	-	-	-	1.0	6.0	12.0	20.0	30.0	100.0	145.0	150.0	-	-	-	-
IDA 604	150.0	10/22/76	Act:	-	-	-	-	-	-	-	-										
Forestry Technical	4.0	12/30/75	Orig:	12/31/81	12/30/75	.2	.5	.7	1.0	1.2	1.4	1.6	1.8	2.0	2.4	3.0	4.0	-	-	-	-
Assistance	-	2/26/76	Rev:	-	8/ 5/77	-	-	-	-	-	-	-	-	2.0	2.4	3.0	4.0	-	-	-	-
IDA 609	4.0	5/17/76	Act:	-	-	-	-	-	-	-	.1										
Cotton	18.0	1/27/76	Orig:	12/31/81	12/15/75	-	.3	1.0	2.0	4.0	5.0	6.0	8.0	9.0	13.5	17.0	18.0	-	-	-	-
Development	-	2/26/76	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 610	18.0	11/30/76	Act:	-	-	-	-	-	-	-	-										
Eleventh	200.0	2/24/76	Orig:	6/30/77	2/24/76	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Industrial Imports	-	2/26/76	Rev:	6/30/78	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 616	200.0	4/ 1/76	Act:	-	-	54.2	110.5	168.6	192.0	193.5	195.0										
Andhra	145.0	5/ 4/76	Orig:	12/31/82	4/20/76	-	-	-	-	15.0	22.5	30.0	37.5	45.0	75.0	105.0	132.0	145.0	-	-	-
Pradesh - 3W	-	6/10/76	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1251	145.0	9/ 7/76	Act:	-	-	-	-	-	-	-	-										
Second	40.0	5/18/76	Orig:	6/30/81	5/ 6/76	-	-	1.6	3.5	5.7	8.8	12.6	16.6	20.8	33.3	39.0	40.0	-	-	-	-
IDBI	-	6/10/76	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1260	40.0	8/10/76	Act:	-	-	-	-	-	-	-	1.6										
National	25.0	5/27/76	Orig:	6/30/81	5/17/76	-	-	.1	1.0	2.2	3.5	5.2	7.3	10.1	19.5	24.4	25.0	-	-	-	-
Seed	-	6/10/76	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1273	25.0	10/ 8/76	Act:	-	-	-	-	-	-	-	-										
Sixth	80.0	7/ 6/76	Orig:	3/31/80	6/22/76	-	-	-	22.5	38.5	57.0	75.5	80.0	-	-	-	-	-	-	-	-
Telecommunications	-	7/22/76	Rev:	-	2/25/77	-	-	-	13.3	26.3	37.2	52.0	56.5	56.3	80.0	-	-	-	-	-	-
IBRD 1313	80.0	9/14/76	Act:	-	-	-	-	8.4	18.2	25.9	33.3										
Urban	25.0	10/26/76	Orig:	6/30/80	10/12/76	-	-	-	-	5.1	7.3	9.9	13.1	15.6	24.1	25.0	-	-	-	-	-
Transport	-	12/20/76	Rev:	-	6/30/77	-	-	-	-	-	4.6	7.2	12.0	15.0	23.5	25.0	-	-	-	-	-
IBRD 1335	25.0	3/10/77	Act:	-	-	-	-	-	-	-	1.1										
Kerala	30.0	2/17/77	Orig:	3/31/85	1/25/77	-	-	-	-	-	-	.3	.7	1.2	4.0	9.0	15.2	21.2	25.6	28.6	30.0
Development	-	4/ 1/77	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 680	30.0	6/29/77	Act:	-	-	-	-	-	-	-	-										
Orissa	20.0	2/22/77	Orig:	12/31/83	2/ 9/77	-	-	-	-	-	-	-	.2	1.2	6.7	11.3	15.4	18.6	20.0	-	-
Development	-	4/ 1/77	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 682	20.0	6/28/77	Act:	-	-	-	-	-	-	-	-										
Thermal	150.0	3/ 1/77	Orig:	12/31/83	2/ 4/77	-	-	-	-	-	-	-	-	10.0	60.0	110.0	136.0	145.0	150.0	-	-
Power	-	4/ 1/77	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 685	150.0	6/28/77	Act:	-	--	-	-	-	-	-	-										
Urban	24.0	3/ 8/77	Orig:	9/30/81	2/15/77	-	-	-	-	-	-	.1	.2	.3	7.8	18.0	24.0	-	-	-	-
Development	-	4/ 1/77	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 687	24.0	6/30/77	Act:	-	-	-	-	-	-	-	-										
Bengal	12.0	3/22/77	Orig:	9/30/82	3/10/77	-	-	-	-	-	-	-	.8	1.6	5.0	8.3	10.7	12.0	-	-	-
Agricultural	-	6/ 1/77	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 690	12.0	8/30/77	Act:	-	-	-	-	-	-	-	-										
Fisheries	4.0	3/31/77	Orig:	6/30/83	3/16/77	-	-	-	-	-	-	-	-	.2	3.0	4.0	-	-	-	-	-
Project	-	4/22/77	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 695	4.0	7/19/77	Act:	-	-	-	-	-	-	-	-										
Fisheries	14.0	3/31/77	Orig:	6/30/83	3/16/77	-	-	-	-	-	-	-	-	-	-	4.3	10.0	13.4	14.0	-	-
Project - 3W	-	4/22/77	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1394 1/	14.0	7/19/77	Act:	-	-	-	-	-	-	-	-										
Pradesh	10.0	5/12/77	Orig:	9/30/83	5/ 2/77	-	-	-	-	-	-	-	.3	.6	3.3	6.7	8.7	10.0	-	-	-
Agricultural	-	6/ 1/77	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 712	10.0	9/ 2/77	Act:	-	-	-	-	-	-	-	-										
Second	200.0	5/24/77	Orig:	12/31/79	5/12/77	-	-	-	-	-	-	10.0	30.0	60.0	155.0	200.0	-	-	-	-	-
ARDC	-	6/ 1/77	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 715	200.0	8/24/77	Act:	-	-	-	-	-	-	-	-										
Irrigation	23.0	6/ 2/77	Orig:	3/31/83	5/19/77	-	-	-	-	-	-	-	-	.4	4.0	10.8	18.1	21.6	23.0	-	-
Project	-	8/30/77	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 720	23.0	9/20/77	Act:	-	-	-	-	-	-	-	-										

INDIA: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS

($ millions)

as of September 30, 1977

Project & No.	Amount: - Original - Cancelled - Net	Date: - Approved - Signed - Effective		Closing Date	Forecast Date	FY'76	FY'77 1	FY'77 2	FY'77 3	FY'77 4	FY'78 1	FY'78 2	FY'78 3	FY'78 4	FY'79	FY'80	FY'81	FY'82	FY'83	FY'84	FY'[illegible]
Agricultural	8.0	6/28/77	Orig:	3/31/83	6/14/77	-	-	-	-	-	-	-	.1	.3	1.9	4.6	7.0	8.0	-	-	-
Project	-	6/30/77	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 728	8.0	9/30/77	Act:	-	-	-	-	-	-	-	-										
High	150.0	6/30/77	Orig:	12/31/80	6/10/77	-	-	-	-	-	-	-	50.0	80.0	143.0	150.0	-	-	-	-	-
Offshore	-	6/30/77	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1473	150.0	N.E.	Act:	-	-	-	-	-	-	-	-										
Twelfth	80.0	7/ 5/77	Orig:	3/31/83	6/22/77	-	-	-	-	-	-	-	.2	1.2	19.5	46.5	71.0	80.0	-	-	-
Industrial Credit	-	7/22/77	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 1475	80.0	N.E.	Act:	-	-	-	-	-	-	-	-										

* Balance indeterminate.
1/ To be disbursed after Credit 695 IN.

Controller's

TABLE 3A

INDIA - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOU KM2)

TOTAL 3280.5

AGRIC. 1780.7

	INDIA 1960	INDIA 1970	INDIA MOST RECENT ESTIMATE	REFERENCE COUNTRIES (1970) INDONESIA	PHILIPPINES	BRAZIL **
GNP PER CAPITA (US$)	80.0*	100.0*	150.0/a*	130.0*	230.0*	550.0*
POPULATION AND VITAL STATISTICS						
POPULATION (MID-YR, MILLION)	434.9	547.6	620.4/a	117.6	36.9	92.8
POPULATION DENSITY						
PER SQUARE KM.	133.0	167.0	189.0/a	62.0	123.0	11.0
PER SQ. KM. AGRICULTURAL LAND	252.0	306.0	348.0/a	414.0	375.0	49.0
VITAL STATISTICS						
CRUDE BIRTH RATE (/THOU, AV)	43.2	41.0	37.0	45.9	44.2	38.4
CRUDE DEATH RATE (/THOU,AV)	23.9	19.0	17.0	20.6	13.2	9.9
INFANT MORTALITY RATE (/THOU)	139.0/a	..	130.0	..	80.0	110.0
LIFE EXPECTANCY AT BIRTH (YRS)	41.7	47.2	49.5	..	55.6	59.4
GROSS REPRODUCTION RATE	3.2	2.9	2.8	3.2	3.3	2.8
POPULATION GROWTH RATE (%)						
TOTAL	2.0	2.3	2.2	2.0	3.0	2.9
URBAN	2.5/b	3.2	3.1	3.7 /a	4.0	5.0
URBAN POPULATION (% OF TOTAL)	17.9	19.8	20.6	17.5 /b	27.6	56.0
AGE STRUCTURE (PERCENT)						
0 TO 14 YEARS	41.0	41.6	40.1 /b	44.0	45.6	42.0
15 TO 64 YEARS	55.9	55.3	56.7 /b	53.5	51.6	55.0
65 YEARS AND OVER	3.1	3.1	3.2 /b	2.5	2.8	3.0
AGE DEPENDENCY RATIO	0.8	0.8	0.8	0.9	0.9	0.8
ECONOMIC DEPENDENCY RATIO	1.1/c	1.1/a	1.2 /c	..	1.5	1.5
FAMILY PLANNING						
ACCEPTORS (CUMULATIVE, THOU)	71.0	14585.0	37658.0	259.3	354.0	250.0
USERS (% OF MARRIED WOMEN)	..	..	18.7	..	2.0	1.8
EMPLOYMENT						
TOTAL LABOR FORCE (THOUSAND)	175000.0	218000.0	248000.0 /a	..	12400.0	29400.0
LABOR FORCE IN AGRICULTURE (%)	71.0	69.0	68.0	..	55.0 /a	40.4
UNEMPLOYED (% OF LABOR FORCE)	1.0/d	..	1.7	..	7.6	7.5
INCOME DISTRIBUTION						
% OF PRIVATE INCOME REC'D BY-						
HIGHEST 5% OF HOUSEHOLDS	26.7	25.0/b	..	..	..	35.0 /a
HIGHEST 20% OF HOUSEHOLDS	51.7	53.1/b	..	..	..	62.0 /a
LOWEST 20% OF HOUSEHOLDS	4.1	4.7/b	..	..	..	3.0 /a
LOWEST 40% OF HOUSEHOLDS	13.6	13.1/b	..	..	..	10.0 /a
DISTRIBUTION OF LAND OWNERSHIP						
% OWNED BY TOP 10% OF OWNERS	..	..	..	..	..	45.0
% OWNED BY SMALLEST 10% OWNERS	..	..	..	..	..	1.5
HEALTH AND NUTRITION						
POPULATION PER PHYSICIAN	5840.0/e,f	4890.0	4220.0	26370.0	..	1910.0
POPULATION PER NURSING PERSON	5310.0/e,g	5220.0/c	3680.0/d	7630.0/c	..	3220.0/b
POPULATION PER HOSPITAL BED	2590.0/h	1610.0	..	1640.0	850.0	260.0
PER CAPITA SUPPLY OF -						
CALORIES (% OF REQUIREMENTS)	95.0	92.0	89.0/e	91.0	93.0	109.0
PROTEIN (GRAMS PER DAY)	55.0	53.0	52.0/e	43.0	45.0	64.0
-OF WHICH ANIMAL AND PULSE	19.0	16.0	..	14.0	22.0	39.0
DEATH RATE (/THOU) AGES 1-4	44.0	..	..	..	6.6	..
EDUCATION						
ADJUSTED ENROLLMENT RATIO						
PRIMARY SCHOOL	38.0	65.0	79.0/b	68.0	113.0	87.0
SECONDARY SCHOOL	9.0	..	28.0/b	12.0	49.0	..
YEARS OF SCHOOLING PROVIDED (FIRST AND SECOND LEVEL)	12.0	12.0	11.0	12.0	10.0	11.0
VOCATIONAL ENROLLMENT (% OF SECONDARY)	8.0	6.0/d	..	29.0	6.0/b	17.0
ADULT LITERACY RATE (%)	24.0	33.0	36.0/b,f	59.0	..	64.0
HOUSING						
PERSONS PER ROOM (URBAN)	2.6	..	2.8	..	2.1	1.0
OCCUPIED DWELLINGS WITHOUT PIPED WATER (%)	..	..	..	..	76.0	73.0/c
ACCESS TO ELECTRICITY (% OF ALL DWELLINGS)	..	..	..	..	23.0	48.0
RURAL DWELLINGS CONNECTED TO ELECTRICITY (%)	..	..	..	..	7.0	8.0
CONSUMPTION						
RADIO RECEIVERS (PER THOU POP)	5.0	21.0	24.0	114.0	45.0	60.0
PASSENGER CARS (PER THOU POP)	0.7	1.0	1.0	2.0	8.0	25.0
ELECTRICITY (KWH/YR PER CAP)	46.0	114.0	143.0	20.0	235.0	491.0
NEWSPRINT (KG/YR PER CAP)	0.2	0.3	0.3	0.3	2.0	2.7

SEE NOTES AND DEFINITIONS ON REVERSE

NOTES

Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961, for 1970 between 1968 and 1970, and for Most Recent Estimate between 1973 and 1975.

* GNP per capita data are based on the World Bank Atlas methodology (1974-76 basis).

** Brazil has been selected as an objective country because of its size and comparable problems of regional inequality.

INDIA

1960 /a 1951-61 average; /b 1951-60; /c Ratio of population under 15 and 65 and over to labor force age 15 and over; /d Registered applicants for work; /e 1962; /f Registered, not all practicing in the country; /g Including midwives; /h 1958; /i 1960-62.

1970 /a Ratio of population under 15 and 65 and over to labor force age 15 and over; /b 1967-68; /c Including midwives; /d 1967.

MOST RECENT ESTIMATE: /a 1976; /b 1971; /c Ratio of population under 15 and 65 and over to labor force age 15 and over; /d Including midwives; /e 1969-71 average; /f Population 10 years and over.

INDONESIA 1970 /a 1961-71; /b 1971; /c Including midwives.

PHILIPPINES 1970 /a As percentage of employment; /b Not including private vocational schools.

BRAZIL 1970 /a Economically active population; /b Hospital personnel; /c Inside only.

R11, November 3, 1977

DEFINITIONS OF SOCIAL INDICATORS

Land Area (thou km²)
Total - Total surface area comprising land area and inland waters.
Agric. - Most recent estimate of agricultural area used temporarily or permanently for crops, pastures, market & kitchen gardens or to lie fallow.

GNP per capita (US$) - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1973-75 basis); 1960; 1970 and 1975 data.

Population and vital statistics
Population (mid-year million) - As of July first: if not available, average of two end-year estimates; 1960, 1970 and 1975 data.

Population density - per square km - Mid-year population per square kilometer (100 hectares) of total area.
Population density - per square km of agric. land - Computed as above for agricultural land only.

Vital statistics
Crude birth rate per thousand, average - Annual live births per thousand of mid-year population; ten-year arithmetic averages ending in 1960 and 1970, and five-year average ending in 1975 for most recent estimate.
Crude death rate per thousand, average - Annual deaths per thousand of mid-year population; ten-year arithmetic averages ending in 1960 and 1970 and five-year average ending in 1975 for most recent estimate.
Infant mortality rate (/thou) - Annual deaths of infants under one year of age per thousand live births.
Life expectancy at birth (yrs) - Average number of years of life remaining at birth; usually five-year averages ending in 1960, 1970 and 1975 for developing countries.
Gross reproduction rate - Average number of live daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970 and 1975 for developing countries.
Population growth rate (%) - total - Compound annual growth rates of mid-year population for 1950-60, 1960-70 and 1970-75.
Population growth rate (%) - urban - Computed like growth rate of total population; different definitions of urban areas may affect comparability of data among countries.
Urban population (% of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries.

Age structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population.
Age dependency ratio - Ratio of population under 15 and 65 and over to those of ages 15 through 64.
Economic dependency ratio - Ratio of population under 15 and 65 and over to the labor force in age group of 15-64 years.
Family planning - acceptors (cumulative, thou) - Cumulative number of acceptors of birth-control devices under auspices of national family planning program since inception.
Family planning - users (% of married women) - Percentages of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

Employment
Total labor force (thousand) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc.; definitions in various countries are not comparable.
Labor force in agriculture (%) - Agricultural labor force (in farming, forestry, hunting and fishing) as percentage of total labor force.
Unemployed (% of labor force) - Unemployed are usually defined as persons who are able and willing to take a job, out of a job on a given day, remained out of a job, and seeking work for a specified minimum period not exceeding one week; may not be comparable between countries due to different definitions of unemployed and source of data, e.g., employment office statistics, sample surveys, compulsory unemployment insurance.

Income distribution - Percentage of private income (both in cash and kind) received by richest 5%, richest 20%, poorest 20%, and poorest 40% of households.

Distribution of land ownership - Percentages of land owned by wealthiest 10% and poorest 10% of land owners.

Health and Nutrition
Population per physician - Population divided by number of practicing physicians qualified from a medical school at university level.
Population per nursing person - Population divided by number of practicing male and female graduate nurses, "trained" or "certified" nurses, and auxiliary personnel with training or experience.
Population per hospital bed - Population divided by number of hospital beds available in public and private general and specialized hospital and rehabilitation centers; excludes nursing homes and establishments for custodial and preventive care.
Per capita supply of calories (% of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day; available supplies comprise domestic production, imports less exports, and changes in stock; net supplies exclude animal feed, seeds, quantities used in food processing and losses in distribution; requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distributions of population, and allowing 10% for waste at household level.
Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day; net supply of food is defined as above; requirements for all countries established by USDA Economic Research Services provide for a minimum allowance of 60 grams of total protein per day, and 20 grams of animal and pulse protein, of which 10 grams should be animal protein; these standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey.
Per capita protein supply from animal and pulse - Protein supply of food derived from animals and pulses in grams per day.
Death rate (/thou) ages 1-4 - Annual deaths per thousand in age group 1-4 years, to children in this age group; suggested as an indicator of malnutrition.

Education
Adjusted enrollment ratio - primary school - Enrollment of all ages as percentage of primary school-age population; includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education, enrollment may exceed 100% since some pupils are below or above the official school age.
Adjusted enrollment ratio - secondary school - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational or teacher training instructions for pupils of 12 to 17 years of age; correspondence courses are generally excluded.
Years of schooling provided (first and second levels) - Total years of schooling; at secondary level, vocational instruction may be partially or completely excluded.

Vocational enrollment (% of secondary) - Vocational institutions include technical, industrial or other programs which operate independently or as departments of secondary institutions.
Adult literacy rate (%) - Literate adults (able to read and write) as percentage of total adult population aged 15 years and over.

Housing
Persons per room (urban) - Average number of persons per room in occupied conventional dwellings in urban areas; dwellings exclude non-permanent structures and unoccupied parts.
Occupied dwellings without piped water (%) - Occupied conventional dwellings in urban and rural areas without inside or outside piped water facilities as percentage of all occupied dwellings.
Access to electricity (% of all dwellings) - Conventional dwellings with electricity in living quarters as percent of total dwellings in urban and rural areas.
Rural dwellings connected to electricity (%) - Computed as above for rural dwellings only.

Consumption
Radio receivers (per thou pop) - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.
Passenger cars (per thou pop) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.
Electricity (kwh/yr per cap) - Annual consumption of industrial, commercial, public and private electricity in kilowatt hours per capita, generally based on production data, without allowance for losses in grids but allowing for imports and exports of electricity.
Newsprint (kg/yr per cap) - Per capita annual consumption in kilograms estimated from domestic production plus net imports of newsprint

ECONOMIC DEVELOPMENT DATA SHEET [a]

	Actual 1970/71	Actual 1971/72	Actual 1972/73	Actual 1973/74	Actual 1974/75	Actual 1975/76	Estimate 1976/77	Projected 1977/78	Projected 1979/80	Projected 1981/82	Annual % Growth Rate 1970/71-1973/74	Annual % Growth Rate 1973/74-1976/77	Annual % Growth Rate 1976/77-1981/82	1976/77 Share of GDP
National Accounts (US$ million at 1976/77 prices)														
GDP (market prices)	69810	71237	70726	73658	74136	81430	82650	87600	95879	105827	1.4	2.9	5.1	100.0
Gains from TT	1110	1369	1390	1076	- 370	-360	0	-283	-648	-1081	-	-	-	0
Gross Domestic Income	70920	72606	72116	74734	73766	81070	82650	87317	95232	104746	1.3	2.6	4.9	100.0
Imports (incl. NFS)	6227	6632	6305	151	6255	6354	6588	6728	8165	10062	3.5	1.0	8.8	8.0
Exports (incl. NFS)	4205	4333	4759	4960	5004	5295	6349	6531	7684	8821	4.2	6.4	6.8	7.7
Exports - TT adjustment	5315	5702	6149	6036	4634	4935	6349	6248	7036	7740	3.2	1.3	4.0	7.7
Resource Gap - TT adjustment	- 912	- 930	- 156	-1115	-1621	-1419	-239	-480	-1129	2322	-	-	-	0.3
Total Consumption	59646	61367	59286	62165	61300	65420	65815	71359	78109	86698	1.0	1.8	5.8	79.6
Investment	12186	12169	12986	13684	14087	17069	17074	16438	18251	20370	2.9	8.1	3.3	20.7
Domestic Savings	11274	11239	12830	12569	12466	15650	16835	15958	17122	18047	2.8	10.8	1.1	20.4
GDP at Current US$	45167	48085	52620	64524	76508	80616	82650	96360	122437	154825	12.6	8.6	13.4	100.0
Sector Output (% share of GDP)														
Agriculture	47	46	46	50	47	49	47	48	48	46	45	-	-	47.2
Industry	22	22	22	20	22	21	23	23	23	24	25	-	-	23.1
Other	31	31	31	30	31	29	30	29	29	30	30	-	-	29.7
Prices (1976/77 = 100)														
Export Price Index	52.6	56.6	60.6	73.0	92.4	96.0	100.0	105.0	118.9	136.4	8.8	16.1	6.4	-
Import Price Index	41.6	43.0	46.9	60.0	99.8	103.0	100.0	109.8	129.8	155.4	13.2	16.9	9.2	-
Terms of Trade Index	126.4	131.6	129.2	121.7	92.6	93.2	100.0	95.6	91.6	87.8	-3.8	-0.7	-2.6	-
GDP Deflator	64.7	67.5	74.4	87.6	103.2	99.0	100.0	110.0	127.7	146.3	10.9	4.4	7.9	-
Average Exchange Rate	7.5	7.444	7.706	7.791	7.976	8.653	8.939	9.0	9.0	9.0	-	-	-	-
Public Finance (As % of GDP)														
Current Receipts	14.5	16.1	16.6	15.2	16.1	18.5	19.2	-	-	-	3.0	11.0	-	19.2
Current Expenditures	14.2	16.3	16.7	15.0	14.4	16.5	17.7	-	-	-	3.2	8.6	-	17.6
Budgetary Savings	0.3	-0.2	-0.1	0.2	1.7	2.0	1.5	-	-	-	-	-	-	1.5
Public Sector Investment	5.3	5.9	5.5	4.9	6.1	7.5	7.0	-	-	-	-1.2	15.5	-	7.0

Selected Indicators	1971/72-1973/74	1974/75-1976/77	1977/78-1980/81
ICOR	10.1	5.4	3.9
Import Elasticity	2.3	0.5	2.4
Average Saving Rate (%)	17.0	18.9	17.8
Imports/GDP (%)	9.3	8.1	8.5
Investment/GDP (%)	18.0	20.3	19.0
Resource Gap/GDP	1.0	1.4	1.2

a/ Projections are based on export growth of 7% per annum, GDP growth of 5% and an overall ICOR of 3.8. These correspond to the first projection of the balance of payments discussed in more detail in Attachment 4.

Attachment 3C

IMPORT DETAIL a/
(US$ Millions)

	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82
A. Constant (1976/77) Prices												
Foodgrains	728	407	162	895	1116	1488	930	149	149	596	1043	1490
Fertilizer & Fertilizer R.M.	185	284	255	369	465	465	310	279	304	330	359	391
POL	1257	1517	1587	1953	1660	1602	1625	1761	1695	1717	1631	1680
Canalized Iron & Steel	437	737	660	585	686	357	265	265	310	362	422	452
Other Intermediate Goods	217	239	225	209	220	162	190	221	259	302	352	377
Capital Goods	1052	1175	1159	1210	1087	1085	1405	1659	1829	2035	2264	2392
Other Goods	1814	1761	1804	1478	505	728	1375	1896	2033	2258	2508	2639
Total Goods	5690	6120	5852	6699	5739	5887	6100	6230	6577	7600	8578	9422
NFS b/	537	512	453	452	516	467	488	498	514	560	603	634
Total Goods & NFS	6227	6632	6305	7151	6255	6354	6588	6728	7091	8160	9181	10056
B. Price Indices (1976/77 = 100)												
Foodgrains	39.0	43.2	64.7	67.8	96.1	110.6	100.0	107.4	123.9	148.7	185.9	200.0
Fertilizer & Fertilizer R.M.	72.0	52.8	74.1	78.9	158.7	138.3	100.0	138.0	146.0	166.3	182.9	200.5
POL	14.4	17.2	16.7	40.5	87.4	88.5	100.0	107.9	117.4	126.0	134.7	144.1
Canalized Iron & Steel	44.9	43.3	44.4	54.7	77.4	99.0	100.0	107.5	120.0	132.2	142.9	154.5
Other Intermediate Goods	47.9	50.2	53.3	65.0	84.0	93.9	100.0	108.4	117.1	125.8	134.6	144.0
Capital Goods	50.0	53.8	59.6	69.1	80.2	93.9	100.0	110.0	118.9	127.7	136.7	146.3
Other Goods	48.9	51.9	56.5	67.0	82.0	93.9	100.0	108.4	117.1	125.8	134.6	144.0
Total Goods	40.6	42.0	45.8	59.3	101.0	103.4	100.0	110.0	119.3	130.2	143.2	156.3
NFS c/	52.0	55.3	60.1	71.2	87.2	98.5	100.0	107.5	116.2	124.8	133.6	142.9
Weighted Average	41.6	43.0	46.9	60.0	99.8	103.0	100.0	109.8	119.1	129.8	143.2	155.4
C. Current Prices												
Foodgrains	284	176	105	607	1072	1646	930	160	185	886	1939	2980
Fertilizer & Fertilizer R.M.	133	150	189	291	738	643	310	385	443	549	657	784
POL	181	261	265	791	1451	1417	1625	1900	1991	2164	2196	2421
Canalized Iron & Steel	196	319	293	320	531	353	265	285	372	479	603	899
Other Intermediate Goods	104	120	120	136	185	152	190	240	303	380	474	543
Capital Goods	526	632	691	836	872	1019	1405	1825	2175	2598	3094	3498
Other Goods	887	914	1019	990	414	684	1375	2055	2377	2840	3376	3801
Total Goods	2311	2572	2682	3971	5794	6085	6100	6850	7846	9897	12340	14727
NFS	279	283	272	322	450	460	488	535	597	699	805	907
Total Goods & NFS	2590	2855	2954	4293	6244	6545	6588	7385	8443	10596	13145	15634

a/ Import projections are based on aggregate GDP growth of 5% per annum, and an overall ICOR of 3.8.

b/ Estimated as 8% of merchandise imports for 1976/77 onwards.

c/ Prices of non-factor services are assumed to move with EPD's Index of Intermediate Inflation.

EXPORT DETAIL
(US$ Million)

	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82
A. Constant (1976/77) Prices												
Jute Manufactures	277.0	330.8	286.4	278.0	290.9	254.8	224.7	258.9	274.4	282.7	291.1	299.9
Tea	235.1	248.7	231.9	230.7	276.4	285.9	327.6	398.9	430.8	452.3	474.9	498.7
Engineering Goods	317.2	306.6	318.3	393.1	559.1	482.4	639.3	692.3	789.8	876.7	973.2	1080.2
Cotton Textiles	323.4	307.3	394.6	508.4	396.6	486.6	679.7	524.0	581.6	622.4	665.9	712.5
Leather Goods	250.0	309.2	393.5	288.5	229.9	269.6	333.8	423.5	482.2	535.3	594.1	659.5
Oilcakes	127.5	107.6	145.1	185.9	121.0	142.8	250.4	275.3	308.3	336.1	366.3	399.3
Sugar	99.6	90.7	29.2	72.4	198.8	343.5	165.9	86.7	95.4	101.1	107.2	113.6
Iron Ore	312.8	293.6	303.9	347.6	318.6	333.1	266.8	315.2	349.7	381.1	415.4	452.8
Iron & Steel	406.1	179.7	203.9	118.7	136.3	144.1	317.0	403.8	448.4	488.8	532.8	580.7
Other Goods	1350.2	2129.2	1906.1	1997.2	1960.2	2127.3	2514.8	2505.0	2705.4	2846.1	2994.1	3149.8
Total Goods	3702.9	3803.4	4212.9	4420.5	4487.8	4868.1	5720.0	5883.5	6466.1	6922.5	7415.0	7947.0
NFS 1/	501.9	529.8	545.8	539.3	516.1	426.4	629.2	647.2	640.1	761.5	815.7	874.2
Total Goods & NFS	4204.8	4333.2	4758.7	4959.8	5003.9	5294.5	6349.2	6530.8	7106.2	7684.0	8230.7	8821.2
B. Price Indices (1976/77 = 100)												
Jute Manufactures	91.7	107.7	113.2	105.0	127.8	112.4	100.0	104.3	120.1	135.9	151.7	158.7
Tea	82.7	84.4	82.4	80.6	103.4	95.8	100.0	112.8	107.7	101.5	100.5	106.8
Engineering Goods	49.0	53.2	58.1	65.9	79.1	98.5	100.0	104.0	112.2	122.6	132.7	142.5
Cotton Textiles	53.0	57.4	59.6	79.5	106.0	87.6	100.0	104.0	98.0	103.7	107.5	115.0
Leather Goods	45.3	43.7	59.5	80.5	82.5	98.5	100.0	103.9	112.2	122.6	132.7	142.5
Oilcakes	58.0	50.3	66.9	123.0	99.2	69.7	100.0	101.7	94.4	92.1	97.3	106.5
Sugar	36.9	44.4	58.9	76.0	213.8	158.9	100.0	115.3	131.8	153.7	179.0	197.4
Iron Ore	48.9	49.0	46.9	49.1	63.4	74.2	100.0	104.7	112.2	122.6	132.7	142.5
Iron & Steel	33.5	32.0	27.4	65.8	84.9	57.7	100.0	104.0	112.2	122.6	132.7	142.5
Other Goods	48.8	38.8	56.4	66.8	81.7	92.3	100.0	104.0	112.4	120.7	129.2	138.3
Total Goods	52.7	56.8	60.7	73.3	93.0	95.8	100.0	104.7	107.5	118.2	126.6	135.7
NFS 2/	52.0	55.3	60.1	71.2	87.2	98.5	100.0	107.5	116.2	124.8	133.6	143.0
Weighted Average	52.6	56.6	60.6	73.0	92.4	96.0	100.0	105.0	111.0	118.9	127.3	136.4
C. Current Prices												
Jute Manufactures	253.9	356.4	324.4	292.0	370.7	286.4	224.7	270.	329.6	384.1	441.7	475.8
Tea	197.7	210.0	191.1	185.9	285.9	273.8	327.6	430	464.0	459.1	477.3	532.8
Engineering Goods	155.3	163.1	184.9	258.9	442.3	475.2	639.3	720	886.2	1074.8	1291.4	1339.3
Cotton Textiles	171.4	176.4	235.2	404.2	420.4	426.4	679.7	545	570.0	645.4	715.9	819.6
Leather Goods	113.3	135.1	234.3	232.1	189.9	263.6	333.8	440	541.0	656.3	788.4	939.8
Oilcakes	73.9	53.9	97.0	228.7	120.0	99.5	250.4	280	291.1	309.5	356.4	425.4
Sugar	36.8	40.6	17.4	54.8	424.5	545.9	165.9	100	125.7	155.4	191.8	224.3
Iron Ore	152.9	140.7	142.5	170.5	202.1	247.1	266.8	330	392.4	467.2	551.2	643.2
Iron & Steel	136.0	57.5	55.9	78.2	115.7	83.2	317.0	420	503.1	599.3	707.0	827.5
Other Goods	658.8	826.7	1074.8	1333.6	1602.1	1963.5	2514.8	2605	3040.9	3435.2	3868.3	4354.4
Total Goods	1950.0	2160.4	2557.5	3238.9	4173.6	4664.6	5720.0	6160	7144.8	8185.6	9388.7	10783.5
NFS	261.0	293.0	328.0	384.0	450.0	420.0	629.2	696	743.8	950.3	1089.7	1249.6
Total Goods & NFS	2211.0	2453.4	2885.5	3622.9	4623.6	5084.6	6349.2	6856	7888.7	9135.9	10478.4	12033.2

1/ Estimated at 11% of merchandise exports at constant prices after 1975/76.
2/ Prices of non-factor services are assumed to move with EPD's index of international inflation.

BALANCE OF PAYMENTS AND DEBT

(Millions of current dollars)

	Actual						Estimate
	1970/71	1971/72	1972/73	1973/74	1974/75	1975/76	1976/77
Balance of Payments							
Exports (incl. NFS)	2222	2452	2886	3623	4593	5085	6349
Imports (incl. NFS)	2590	2855	2954	4293	6189	6545	6588
Balance of Trade and NFS	-368	-400	-68	-670	-1596	-1460	-239
Debt Service	-600	-615	-682	-692	-779	-766	-840
- Interest	(214)	(230)	(237)	(233)	(260)	(256)	(281)
- Amortization	(387)	(385)	(445)	(459)	(519)	(510)	(559)
Miscellaneous Transfers (Net)	-39	40	-171	143	41	489	969
Gross Financing Requirement	1007	978	921	1219	2334	1737	211
- Gross Aid	(1147)	(1203)	(955)	(1249)	(1766)	(2326)	(2050)
- Net IMF	(-183)	(0)	(0)	(75)	(530)	(205)	(-365)
- Uncovered Gap	(0)	(0)	(0)	(0)	(0)	0	0
- Changes in Reserves (- = increases)	(43)	(-225)	(-34)	(-105)	(38)	(-794)	(-1575)
Price Indices (1976/77 = 100)							
International Price Index	52.0	55.3	60.1	71.2	87.2	98.5	100.0
Export Price Index	51.7	54.2	57.3	68.7	87.1	90.6	100.0
Import Price Index	41.6	43.0	46.9	60.0	99.8	103.0	100.0
Terms of Trade	124.3	126.0	122.2	114.5	87.3	88.0	100.0
Creditworthiness Ratio (%)							
Debt Service/Exports	27.0	25.1	23.6	19.1	17.0	15.1	13.2
Uncovered Gap/Debt Service	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disbursements/Total Foreign Exchange Availability	36.4	32.6	26.0	24.5	25.5	28.7	22.1
Disbursements/Imports	44.3	42.1	32.3	29.1	28.5	35.5	31.1
Net Transfer/Imports	21.1	20.6	9.2	13.0	15.9	23.8	18.4
Net Transfer/Disbursements	47.7	48.9	28.6	44.6	55.9	67.1	59.0
Memo Items							
Reserves (end of period)	1052	1277	1311	1416	1378	2172	3747
Marginal Saving Rate	23.6	15.2	42.8	10.7	14.8	43.7	75.0
External Debt Disbursed and Outstanding (end of period)							
- Total	9068	9772	10223	10919	11900	13716	15207
- IBRD	490	509	567	531	510	492	506
- IDA	1065	1170	1609	1929	2324	2809	3340
IBRD Debt Service as % of Total	11.5	13.5	11.7	12.0	10.9	11.6	10.8
IDA Debt Service as % of Total	1.2	1.3	2.3	2.6	2.7	3.2	3.8

GDP Growth: 5%
ICOR : 3.8
Export Growth: 7%
MMSR : 20% (after 1978/79)

BALANCE OF PAYMENTS AND DEBT
(Millions of current dollars)

	Estimate	Projections						
	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1986/87	1991/92
Balance of Payments								
Exports including NFS	6349	6859	7889	9136	10478	12033	24317	50051
Imports including NFS	6588	7386	8448	10602	13153	15643	30368	61019
Balance of Trade and NFS	-239	-527	-559	-1466	-2675	-3610	-6051	-10968
Debt Service	-840	-860	-825	- 852	- 896	- 942	-1681	- 2317
- Interest	(281)	(288)	(-296)	(324)	(359)	(407)	(852)	(1609)
- Amortization	(559)	(572)	(529)	(528)	(537)	(535)	(829)	(708)
Miscellaneous Transfers (Net)	969	1179	1000	1067	1142	1221	1714	2404
Gross Financing Requirement	211	-208	384	1252	2429	3331	6021	10974
- ~~Gross~~ Aid	(2050)	(1897)	(2195)	(2606)	(2811)	(3060)	(4002)	(5466)
- ~~[illegible]~~ IMF	(-365)	(-240)	(- 22)	(- 43)	(- 43)	(- 43)	(0)	(0)
- Uncovered Gap	(0)	(0)	(0)	(0)	(298)	(936)	(2980)	(7545)
- Changes in Reserves (- = increase)	(-1575)	(-1449)	(-1789)	(-1311)	(-638)	(-623)	(-961)	(-2037)
Price Indices (1976/77 = 100)								
International Price Index	100.0	107.5	116.2	124.8	133.6	143.0	200.5	281.2
Export Price Index	100.0	105.0	111.0	118.9	127.3	136.4	193.4	275.3
Import Price Index	100.0	109.8	119.1	129.8	143.2	155.5	218.0	306.0
Terms of Trade	100.0	95.7	93.2	91.6	88.9	87.7	88.7	90.0
Creditworthiness Ratios (%)								
Debt Service/Exports	13.2	12.5	10.5	9.3	8.6	7.8	6.9	4.6
Uncovered Gap/Debt Service	0.0	0.0	0.0	0.0	0.3	1.0	1.8	3.3
Disbursements/Total Foreign Exchange Availability	22.1	18.9	19.8	20.3	19.5	18.8	13.3	9.4
Disbursements/Imports	31.1	25.7	26.0	24.6	21.4	19.6	13.2	9.0
Net Transfer/Imports	18.4	14.0	16.2	16.6	14.6	13.6	8.3	6.4
Net Transfer/Disbursements	59.0	54.7	62.5	67.4	68.2	69.5	62.7	71.3
Memo Items								
Reserve (end of period)	3742	5196	6985	8296	8934	9557	13238	20901
[M]arginal Saving Rate	75.0	-19.0	19.6	6.9	6.1	12.6	20.0	20.0
[Ex]ternal Debt Disbursed and Outstanding (end of period)								
- Total	15207	16085	17207	18698	20347	22201	32657	46341
- IBRD	506	574	759	1020	1315	1637	3391	5659
- IDA	3340	3688	4216	5039	5983	7071	13439	21787
IBRD Debt Service as % of Total	10.8	10.8	11.9	14.0	16.2	15.3	20.9	25.4
IDA Debt Service as % of Total	3.8	4.1	4.6	5.2	5.9	6.8	9.0	7.7

INDIA

ECONOMIC AND SECTOR WORK PROGRAM

Statement of Objectives

The objectives for economic and sector work for India derive directly from the Bank Group objectives of resource transfer, technical assistance and economic reporting. Although part of a continuous whole, the program can be conveniently divided between work which results in economic reports - mainly done by the programs division and NDO - and work which results in a pipeline of projects - done mainly by the projects department and NDO.

Although a substantial amount is known about India, the amount to be learned and then relearned is vast. A work program cannot readily be defined in relation to gaps to be filled since a multiple of the resources at the Bank's disposal could be consumed in an attempt to fill these "gaps". Therefore, the program has been devised by defining what areas are most important for economic reporting, for policy analysis, and for Bank Group operations. The major focus is one the two sectors, agriculture and industry, which will determine overall growth and, in the former case, the welfare of the poor as well. The concerns with trade policy and energy continue, and some studies of urban issues will be begun. The work in last year's economic report on population and poverty will continue and be supplemented by related work on employment.

Economic Work

The principal function of economic work on India is reporting current developments in the economy to the Bank staff, Executive Director, member countries, and other aid agencies, particularly members of the India Consortium. The main vehicles for this are the annual economic reports, Consortium papers and the Bank's CPP. In addition, special reports appear from time to time to deal with a particular subject more thoroughly than is possible in the economic report. We plan to issue in FY78 a volume of background papers on Wheat Pricing, Rice Pricing and Rural Savings and Investment by R. Krishna and G.S. Raychaudhuri; Rural Poverty and Agricultural Growth in India by M. Ahluwalia; Capital and Growth by M. Wolf; Foodgrain Management Policies by J. Wall; Forestry Sector by R.D.H. Rowe and Public Expenditures on Social Services by Ahuya. The special areas of concentration for FY78 are agricultural policy, employment and power demand.

Sector Work

Sector work, undertaken mainly by staff in the projects department but also in the NDO and assisted on occasion by programs staff, has four main objectives:

(a) to ensure a pipeline of projects sufficient to achieve the Bank's lending targets;

(b) to advise Bank management on the priorities for Bank assistance to a particular sector, having regard both to the country's needs and to the Bank's capacity and comparative advantage;

(c) to ensure Bank lending has a favorable economic impact; and

(d) to ensure Bank lending contributes to appropriate technical standards, policies and institutions in the particular sector.

India is unique among Bank borrowers on three important counts: the size and complexity of individual sectors are much larger than in other countries; the generalized knowledge about most important sectors is more advanced both within and without India; and the level of competence of Government officials and others dealing with individual sectors in India is on the whole higher than in most other borrowers. These considerations mean comprehensive, baseline sector surveys of a type sometimes done in other countries are neither possible nor necessary in India. Rather sector work is more focussed on special topics, usually directly related to Bank operations in India.

Reflecting the composition of our desired program of lending, a great deal of our sector work is in agriculture. Much of this is relatively closely related to project identification and development of more efficient means of both resource transfer and technical assistance. The need exists, however, to undertake work on special topics of sector policy in agriculture and other sectors from time to time, often of a type that is useful in fulfilling the economic reporting function. And brief reviews of other sectors or sub-sectors - urban, energy, water, industry, population and other social sectors, transport and others - are required for programming Bank operations; these are often of help to other aid agencies in formulating their aid programs.

A great deal of detailed and comprehensive sector work of high quality is done by the Government of India as part of its planning and decision making, process, both in the Planning Commission and the Technical Ministries. It is regularly reviewed by individuals in the Bank dealing with the particular sector. However, great scope exists for the Bank to become more closely involved in these efforts, particularly where the Bank is active in a sector, by following the work more closely from the beginning, taking opportunities to interject Bank concerns in the conception and formulation of the work and by using the output as a basis for discussion of sector policy and as a means of coordinating Bank lending to the sector.

Another feature of our work in India is the number of studies being carried out on our behalf, as a part of lending operations. For example, there are currently underway an oilseeds study by IFCI, population program studies under the 1972 Population Project, a small-scale industry study by GOI under the 1976 IDBI-SFC credit, and a study of fertilizer demand by NCAER under the 1975 Fertilizer Industry Credit. Where appropriate, these have been mentioned in the attached table, since they provide a considerable contribution to our knowledge, and demand supervision from staff which would otherwise be engaged directly in economic and sector work. In addition to the studies mentioned below, note should be taken of possible future studies under active consideration by units within the Bank but outside the region. These include a public enterprize pilot case study, a study on the basic needs strategy, cooperation with the Planning Commission on energy studies, and the three-country study of small scale enterprises with India being one of the three.

Individual Studies

General Economics

Employment Generation: Issues and Strategies
Responsible Division: ASADB
Manpower Required: 35 manweeks
Completion Date: September, 1978

A major emphasis of the new Indian Government's policy pronouncements has been the need to increase employment. Various strategies, including increased public investment in agriculture, incentives for the growth of small-scale enterprises, and the adoption of guaranteed employment schemes have been put forward. It is proposed to undertake a review of employment issues in India with particular emphasis on the evaluation of alternative strategies. The study will discuss the implications for employment of related research on agricultural investment strategy and on small-scale enterprise development. A detailed evaluation of the Maharashtra guaranteed employment scheme may also be undertaken. An effort will be made to coordinate the study with work of the Indian Planning Commission which will be formulating an employment strategy for the 5-year perspective plan to begin in 1978. Major responsibility will be undertaken by Roger Grawe with the likely participation of a Young Professional.

Balance of Payments and Trade

Export Policy Memorandum
Responsible Division: ASADB
Manpower Required: 6 weeks
Completion Date: June, 1978

In the last two years, a substantial part of the economic work program has been devoted to an analysis of Indian exports. This work, which has been undertaken primarily in the programs division with the assistance of consultants, has been largely directed by Martin Wolf. It has supported a policy dialogue with GOI and has led very recently to the publication in grey cover of a two volume report entitled "India: Export Performance, Problems, Policies and Prospects" (Report No. 1352-IN).

The six manweeks in the FY78 work program are intended for the writing of a confidential appraisal for GOI of export policy options. In this connection, an analysis of export taxes has been completed by one of our summer interns. This memorandum will contribute to the continuing policy dialogue with the Indian Government. Martin Wolf, as a consultant, will prepare the memorandum and Roger Grawe coordinates for the programs staff.

Invisibles in Balance of Payments Accounts

Responsible Division: ASFND
Manpower Required: 13 manweeks
Completion Date: January, 1978

Between 1974/75 and 1975/76 net receipt of invisibles, mainly foreign remittances from abroad, jumped from US$80 million to US$560 million; they increased further to about US$900 million in 1976/77. Various explanations exist for the sudden substantial rise: that the rise represents a flow diverted into official channels from block markets due to the police crackdown ordered at the beginning of the emergency; that the effective devaluation of the rupee against most major currencies reduced the differential between official and block market rates, thereby diverting funds to official channels; or the relatively recent heavy migration of Indian labor to the Persian Gulf area has resulted in initiation of a previously non-existent flow of remittances: other explanations are possible. Mark Baird in NDO has undertaken to work on this question and prepare a report on a schedule consistent with that of the 1978 economic report.

Agriculture

Foodgrain Pricing and Procurement - Policy Issues Paper
Responsible Division: ASADB/ASFND
Manpower Required: 8 manweeks + 16 manweeks
Completion Date: December, 1977

This exercise was begun in the Fall of 1975 when John Wall accompanied the Orissa Foodgrain Review mission to investigate rice pricing and procurement at the state level. This mission resulted in a note on the procurement system in Orissa. A first draft of a paper (India - Foodgrain Pricing, Procurement, Distribution, Import and Storage Policy - Issues Paper, with the note on the procurement system in Orissa attached as an Annex) was distributed for comment in August 1976. It has not been possible yet to incorporate the comments on the first draft and expand the analysis as planned, due to time constraints. For the paper to serve its original purpose - to identify issues on which the Bank may wish to organize further studies - it requires a second draft particularly recognizing the shift in the wheat pricing and procurement policy announced in April 1977. The intention is to redraft the descriptive part of the paper, incorporating some information not included in the first draft and make the descriptive portion a self-contained paper; and then draft a separate issues paper focussing on the question of what, if any, further study is warranted. The eight manweeks shown first is for John Wall to complete the second draft of the paper and issues memorandum. The sixteen manweeks shown second is for Professors Raj Krishna and Raychaudhuri to finish their papers on wheat and rice pricing and costs of production.

Agricultural Investment Strategy and the Rural Poor
Responsible Department: DRC
Manpower Required: 38 manweeks
Completion Date: August, 1978

The general aim is to analyze the income distribution implications for India or parts of India of a technical innovation in agriculture (such as the seed/fertilizer/water/pesticide package) which is hypothesized to have differential effects on income by area and by size of farm. The study would attempt to analyze a few policy alternatives designed to tackle the resultant income distribution problem. It is thought the study should start on a microeconomic level, studying the consequences of agricultural innovation within a specified command area. The implication of some specific policy alternatives, such as changes in rules on credit allocations, minimum wages, cropping patterns, and land tenure arrangements should be examined. A promising approach would be to use a production model already developed for the Nagarjunasagar canal command area in the context of a Bank project. Primary responsibility for the project will rest with DRC who, through the involvement of TN Srinavasan, will execute the work in conjunction with the Indian Statistical Institute. Coordination and country relations will be handled by South Asia Regional staff. The arrangement is reflected in the manpower plan. The proposal has gone to the Research Committee and should be approved to begin in October/November 1977.

Foodgrain Storage
Responsible Department: ECD
Manpower Required: 30 manweeks
Completion Date: August, 1978

The research advisory committee has funded a study by Mr. Shlomo Reutlinger on the economics of buffer stocking. Mr. Reutlinger has taken India as a stylized example for his analysis and is willing to tailor the case more closely to actual Indian conditions given sufficient resources to do so. The region has indicated its readiness to help in this by contributing some staff time (8 manweeks in FY78) of economists in the India Division; indeed, we have already made some contributions in suggesting alternative specifications of the model to be used and in preparing and presenting the proposal to the research committee. The principal investigator in the study is Mr. Reutlinger (DPS), assisted by an outside part-time consultant; together they will provide 30 manweeks in FY78; an economist from the India Division will supply additional time which is allocated under the economic report. The model should be ready for analysis of the India case by fall 1977.

Agricultural Sector Memorandum
Responsible Division: ASPAC
Manpower Required: 14 manweeks
Completion Date: Unscheduled

Because of the size and complexity of Indian agriculture and its policies and institutions we have concluded that it is neither possible nor desirable to prepare and keep up to date on an agricultural sector memorandum for India according to the proposed guidelines. In place we are considering producing a memorandum which will primarily address the operational issues and choices facing the Bank Group in helping Indian agriculture, and which can be used both as an input to the CPP and as a discussion paper for the Annual Review of Agricultural Operations. The exact scope and uses of such a memorandum require careful consideration.

Major Irrigation Sub-Sector Review
Responsible Division: ASPAC
Manpower Required: 87 manweeks
Completion Date: June 1978

The 1977 Economic Report emphasizes the need for increasing investment in agriculture and in particular in irrigation. Historically, a large proportion of IDA lending to Indian agriculture has been for irrigation, either directly through major surface irrigation and CAD projects or indirectly to minor irrigation through assistance to ARDC. With replenishment of IDA, the flow of funds to major and medium irrigation schemes should expand substantially. However, it will be difficult to commit the desirable amount of resources (perhaps $200-$300 million a year) merely through increased project lending, both because of Bank staff constraints and because of a shortage of suitable projects. Moreover, our past involvement in single projects has not afforded us an opportunity either to analyze fully or to influence broader subsector policies and institutions.

For both of these reasons we want to move towards subsector lending in irrigation. A start has been made in medium irrigation (Orissa, Gujarat). As a first step towards subsector lending for major irrigation, we propose to mount a subsector review mission to one selected state during FY78. This will review the state's irrigation program as a whole and assess the allocation of resources to and within the program, the technical and financial procedures, cost vacancy policy, etc. The object would be to identify the basis for an IDA line of credit, or subsector program credit. The sector review, to be undertaken by ASPAC with participation of ASADB, would require a major commitment of manpower (83 MW) in FY78.

Foodgrain Projections
Responsible Division: AGP/ASPAC
Manpower required: 11 manweeks
Completion Date: Unscheduled

This is a continuation of the work of reviewing foodgrain production and forecasting future production consumption and inputs. The work will be initiated by CPS, under the direction of Mr. Belai Abbai, with assistance from the South Asia Region.

Fisheries Sub-Sector Review
Responsible Division: AGP/ASPAD
Manpower Required: 65 manweeks
Completion Date: Unscheduled

The mission will review the fresh water fisheries and inshore marine fisheries in one or more Indian states, possible in the Eastern Region. The primary objective will be to identify a project, with emphasis on small-scale fishing, for IDA lending. The activity is expected to use 65 MW of manpower, mostly consultants, and will be led by Mr. Sprague (CPS).

Industry

Prospects for Private Investment in Industry
Responsible Division: ASADB/ASFND
Manpower Required: 16 manweeks + 8 manweeks
Completion Date: December, 1977

Recent economic reports have argued the importance of an expansion in investment in order to use available resources to accelerate growth. In this context private investment in India will be as important as public investment, but the former is not directly under Government control and, in the industrial sector, has been consistently sluggish. The study will review constraints to increased investment in the current policy environment. A Young Professional, Armando Pinell-Siles, is undertaking the major portion of this work. In the New Delhi office Sunanda Sengupta is also working on this topic with help from ICICI, IDBI and the Reserve Bank of India.

Industrial Policy Study
Responsible Division: ASADB
Manpower Required: 8 manweeks
Completion Date: January, 1978

This work is designed as a first step toward a broader program industrial sector work. This study principally concerns industrial performance and policy and will be a working paper for the economic report. The work will be done by Mr. N. Segal, a consultant, who will also recommend further work on industry.

ICICI Engineering Study
Responsible Division: ASPID
Manpower Required: 12 manweeks
Completion Date: June, 1978

ICICI will undertake a study on selected subsectors of the engineering industry at the company level to analyze the factors affecting investment demand, in particular for modernization and replacement. The study would, among others, focus on (i) demand prospects both in the domestic and export markets; (ii) upgradation of technology; (iii) domestic sub-contracting arrangements to ancillaries; and (iv) the overall employment impact of alternative investment strategies. The study would initially concentrate on the automobile industrial subsector, and a first draft questionnaire is scheduled to be ready by July 15, 1977 and to be sent to IBRD for comments. A draft report would be ready by March 1978. The content and timing of the study for another subsector would be determined subsequently. For monitoring this study India programs division would provide 2 manweeks, IDF division 8 manweeks, and DPS 2 manweeks.

IDBI Study of the Adequacy of the Incentive System for Small-Scale Enterprises in India
Responsible Division: ASPID
Manpower Required: 7 manweeks
Completion Date: April 1978

The objective of the study is to ascertain whether the present level of Government incentives by Central and State Governments to the Small-Scale Sector is appropriate and necessary in relation to the economic contribution and financial performance of SSI units. The study will (a) summarize all types of incentives presently available for SSI at the Central and State levels (the latter on a State by State basis); and (b) outline and evaluate to the extent possible, the present criteria used by the Central and State Governments in establishing incentives for SSI. IDBI will execute the study in conjunction with Bombay University. The study is expected to be completed by April 1978. For monitoring the study the programs division will provide 2 manweeks and IDF division 5 manweeks.

IFCI Feasibility Study of an Oilseeds Project
Responsible Division: ASPID
Manpower Required: 20 manweeks
Completion Date: October 1977

The purpose of this study would be (i) to assess the current oilseed processing industry and identify actions needed to accelerate production and processing; (ii) to analyze the investment potential in the industry and propose lending arrangements for World Bank Group review. The study is expected to be completed by October 1977.

IBRD Study of the SSE Sector in India
Responsible Division: ASPID
Manpower Required: 28 manweeks
Completion Date: Unscheduled

This study would follow-up on the IBRD report on "Informal Small Enterprises in Selected Sectors" by E. Loeschner et alii and try to identify and prepare a SSE project in India.

Power Demand Study
Responsible Division: ASADB
Manpower Required: 18 manweeks
Completion Date: August 1978

A study of the energy sector was carried out in the context of the economic report. A study of the pricing of power in Andhra Pradesh was completed in 1975, and a review of recent developments in oil was completed in 1976. Partly as a continuation of this work on energy, there will be a study of demand for electric power. Over the last decade, power shortages have been the most important supply constraint on production, particularly in industry, and one which has been obviously impossible to relieve through trade. This situation promises to continue for some time. The aim of the study is to examine (i) the implications of alternative growth patterns for the demand for power; (ii) the extent to which such demand can be met given investment requirements, resource availabilities, and feasible improvements in efficiency; and (iii) the extent to which the growth rates of GDP can be maintained by shifting the allocation of investment to less power-intensive industries. Part of this work, using the Planning Commission Input/Output Model, is already underway. It is proposed to supplement this with some international comparisons that will relate investment in the power sector to overall economic growth. Charles Taylor will be responsible for this work.

Urbanization

The Urban Sector Studies
Responsible Division: Undecided
Manpower Required: 40 manweeks
Completion Date: Unscheduled

A good deal of work has done within the Bank on urban issues. This has focussed in CPS/DPS on public finance, urban data needs and, more recently, on various aspects of land and housing policy. Specific studies on India have also been undertaken. Among the more important have been the Bombay Study in 1971, the Ahmedabad and Bombay Public Finance Studies (1974 and 1976) and a DPS project presently studying the Bombay labor market. In addition, our projects in Bombay, Madras and Calcutta have necessarily involved some sector work. Nevertheless, undiscussed and poorly investigated issues remain. The Urban Issues Paper, which is being finalized, attempts to set priorities for economic work as well as to outline an operational strategy in this area. On the basis of this paper, it is hoped to develop a consensus of what subjects should receive further study. The more promising include further work on public finance, the design of projects to help the urban poor, and the study of urban product markets. Thus, at this stage, the rather substantial manpower commitment (4 manweeks from programs, 16 from DPS, 10 from CPS and 10 consultant) is not firmly allocated.

Human Resources/Income Distribution

Informal sector work on population is undertaken in NDO. In addition, consultant Robert Cassen has prepared papers on India's demographic profile, population projections, family planning, nutrition and health, which will be included in the set of background papers mentioned above. Other work will be carried out in the context of the economic report and of the research project on agricultural development and the rural poor and the Issues Paper on employment (see above).

Shadow Pricing
Responsible Division: ASADB/ASPAC
Manpower Required: 4 manweeks
Completion Date: November 1977

A paper will be prepared for the guidance of project economists giving estimates of countrywide shadow prices. This will subsequently be discussed with the Planning Commission and an attempt made to harmonize the procedures and estimates of the Bank and the Planning Commission.

Attachment 5
Annex Table

INDIA -- ECONOMIC AND SECTOR WORK PROGRAM

GENERAL ECONOMICS 1/	FY78	FY79	FY80	FY81	FY82	FY83	Total FY78/83
Consortium	10	10	10	10	10	10	60
General Economic Work							
Economic Report	90	90	90	90	90	90	540
Other Economic Work (President's Reports, CPPs, project review, etc.)	160	160	160	160	160	160	960
Balance of Payments, Aid, Trade							
Export Policy Memorandum (An appraisal of GOI's export policy options in continuation of the Bank/GOI policy dialogue in the area)	6	-	-	-	-	-	6
Invisibles in the Balance of Payments (An investigation of the rise in 1975/76 and thereafter in these receipts to analyze implications for the future)	13	-	-	-	-	-	13
Other Studies of BOP, Trade and Aid	-	15	15	15	15	15	75
Industry							
Prospects for Private Investment in Industry (Review existing incentives to invest and their adequacy)	24	-	-	-	-	-	24
Power Demand Study (Study of electric power with respect to pattern of demand, adequacy of investment and relation to GDP)	18	-	-	-	-	-	18
Industrial Policy Study (Review of performance and prospects of industrial sector)	8	-	-	-	-	-	8
Other Industry Studies	-	40	40	40	40	40	200
Agriculture							
Foodgrain Pricing and Procurement (Description of GOI's policy, identification of issues for further study and unidentified studies)	24	-	-	-	-	-	24
Agricultural Investment Strategy and the Rural Poor (Analyse the income distribution implications of technical innovations in agriculture seen to have differential effects on income by area and farm size)	38	40	40	-	-	-	118
Foodgrain Storage (Analyse the economics of buffer stocking as a means of food management)	30	40	-	-	-	-	30
Other Agricultural Policy Studies	-	-	40	80	80	80	280
Population, Human Resources, Employment and Income Distribution (Continual sector work on population is undertaken in the NSO. Other work on population, nutrition, human resources and income distribution is regularly carried out in context of economic report and is accounted for under that heading)	10	10	10	10	10	10	60
Employment Generation (Analyse the GOI's policies with respect to employment.)	35	-	-	-	-	-	35
Other Employment Studies	-	10	10	10	10	10	50
Centre-State Fiscal Flows (Examination of the changing financial arrangements between centre and state with particular emphasis on their implications for Bank operations.)	28	-	-	-	-	-	28
Other Economic Studies	-	5	5	5	5	5	30
TOTAL GENERAL ECONOMIC WORK	494	420	420	420	420	420	2594
(of which Country Programs) 1/	(352)	(300)	(300)	(300)	(300)	(300)	(1852)
(of which Projects)	(2)	(20)	(20)	(20)	(20)	(20)	(102)
(of which DPS/CPS)	((35)	(40)	(40)	(40)	(40)	(40)	(235)
(of which Consultants)	(105)	(40)	(60)	(60)	(60)	(60)	(405)

1/ Includes economic staff of headquarters (i.e. 8 economists full-time) and that of the New Delhi Office (i.e. 3 economists full-time and 15 M-Ws from a fourth); also includes 50 M-Ws per year for YPs. Assumes 42M-Ws available for work, per economist per year, of which about 40% or 17 M-Ws are other economic work.

	FY78	FY79	FY80	FY81	FY82	FY83	Total FY78-FY83
…TOR WORK							
Agriculture							
Irrigation State Sector Review (Review of single states' irrigation sector leading toward composite projects and sub-sector loans/credits)	83	50	50	50	50	50	333
Other Irrigation Reviews	-	40	40	40	40	40	200
Fisheries Sector Review (Review fresh water and inshore marine fisheries leading toward project identification)	65	-	-	-	-	-	65
Agricultural Sector Memorandum (Review Bank Group's agricultural operations in context of India's agricultural development strategy)	14	15	15	15	15	15	89
GOI/Bank Agricultural Review (Annual review of agricultural operations by staff of GOI and World Bank)	8	10	10	10	10	10	58
done by CKS Foodgrain Projections (Quantative projections of foodgrain demand and supply for use as a planning tool)	11	5	5	5	5	5	36
Other Agro-industry Review (Leading to project identification)	-	30	30	30	30	30	160
Rainfed Area Development Review (Leading to project identification)	-	30	20	20	20	20	110
Eastern Region Second Round (Leading to project identification)	-	10	30	30	30	30	130
Industry							
IDBI Small-Scale Industry Incentive Study (Monitoring this study on Government incentives to small-scale industry)	7	-	-	-	-	-	7
ICICI Engineering Study (Monitoring on this study on the engineering industry)	12	-	-	-	-	-	12
IFCI Oilseeds Study (Assessment of the oilseeds industry and analysis of investment potential)	20	-	-	-	-	-	20
Informal Industrial Study (Leading to project identification in small-scale enterprise sector)	28	-	-	-	-	-	28
Other Industry Studies	-	40	40	40	40	40	200
Urbanization							
Urban Sector Studies (Review unresolved issues in public finance, urban product markets and the design of projects to help the urban poor)	40	30	30	30	30	30	190
General Sector Work (Mainly desk studies in power, water, telecommunications and population)	23	30	30	30	30	30	173
Other Sector Work	-	100	100	100	100	100	500
TOTAL SECTOR WORK	311	410	420	430	440	450	2461
(of which Country Programs)	(58)	(100)	(100)	(100)	(100)	(100)	(558)
(of which Projects)	(119)	(110)	(120)	(130)	(140)	(150)	(769)
(of which DPS/CPS)	(65)	(100)	(100)	(100)	(100)	(100)	(565)
(of which Consultants)	(69)	(100)	(100)	(100)	(100)	(100)	(569)
TOTAL ECONOMIC AND SECTOR WORK	805	830	840	850	860	870	5055
(of which Country Programs)	(410)	(400)	(400)	(400)	(400)	(400)	(2410)
(of which Projects)	(121)	(120)	(120)	(120)	(120)	(120)	(721)
(of which DPS/CPS)	(100)	(140)	(140)	(140)	(140)	(140)	(800)
(of which Consultants)	(174)	(160)	(160)	(160)	(160)	(160)	(974)

Rowat

Economic Studies Executed Under Research Budget

Code No.		
670-14	Agricultural Mechanization Study in India	Completed
670-21	Export Promotion and Preferences: India	Completed
670-26	Substitution of Labor and Equipment in Civil Works	Ongoing
670-27	Highway Design Standards Study, Phase II	Completed
670-41	The Urban Data Needs of the IBRD	Completed
670-45	Labor Force Participation, Income and Unemployment	Ongoing
670-50	Mechanization in India: It's Extent & Effects on Hired Labor	Completed
670-68	International Comparison Project	Ongoing
670-70	Urban Public Finance and Administration	Ongoing
671-02	Population Growth and Rural Poverty	Ongoing
671-06	Employment Models and Projections	Ongoing
671-10	Promotion of Non-traditional Exports	Completed
671-17	Analysis of Change in Rural Communities	Ongoing
671-30	Structure of Rural Employment, Income and Labor Markets	Ongoing
671-33	Ability Characteristics as Factors of Production	Ongoing
671-08	Income Distribution in Asian Countries (a Case Study on India)	Ongoing
'71-15	Effects of Health and Nutrition Standards on Worker Productivity	Ongoing
1-19	Educational Reform (a Case Study on India)	Ongoing
671-21	Foodgrain Production in Asia	Ongoing
671-34	Management and Organization of Irrigation Projects	Ongoing
671-38	Narangwal Population and Nutrition	Ongoing

Economic and Sector Studies Supervised under Projects

Study Topic	Project	Agency Concerned
Export Study	Eleventh ICICI	ICICI
Oilseeds Study	(proposed IFCI Project)	IFCI
Population Program Studies	Population	GOI
Small-Scale Industry Study	IDBI-SFC	GOI
Fertilizer Demand	Fertilizer Industry Credit	NCAER
Interest Rate Study	ARDC II	ARDC/RBI
State Water Charges	Periyar Vaigai	GOTN
Fish Marketing Survey	Gujarat Fisheries	IIM
Transmission System Design Study	Singrauli Super Thermal	GOI
Telecommunications Economic Studies	Telecommunications VI	P&T
Special Irrigation Efficiencies and Impact Studies	Andhra Pradesh CAD	GOAP

…ber 2, 1977

2

INDIA'S POPULATION PROGRAM SINCE THE EMERGENCY

1. Eighteen months after the Janata Party came to power the National Family Welfare Program continues to fall far short of the performance officially expected of it. For the first full year under the new government (April 1977 - March 1978) acceptor achievement was only 926,497 for sterilizations, 316,640 for IUDs, and 3,249,577 for conventionals. These levels were equalled or surpassed in the early 1970s, and of course fall far short of the 12.5 million acceptors of the 1976-77 intensive drive. Overall, the 1977-78 results were some 60% below the level needed to bring the birthrate down from 34 to 30 per thousand by the end of 1983. That goal had originally been set for 1979 but was recently deferred by four years in view of the program's depressing performance. The picture looks slightly better for the first quarter of 1978-79: compared with the previous year sterilizations at 162,894 were down 1%, IUDs at 67,994 were up 33% and conventionals at 2.36 million equivalent were up 41%. Thus total acceptances were 2.59 million, 11% above the 2.34 million for the same quarter a year ago. But they are still well below the level required merely to keep the birthrate where it is (i.e. equivalent in effect to 2 million sterilizations).

4.5 ??

2. Performance varies widely by region. Sterilizations are running at less than 25% of target in 14 northern states, but between 25-50% in 6 central and southern states. The two leaders nationally are Kerala (43%) and Gujarat (36%). In contrast, all other methods are doing better in 7 northern and 2 southern states, registering achievements of 50% or more of targets. The two leaders so far this year are Haryana and Punjab, both well over 100% of expected levels.

3. Currently just one sterilization out of eight is a vasectomy and there are 17% fewer male volunteers than for the same period a year ago. Two-thirds of all sterilizations are coming from only 6 central and southern states: A.P., Gujarat, Maharashtra, Orissa, Tamil Nadu, and Kerala. But tubectomies are definitely trending upward, with 60% of them coming from the postpartum and post-MTP (Medical Termination of Pregnancy) programs. IUD acceptances are also showing a healthy growth rate, largely due to an enthusiastic response to the newly-offered copper-T, and condom usage seems to be heading towards double the highest level ever attained before. Even the oral pill, with distribution to be expanded through all primary health centers and subcenters by the end of this year, is running nearly 50% ahead of a year ago.

4. The various maternal and child health program categories are being promoted more vigorously than ever before. Besides resulting in MCH performance of 50-150% over a year ago, this is creating more and more public confidence in the health system's concern for family welfare rather than mere achievement of fp targets. If sustained, this approach should have a strongly positive impact on future acceptance levels.

5. Overall, then, fp/MCH program performance is marginally better than a year ago and shows a moderate upward trend. But it is still substantially below the levels attained before 1976-77, it is far short of the level required to reduce fertility to the target of 30/1000 by 1983, and it is insufficient to keep the birthrate from edging up. One conclusion emerges very clearly: given present and foreseeable attitudes, sterilization cannot be the principal method for meeting the annual target of 10 million acceptors in a voluntary program. Non-terminal methods must be allotted the lion's share of the task and given the support necessary.

6. As yet there is no sign that the GOI recognizes the inappropriateness of the present strategy: the acceptor targets being discussed for the next four years are

17.5 [illegible]

25 million sterilizations, 5 million IUDs and 20 million all other methods. Such expectations for sterilization and IUDs are quite unrealistic; it would be surprising if the "pressureless" approach now insisted on could yield even 40% of these targets. This means that an attainable target pattern is needed, one that responds to the clearly expressed preferences of the population.

7. Moreover, while the Janata Government has from the outset adhered to the previous administration's position that reducing the population growth is a key objective, essential to the achievement of national socio-economic progress, the commitment to a completely voluntary approach and the withholding of political leadership for the program at all levels have kept acceptor numbers low. The exhortations in Presidential speeches, even the letters from the P.M. to State Chief Ministers, are not getting the vast fp machinery back to its pre-Emergency performance level in the absence of vigorous local political support, especially at block and village levels. Recently this has begun to be recognized: 10,000 "orientation camps" for village leaders were held during August, led by key district and block Janata Party men and senior health/fp officials. This may be the beginning of the long-promised "massive motivation campaign" which could have a significant positive impact if continuously promoted on the scale and with the intensity required.

8. Many of the program's shortcomings since April 1977 may properly be blamed upon the policies and public positions of the former Health Minister, Raj Narain. His posture of apologetics, inaction and completely impracticable ideas concerning fertility limitation methods, especially during the first six months, undoubtedly set up a mood of negativism and passivity in the population at large, and in the fp administration in particular. Whether the program can really get back on its feet depends very much on the caliber of the Minister who will be taking over.

9. Fundamental program policies remain as laid down by the preceding government in April 1976, except for the complete elimination of any coercive tactics at federal or state level. Recently the marriage laws were amended to raise the age of marriage to 21 for men, 18 for women, but some years are likely to pass before this can be administered effectively enough to have much of a demographic impact. The government steadily insists that no financial constraints are being allowed to hinder program progress.

10. The First Population Project, launched in early 1973 under joint Bank/SIDA sponsorship, has been extended one year to June 1979, to compensate for disruptions suffered during the intensive drive. During the Emergency years the additional facilities, staff and other inputs did not raise acceptor levels in the 11 project districts significantly above those in comparable non-project districts because of the enormous pressure applied in all districts, but project performance since then has been substantially superior -- by margins of 50-150%. While due in part to the almost complete cessation of fp activity in non-project districts, this is primarily the result of the improved organization and management developed in the project states, districts and blocks which has kept morale and momentum at quite good levels. In fact, at this point, the chief lesson of the project is that better organization and management offers India the best potential for getting its fp program moving again, and eventually reaching new and demographically effective levels of performance. Currently the Second Population Project is being readied for appraisal next March. In addition, UNFPA and DANIDA are negotiating population projects along similar lines in two states each, to begin implementation around mid-1979.

NDO/3 October 1978

THE INDIAN ECONOMY

Background

1. India is a vast, continental country with over twenty States divided on linguistic and ethnic grounds with a population of over 620 million people, almost as many as live in Africa and Latin America combined. It has a dual economy. While 79% of its population lives in rural areas, their productivity is low. Agriculture's share in value added declined only gradually from about 50% to 43% over the last twenty years. The share of manufacturing has increased slowly and, since the late 1960s, has remained approximately constant at about 16%. Industry has a highly diversified structure with import substitution and self-sufficiency pushed to the point where India has the capacity to produce virtually every type of consumer and capital good required for a modern economy. As in the case of many other large economies, the foreign sector plays a relatively minor role; both exports and imports represent about 7% of GDP; foreign saving has supplied only about 5% of gross investment in the recent past.

2. Even though growth has been slow in the past, the economy enjoys many of the prerequisites for sustaining faster growth and development. Although literacy is far from universal, India has large resources of well trained administrative, scientific and technical manpower and a dynamic entrepreneurial class. Per capita consumption of commercial energy is low by international comparison and power shortages are a way of life; but India is relatively well-placed with regard to primary fuel sources. There are very large reserves of coal and nuclear ores, and considerable hydro-electric potential. Recent petroleum and gas discoveries have begun to be exploited and prospects are bright for further discoveries. The basic elements of the infrastructure needed to serve the economy have been established; in absolute terms the irrigation, railway, telecommunication, road and power systems are each among the largest in the developing, and in some cases the developed, world. However, considerable gaps remain as the situation varies greatly from state to state.

3. Given the size of India's population, its annual increase of 13 million people is such as to absorb a large portion of any provision to increase standards of living. It is not possible to discern any significant increase in the incomes of the vast mass of the rural and urban poor, who number 200 million with a per capita income of US$70 per annum or less. Although foodgrain production may be persistently underestimated, there has been no permanent increase in per capita foodgrain consumption recorded in aggregate statistics since 1960/61. Many years after the initial target, primary education is still not universal. The labor force has grown faster than employment and a considerable backlog of unemployed exists. Nevertheless, there has been progress, with per capita income increasing on trend 1%-1.5% per annum; birth rates falling to below 37 per thousand from levels of 45-50 per thousand at the start of the 1950s, life expectancy increasing from about 32 years in the 1940s to 45-50 years in the 1970s, school enrollment rising from 32% to 65% of children of primary school age and from 5% to 29% of children of secondary school age since 1950/51.

4. The rate of growth of GDP has been 3.5% per annum over the period since Independence and 2.8% per annum over the period 1969/70 to 1976/77. These low rates of growth are only partly due to low availability of investible resources, although there have been times that foreign exchange was a severe bottleneck. The net transfer of resources from abroad has never been above 3% of GDP and fell to as little as 0.8% between 1969/70 and 1973/74. India's saving effort has grown steadily since the beginning of planning in 1951, when it was 9% of GDP, to its recent level of 20% of GDP, which compares well with other countries' saving performance at the same level of per capita incomes. Despite a doubling in the rate of investment, from about 10% of GDP in the early 1950s to about 20% at present, the trend rate of GDP growth has not increased. This marks a decline in the efficiency of capital use which transcends fluctuations due to weather, war or international terms of trade shifts.

Recent Trends

5. In many respects economic conditions during the last three years have been significantly different from those prevailing in previous years. In the late 1960s and early 1970s, the economy faced several shortages--foodgrains, agricultural and industrial inputs and foreign exchange--which retarded production and investment and often led to price increases. An adverse shift in terms of trade, starting with the oil price hike in 1973 and continuing with the foodgrain and fertilizer price rises in the following year, greatly increased the cost of acquiring these essential commodities abroad. These external shocks combined with a spate of bad weather played havoc with the economy through 1974/75, causing slow growth in production and investment and a record level of inflation.

6. Since the excellent monsoon in the summer of 1975, a new situation has arisen. The period 1975 to 1978 has been characterized by much greater price stability, enhanced agricultural and industrial output and comfortable foodgrain and foreign exchange reserves. The new situation was a combined result of domestic policies and fortuitous circumstances. The increase in foodgrain stocks was only in part due to improved policies and programs. The more decisive factor has been the three good-to-excellent monsoons coming on top of substantial foodgrain imports in 1975 and 1976. Industrial output increased on average by 7% a year in 1975-1978 compared to 3% in 1970-75, due to greater power availability, better management in the public sector, improved labor relations, better transport and some increase in demand derived from increased incomes due to improved harvests, greater exports and higher levels of public investment. The most dramatic turnaround ocurred in the balance of payments, with a sharp real reduction of the import bill helped by good harvests and increased domestic production of iron and steel, fertilizer and oil, which reduced demand for imports. The supply of foreign exchange was also greatly increased by a significant step-up in the volume of exports, an increase in foreign aid and a substantial jump in remittances from Indians working in the Middle East, Europe and America.

7. In 1977/78, the growth of GDP was about 5%, a recovery over the rate of 1.6% in 1976/77 but less than the 8.5% reached two years earlier.

Prices, which had been rising during 1976/77 after a decline in 1975/76, were stabilized; wholesale prices at the end of March 1978 stood at about the same level as in March 1977, and the yearly average was only 5.4% above that of the previous year. Exports in 1977/78 are estimated at US$6.4 billion and imports at US$6.6 billion. The inflow of invisibles from abroad at US$1.4 billion and net aid disbursements of US$1.2 billion more than offset the small trade deficit of US$200 million and IMF repurchases of US$330 million to increase reserves by US$2.1 billion to US$5.8 billion by end of March 1978. By July 1978, reserves had increased further to US$6.1 billion.

8. The 1977/78 foodgrain crop may exceed the 1975/76 record level of 121 million tons due to very good weather and increased input use. Support purchases could result in peak foodgrain stocks as high or even higher than in 1977, when they were 21 million tons. In addition to ample and evenly distributed rainfall, more intensive and widespread use of three crucial inputs--irrigation water, fertilizer and extension advice--contributed to the bumper harvest. Fertilizer consumption surged 30% in 1977/78, continuing its recovery from the depressed level of 1974/75. Annual additions to irrigated area have averaged 2 million hectares since 1975/76 compared with 1.3 million hectares per annum achieved from 1969 to 1975. An improved extension system, which has been getting heartening results, has been introduced in several states and is slated for further coverage.

Development Prospects

9. India faces the future with large stocks of foodgrains, high and rising external reserves, excellent crop expectations, price stability and good prospects for sustaining the improved supply of foreign exchange. The circumstances present a great opportunity for further promoting the development of the Indian economy. The Draft Five Year Plan for 1978-83, discussed though not yet approved by the National Development Council, responds to this challenge by projecting a rapid growth in real terms of both overall investment and public Plan expenditures. Investment is to rise on average by 10.7% per annum and the economy is expected to grow on average by 4.7% per annum during the years 1978-83.

10 The new Draft Plan reveals an intention to reorient the country's development toward improving the living conditions of the poor. This is reflected in its principal objectives: (i) the removal of unemployment and significant underemployment; (ii) an appreciable rise in the standard of living of the poorest sections; and (iii) the provision of basic needs to low-income groups. To achieve these objectives, the Government proposes to emphasize (1) agricultural development, (2) cottage and small-scale industries, area planning for (3) integrated rural development and the (4) provision of minimum needs. As a first step toward complete removal of unemployment, the Plan envisages the creation of a large number of new jobs through a considerable expansion of construction activity as well as a boost in the consumption levels of the poor--which in turn would require the production of the necessary wage goods, largely in small-scale, labor-intensive units. Specific programs to achieve these objectives are still in the making.

11. In order to achieve a sizable rise in the income of the poorest classes of society, the Draft Plan--in conformity with the Janata Party policy--places prime emphasis on the development of rural areas. A major impulse for agricultural development will be provided by the expansion of irrigation and related agricultural inputs, such as fertilizers and better farming techniques. The Draft Plan argues that efforts to increase productivity should be supplemented by measures with a redistributive impact such as supporting small farmers and small industry with institutional credit and material supplies and assistance for marketing. The Draft Plan also intends to complement the creation of employment and the increase in rural productivity by providing basic services to those groups which have so far been unaffected. For this purpose, the minimum needs program launched at the onset of the Fifth Plan is being revitalized and accelerated.

12. The allocation of the Draft Plan outlay for the next five years reflects these priorities. Out of a total expected spending of US$81 billion, US$35 billion--43%--have been earmarked for rural development programs including agriculture, irrigation, fertilizer and social infrastructure expenditures directly benefitting the rural areas. The share of these sectors amounted to 37% during the Fifth Plan period and to 40% in the Annual Plan for 1978/79. It can thus be expected to rise further during the next four years. Similarly, spending on the minimum needs program in 1978-83 will absorb 6% of the Plan resources, as compared to less than 3% in the Fifth Plan. On the other hand, the shares of industry and of transport and communication have been reduced.

13. There is considerable scope for stepping up growth in agriculture. The most promising development is the sharp increase in government outlays and improved project implementation for irrigation. There are also indications that private investment in tubewells is picking up again after a slump in the early 1970s. Other favorable indicators include the spread of an improved system of extension to more states and the recovery of fertilizer demand. With regard to more productive use of existing capacity, there is an increased awareness in the Government that the benefits of irrigation projects can be much increased, not only through command area development, but also through improved design standards in major surface irrigation infrastructure. Nevertheless, comprehensive improvement in water management remains a distant goal, particularly in existing systems and where farms are small and fragmented. The bulk of the increase in private tubewell development in the last few years has come from the Eastern Region, where more and more farmers are sinking wells to enable them to grow a winter crop of wheat in addition to providing better water control for the summer rice crop. Improved water management would make such investments even more productive. Increased farmer incomes from the recent good harvests, somewhat lower fertilizer prices, and grain prices supported at incentive levels have encouraged farmers to apply considerably more fertilizer. Finally, the reorganized and improved extension and research system which has been introduced recently in several states in northern and eastern India holds out the hope that sound advice will reach many more farmers in both irrigated and rainfed areas and will raise their productivity significantly. The improved extension system is an excellent example of how the growth effort can and must be structured so as to increase the incomes of small and marginal farmers, who work 25% of the cultivated

land and account for somewhat more than 25% of production; more importantly, these farmers make up about 70% of the rural population and constitute the majority of those living below the poverty level in India.

14. Industrial prospects are somewhat more difficult to discern. Moderate growth in 1977/78 after an excellent year in 1976/77 suggests the persistence of problems plaguing the sector since the mid-1960s--large unutilized capacity, stagnant capital formation in the private sector and low productivity growth. Lower investment than expected, of course, is one of the reasons for low capacity utilization in capital goods industries, which make up a significant portion of the sector. Sluggish demand for industrial products from all sources--not only from investments but also from agriculture, exports and import substitution--has been a basic constraint. Further import substitution cannot be a major source of growth for manufactured goods in the future because most opportunities for efficient import substitution have been exploited. Increased growth of real incomes from greater productivity in both agriculture and manufacturing, sustained increases in exports and increased investment, particularly by the public sector, all can raise demand for industrial production.

15. The new industrial policy of the Janata government and the orientation of the Draft Five-Year Plan emphasize small-scale industry over heavy industry and have accordingly promoted such measures as product reservation, credit rationing and, within the small-scale sector, plans to initiate special efforts for the growth of the "tiny" sector. While the priority accorded to the small-scale sector is laudable, there are doubts about the efficacy of the policy measures chosen. Past experience indicates that other factors are also crucial to its development, particularly effective demand, quality control, prices and marketing techniques. Some small-scale industry is capital intensive and not well suited to as rapid employment generation as is hoped; nor can all goods be efficiently produced using small-scale technology.

16. India's population growth rate of about 2% is not high in comparison with that of most developing countries. Moreover, the rate is on the decline, after growing steadily census to census from 1920 through 1970, both because the birth rate continues to fall and because mortality is not falling as steeply as in the past. Family planning acceptor rates slowed down in the wake of the abandonment of the 1976 population policy after the 1977 general elections and the momentum of the program has yet to be recaptured, particularly in Northern India. However, the new Government has reaffirmed its commitment to a voluntary family planning program and has budgeted the resources to carry it out. Over the longer term, with a sustained family planning effort, it should be possible to bring the birth rate down from its 1970-75 level of about 37 per thousand to about 23 per thousand by the end of the century, implying a population growth rate somewhat under 1.1%. Our "best guess" projection of India's population in the year 2000 is 885 million. Many of the benefits of family planning policy will only be felt beyond the turn of the century; the decline in fertility will, however, bring about an earlier change in the age structure of the population. The school age group will grow more slowly or not at all after 1981, thereby reducing the pressures on the primary and secondary education systems. However, the labor force will continue to

grow at a faster rate -- 2.5% per annum -- until well into the 1990s, resulting in an increasing proportion of the population in the labor force from 40.8% to 45% in 1991.

17. The Government's goal of eliminating unemployment in 10 years implies an expansion of the number of jobs at the rate of 9 million per annum -- 7 million new entrants to the labor force and the absorption of 2 million or so formerly unemployed. The majority of these will have to continue to be absorbed -- judging from the prevailing composition of the labor force -- in agriculture and the unorganized small-scale sector. The absorptive capacity of the modern organized sector is unfortunately low; its employment elasticity is expected to be no more than 0.5. Given its low current share of output, even rapid growth of this sector would not make much of a dent in the backlog of the unemployed. Employment in the organized sector has been growing at about 2.2% per annum in the past ten years, less than the labor force growth rate, and all of this in the public sector. Private sector employment has not grown at all since 1966. While the labor absorption elasticities of the small-scale sector may be higher in some cases than that of the large-scale sector, a major effort to expand production must succeed before an appreciable employment impact will materialize.

18. In the short run India's balance of payments should not be a constraint on growth and development. With good medium-term prospects for India's exports, the expected continuation of growth in invisible receipts and the potential for an increase in net aid disbursments, the net availability of foreign exchange to finance merchandise imports is projected to rise over the next five years, in current prices, from US$8.7 billion in 1977/78 to US$16.7 billion in 1982/83, an average of 14% per annum. Given the unlikely need to increase rapidly imports of some traditionally important items -- e.g., petroleum, fertilizer, foodgrains, edible oil and cotton -- other imports can increase at the rate of 20% a year over the next five years.

19. Altogether, these currently favorable circumstances present the opportunity to double India's trend rate of growth of per capita income from the average annual rate of 1.5% that prevailed for the last thirty years to 3% over the next five, and thereafter. This requires a continued fall in the rate of population growth to below 2% per annum and a rise in the growth of GDP from the historical rate of 3.5% to 5.0% per annum. Both of these targets are within reach. The first should be achieved barring a total abandonment of the family planning program. The second requires improved efficiency and increased investment by both the public and private sectors; it also means more fully harnessing the gains from trade through international specialization, implying a strong export effort and continued easier access to imports. In addition to enabling a faster rate of per capita income growth, the present situation allows for increasing the coverage of the population's minimum needs. This requires formulating and administering effective, efficient programs of public investment and, of course, requires larger public outlays.

20. With the enhanced resources at India's disposal, the economy is poised for a higher rate of economic growth. The Government is moving to

take advantage of this opportunity with increased public expenditure envisioned over the next five years, and the liberalized trade policies recently announced. It is yet too early to know whether the moves made so far will be sufficient to achieve the desired targets or whether additional steps will be necessary. Assured international support for India's development effort will be an important factor in moving the Government to take greater risks in pursuing a dynamic development program directed at meeting the huge needs of its large and impoverished population.

1978 ANNUAL MEETING BRIEFING PAPER

INDIA

I. Issues

1. Economic Policy. In view of your forthcoming visit to India, your meeting with the Minister can be brief. He is not expected to raise any issues with you. No doubt he will indicate that the Government is looking forward to your visit. You may wish to emphasize that you hope to gain a first-hand impression of the Government's efforts to accelerate economic development by seizing the unique opportunity provided by India's present relatively comfortable resource position.

2. Unfortunately political maneuvering is the main preoccupation of India's policy makers at present. The rift between Morarji Desai and Charan Singh threatens the marriages of convenience between the various potentially incompatible factions on which the foundations of the Janata Party rest. Indeed, it is quite conceivable that the next 12 to 18 months will see new alignments and realignments between the various Janata and Congress factions -- in anticipation of the next general election. In the shifting sands of Indian politics the position of the present Prime Minister is far from secure.

3. The current preoccupation with politics has resulted in indecision and a lack of leadership on economic policy. Fortunately, while there are no major new initiatives in economic policy, there have also been no dramatic reversals. By and large, the policies and programs which helped create the present opportunity continue to be pursued in the context of a Five Year Plan which envisages an 82% increase in development expenditures in real terms over actual expenditures in the previous plan.

4. In agriculture, the increased emphasis on irrigation, extension and research and high quality inputs, coupled with continued favorable weather conditions, is resulting in record harvests. Barring a prolonged turn for the worse in weather conditions, the critical agricultural issue of the next few years will not be how to continue to raise productivity, but rather how to enable the poorer sections of India's population, with their limited purchasing power, to benefit from the increased production capabilities while sustaining farmers' incentives for increased production. In this context, pricing policies (of inputs and outputs) will assume increasing importance, as will the degree of success achieved in programs designed to raise the purchasing power of India's poor. !

5. In industry, the cumulative effect of measures taken in recent years to liberalize investment and import licensing is beginning to be felt. There has been a modest upsurge in the investments of term-lending institutions, though this is largely attributable to a few products (e.g. power equipment, cement, fertilizers). Nevertheless, industrial policy remains as fuzzy and confused a subject with the new Government as it has been in the past. Imports, too, have increased substantially -- by US$1,350 million in 1977/78, or 23% over the previous year, exceeding our own forecasts by a substantial amount.

6. Exports are a cause for concern. After the impressive record of 1975/76, export volume has stagnated in the last two years. This is attributable to a number of factors, including reduced world demand for some commodities which contributed heavily to the earlier upsurge (sugar); reduced supplies available for export of some commodities for which domestic demand has picked up (coal, steel); and market restrictions imposed by importing countries (garments and textiles). While hard to substantiate and quantify, a reduced sense of urgency reflecting the current comfortable foreign exchange position may also have been a factor.

7. Despite growing imports and the slowdown in export expansion, India's foreign exchange reserves continue to increase in large part thanks to the flow of remittances, now at an annual rate of US$1.5 billion. In July 1978 foreign exchange reserves reached US$6.1 billion.

8. Bank Group Assistance and Lending Program. In FY78 India's commitments of Bank Group resources reached record levels both for IDA and the Bank -- US$951.5 and US$330.0 million respectively. This would not have been possible without a major effort on the part of GOI to develop a sizable project pipeline. The Minister has taken a personal interest in this subject and his senior colleagues in the Ministry have been instrumental in the formulation of a more effective program. It would be appropriate to acknowledge their efforts while encouraging them to continue strengthening the project preparation effort.

9. On previous occasions, you have indicated your readiness to support a stepped-up development effort with increased Bank Group resources -- i.e., larger levels of IBRD assistance. It would be appropriate to repeat this in general terms without getting specific as to amounts, which we believe can be handled more effectively as the FY79 program unfolds.

10. Disbursements. During FY78 Bank Group disbursements in India were US$500 million -- a disappointing achievement when compared with recent years and even more so in comparison with expectations. During the Annual Meeting, we plan to review the FY79 outlook in some detail with the Indian delegation. Our efforts would be greatly helped if you could once again underline the importance of a healthy disbursement record.

II. Biographical Sketches of Indian Delegation

Mr. H. M. Patel, Minister of Finance, is 74 years old and an experienced administrator. He was a civil servant from 1939 to 1958 and held many important posts including several international posts, Cabinet Secretary and Secretary, Department of Economic Affairs. He resigned as Principal Finance Secretary in 1958 in connection with a financial scandal, from which he was fully exonerated by a high level investigation. However, from then, Mr. Patel followed a political career, playing a prominent role in the Gujarat cooperative movement and eventually joined the Swatantra Party, was once President of this party at both the State and All-India levels, and he represented it in the Lok Sabha for seven years preceding the election last year. He joined the Janata Party for that election and on his election was made the Finance Minister.

Dr. Manmohan Singh, Secretary, Ministry of Finance, Department of Economic Affairs, is 46 years old. He first followed an academic career, studying in India and several European universities, taking a D.Phil. degree at Oxford University. He alternated academic posts with assignments at the United Nations, including one as Chief of the Financing for Trade Section of the UN Secretariat. In 1971, he moved into the Government as Chief Economic Adviser first in the Ministry of Foreign Trade and then in the Ministry of Finance. On the appointment of Mr. M. G. Kaul as India's Executive Director to the IMF two years ago, Dr. Singh was appointed to his present post.

Mr. I. G. Patel, Governor, Reserve Bank of India, is 55 years old. He was a staff member of the IMF early in his career and became Alternate Executive Director in the Fund between 1958 and 1961. He served as Chief Aide to Mr. B. K. Nehru at the inauguration of the Consortium in 1958. He had been actively involved in Consortium matters since that date and headed India's delegations to the Consortium meetings for several years. In 1965 he became Chief Economic Advisor to the Government of India. In 1967, when Morarji Desai became Finance Minister, he was appointed "Special Secretary" and later Secretary in the Ministry of Finance in charge of the Department of Economic Affairs. He left India in 1972 to assume the post of Deputy Administrator of UNDP until 1977 when he was appointed Governor of the Reserve Bank of India.

The Delegation also includes Dr. Honavar, Chief Economic Adviser, Mr. M. D. Godbole, Joint Secretary, Department of Economic Affairs and Mr. Rajawade, Personal Secretary to the Minister, all of the Ministry of Finance.

September 1978

BANK GROUP INDIA PROGRAM

SECTORAL COMPOSITION OF LENDING PROGRAM

FY 79 - FY 83

Sector	US Millions/Number of Operations				
	1978/79	1979/80	1980/81	1981/82	1982/83
Agriculture and Rural Development	458/10	730/4	635/7	800/9	640/7
Industry, Energy, Power, DFC	420/2	560/5	665/6	680/6	675/4
Transportation and Telecommunications	190/1	160/2	50/1	70/1	160/2
Urban, Population, Education and Nutrition	234/2	177/4	300/3	150/1	285/3
Total	1302/15	1627/16	1650/17	1700/17	1760/16

3

RECENT POLITICAL AND ECONOMIC DEVELOPMENTS IN INDIA

1. Political Developments. The Janata Party, a coalition of diverse parties bound by opposition to Mrs. Gandhi in the 1977 General Election, has formed the center government since April 197~~6~~7. The main thrust of the Janata Government is the reorientation of the country's development toward improving the position of the poor by shifting the allocation of development resources so that a higher proportion is spent on rural development and basic needs. However, many important elements of this strategy remain on the rhetorical level and have yet to be formulated into operational programs.

2. Since the General Election, the Janata or one or another of its constituent parties, have formed governments in northern Hindi-speaking states while opposition parties, including some loyal to Mrs. Gandhi, have formed governments in southern states. Relations among parties within the Janata coalition have become increasingly strained. There is currently a struggle for party leadership between Morarji Desai and Charan ~~Singh,~~ leader of one faction and, until recently, Home Minister. The Janata Party at the Centre has been preoccupied by these political affairs and has yet to develop clear economic policies in important ~~areas~~.

3. Another consequence of the uneasy political coalition at the Centre has been a shift in Centre/State balance toward more State autonomy. The first and still most serious indication of this was the meeting of the National Development Council in March 1978, called to endorse the first of India's new rolling Five-Year Plans. The states withheld their endorsement, complaining of short notice and inadequate consultation. More importantly, many states indicated they wanted first to see that the new provisions for transferring funds from the Centre to the States would result in a larger portion of funds placed automatically under their control, correspondingly less to be doled out at the discretion of the Centre. They will consider the Plan when the committee reports on these transfer provisions are ready (perhaps as soon as October 1978). Other independent and even provocative maneuvers by certain state governments underline a lack of political cohesion among the diverse and local interests represented by parties either within or outside of the Janata coalition.

4. Economic Developments. The 1977 monsoon was very favorable; foodgrain production in 1977/78 reached a record level of 127 million tons. This compares with 111 million tons in 1976/77, 121 million tons in 1975/76 and an everage of 103 million tons for the first five years of the decade. In addition to good weather, both irrigated area and fertilizer consumption continued to grow rapidly. Annual additions to irrigated area have averaged two million hectares since 1965/75 compared with 1.3 million hectares per annum from 1969 to 1975; fertilizer consumption grew almost one quarter in 1977/78. The good harvests have helped considerably to stabilize foodgrain prices and thus contain inflation. Foodgrain procurement amounted to 10 million tons in 1977/78, roughly the same as the high level of the previous year. Public distribution of foodgrain has averaged just under one million tons a month. This, along with small amounts of wheat repaid to the Soviet Union, allowed a marginal drawdown of India's ample stocks to just under 20 million tons by the end of June 1978. Other agricultural commodities, including sugarcane, cotton and oilseeds, did well and agricultural production grew 11 per cent overall in 1977/78.

5. In contrast, industrial production grew only 3.5 per cent in 1977/78, a disappointment following the previous year's dramatic 10 per cent rise. Poor performance of such industries as coal, cement, steel and power more than offset the healthy growth in production of crude petroleum and petroleum products, chemical fertilizer, and nonferrous metals. A continuing problem is the low demand for manufacturing output from agriculture, investment, exports and import substitutes. In 1977/78 exports turned sluggish. Although public expenditure has increased recently after its decline in the early 1970, there are as yet no clear indications of resumed private investment demand. A further part of the explanation for slow industrial growth lies in supply problems. In fact, the vicious circle of constrained power, coal and railway transport abetted by labor disruptions shows signs of reemergence.

6. The combination of 11 per cent growth in agricultural output and 3.5 per cent in industrial production resulted in a 6 per cent growth in GDP in 1977/78. This, combined with the 2 per cent growth in 1976/77 and 8 per cent growth in 1975/1976, yielded 5 per cent average growth over the last three years. With a population growth of about 2 per cent per annum, per capita income grew 3 per cent per annum compared to a 1 per cent decline in the first half of the 1970s and a trend rate since Independence of less than 1.5 per cent. The price rise in 1977/78 and in fact since 1974/75 has been very mild. Wholesale prices at the end of March 1978 were just below their level of a year earlier and only 4 per cent above their level of three years ago, March 1975. Because of a rise and fall during the year, the yearly average wholesale price level in 1977/78 was 5 per cent above the previous year's average.

7. The balance of payments continues to be strong despite a large and unexpected increase in the trade deficit and minor fall in net aid transfer, due to a near doubling of miscellaneous capital and invisible receipts. Merchandise imports jumped 21 per cent from US$6 billion in 1976/77 to US$7.3 billion in 1977/78. Export performance was disappointing, with an increase from US$5.8 billion to US$6.3 billion in current prices which, given estimated US dollar prices rises, represents an actual decline in export volume. Possible reasons for this poor performance are many--reduced export incentives, restrictions on the export of some items, increased domestic absorption of others, notably coal, cement, iron and steel, and growing protectionism and recessionary trends in overseas markets--but overall the impression is one of reduced export effort.

Balance of Payments
(US$ millions)

	World Bank Estimates 1976/77	1977/78	Change 1976/77 - 1977/78
Merchandise Exports (f.o.b.)	5760	6300	540
Merchandise Imports (c.i.f.)	- 5950	- 7300	- 1350
Trade Balance	- 190	- 1000	- 810
Debt Service	- 830	- 930	- 100
Gross Aid Disbursements	1953	1840	- 113
IMF Transactions (net)	- 336	- 330	6
Miscellaneous Capital and Invisibles	1270	2420	1150
Errors and Ommissions	- 292	76	368
Use of Reserves (- = increase)	- 1575	- 2076	501
Reserve Level at End of Period	3747	5823	2076

7. The US$1 billion trade deficit, the US$930 debt service requirement and the US$330 repurchase from the IMF resulted in a US$2.26 billion gross financing requirement, which was met by US$1.84 billion of gross aid disbursements and by US$2.42 billion of miscellaneous capital and invisible receipts with enough left to add US$2 billion to reserves, which stood at US$5.8 billion by the end of March 1978.

8. The current year looks promising. The summer monsoon arrived right on time and shows every sign of providing adequate, broadly distributed and timely moisture for good crop growth; but there have been major floods in northern India with substantial dislocation of population and an inundation of cropped areas totalling between 7 and 10 million hectares (almost 10 per cent of total cropped area). It is as yet too early to estimate the effects of the floods on production but with continued growth in fertilizer consumption, agricultural output could perhaps equal 1977/78's record production. Early indications suggest industrial production could grow at a rate closer to the GOI's 7 to 8 per cent target than 1977/78's low 3.5 per cent performance. Nevertheless, overall GDP growth in 1978/79 is unlikely to exceed 4 per cent with the possibility of a much lower figure if flood damage proves permanent. The only up-to-date and accurate information on balance of pay-

ment variables is for external reserves, which stood at US$6.1 billion by July 1978. Even allowing for India's gold purchase and currency repurchase from the IMF, this figure indicates something of a slowdown in the rate of increase in reserve accumulation. This is consistent with our projection of a leveling off of the growth of invisible receipts and a further expansion of the trade deficit, due both to increased imports resulting from liberalized policy and to stagnant export volume, based on the GOI's current export projection.

Plan 78-83
GNP 4.7% pa
Agr 4.0
Ind. 7.0

8. Although the new draft Plan for 1978/1983 lays first stress on the objectives of the removal of unemployment, alleviation of poverty among the poorest and provision by the state of basic needs, it recognizes that these objectives can be met only in the context of an expanding economy and in fact plans for an increase in the GDP growth rate to level higher than during any previous Plan period. The projected 4.7 per cent annual rate of growth should be compared to 4 per cent achieved during the four years of the Fifth Plan and the 3.5 per cent long-run trend since the early 1950s rather than to the considerably higher but unachieved targets in previous Plans. This rate is to be achieved by an acceleration of the growth of agricultural production to 4 per cent per annum, and industrial output to 7 per cent. Both rates are higher than those achieved in the recent past but neither is higher than achieved at some point in the past. Given India's current situation, both are feasible under supportive policies and good economic management.

9. The agricultural growth target of the Draft Plan is ambitious; but it can be achieved if India's current agricultural strategy is effectively implemented. Its basic elements focus on: i) improving cultural practices through reorganization of the agricultural extension service, ii) increasing more rapidly India's irrigated area while improving the efficiency of the entire system by raising the technical standards of water distribution, iii) improving the infrastructure required for more rapid groundwater development, iv) ensuring ready availability of inputs and, v) maintaining profit incentives with appropriate input and output prices.

10. India's industrial development strategy is not nearly as well worked out; consequently the Draft Plan growth target of 7 to 8 per cent, though reasonable when measured against past achievement, must be still considered problematic. To the extent that large increases in plan expenditure can provide the necessary impetus in public investment, the Draft Plan will facilitate industrial growth. It anticipates expenditures at a rate 82 per cent (in real terms) above those achieved during the four years of the Fifth Plan. As a result the public portion of investment is expected to rise from 42 per cent in 1976/77 to 56 per cent for the entire five year period of the Draft Plan. However, uncertain prospects for private investment, potential supply constraints for key inputs and the level of public savings proposed for financing anticipated plan expenditures all present difficulties for achieving the industrial growth target.

11. India's balance of payments situation is unlikely to be a constraint on growth over the Plan period. With aid levels maintained in real terms, net invisibles maintained in current terms and exports growing at the targetted 7 per cent per annum in volume terms, import capacity will increase by over 18 per cent per annum in current and by 11 per cent per annum in constant dollar terms over the next five years. This provides for an import elasticity of about 2.2 per cent. This is about as high as any rapidly growing developing country has experienced over the

medium term, although imports could easily exceed these levels in India for a few years given their past compression. However, India's current food and foreign exchange reserves will provide ample cushion should imports rise precipitously in any one year.

4

INDIA

FOREIGN ASSISTANCE AND DEBT

1. India has received substantial amounts of foreign assistance in absolute terms. Between 1960 and 1977, the cumulative transfer of aid, net of amortization and interest, reached US$16 billion. Although this is an impressive figure, it seems much less remarkable when considered in relation to India's population and the size of her economy. Over the past three years, for example, net aid to India has averaged US$1.92 per capita, or just over 1.3% of GDP, whereas for Pakistan, aid levels reached US$10.17 per capita (5.4% of GDP) and in Bangladesh, foreign assistance totalled US$20 per capita (18.5% of GDP).

Aid Levels and Domestic Investment

2. While there have been ups and downs in flows of foreign assistance, aid has never accounted for more than a small fraction of India's development expenditures. India has consistently financed more than 80% of gross investment from domestic savings, and between 1970 and the present, the proportion of domestic investment financed from domestic resources averaged well over 90% -- an extremely high figure by international standards. The contribution of aid to domestic investment fell steadily from 1965/66, when it was 14% of gross fixed investment, to 1972/73 when it was 2.8% of gross fixed investment. By 1974/75, as a consequence of the international response to that year's balance of payments crisis, the proportion rose to 7.2%, and in 1975/76, to 10.2%. The present ratio of foreign aid to gross fixed investment -- 6.8% -- is similar to that prevailing at the outset of the 1970s.

3. While aid levels have been relatively low in relation to India's size and needs, aid has, in the past, played an important role in India, especially in the context of the country's balance of payments. From 1965 to 1968, about 40% of India's import capability was provided by net aid. Since then, largely because of the volatility of the net transfer, the contribution has fluctuated considerably, falling to 11% in 1972/73, rising sharply to 22% in 1975/76, and thereafter declining steadily to its present level of 10%.

Table 1

Aid and the Balance of Payments
(US$ millions)

		1967/68	1973/74	1974/75	1975/76	1976/77[2/]	1977/78[3/]
1.	Exports	1598	3239	4174	4665	5760	6300
2.	Gross aid transfer	1643	1277	1761	2341	1953	1837
3.	Debt service	444	765	785	786	829	929
4.	Net aid transfer	1199	512	976	1555	1124	908
5.	Misc. capital and invisibles[1/]	-94	+35	+796	+806	+664	+1790
6.	Import capability	3147	3783	5946	7026	7548	8998
7.	Net aid transfer as % of import capability	38%	13.5%	16.4%	22.1%	14.8%	10.0%
8.	Debt service/exports	27.8	23.6	18.8	16.8	14.4	14.7

1/ Includes net IMF
2/ Provisionals
3/ Estimate

Source: Economic Report, April 1978.

Level of Net Aid Transfer

4. The net aid transfer to India jumped substantially in the wake of the 1973/74 crisis, from its 1968-73 level of approximately $500 million per annum, to over $1 billion in 1974/75 and $1.5 billion in 1975/76. However, this high level of net aid has not been maintained. In 1976/77 net aid fell to $1.1 billion and in 1977/78 to $908 million. As Table 1 above indicates, this is due both to declining gross disbursement levels as well as rising debt service since 1975/76. In the Consortium, the net transfer from half of the countries (Belgium, France, Germany, Japan, Italy and USA) was negative in 1977/78, whereas in 1975/76 and 1976/77, the net transfer from only 2 of the

13 countries was negative (see Table 2). Some explanation for this trend in the net aid transfer can be found in the changing composition of bilateral lending: fewer fast-disbursing program loans, declining debt relief, less scope for food aid, and a growing proportion of project loans. The net transfer from Eastern Europe has been negative for three years, while that from OPEC is declining, although it still makes up approximately 1/3 of the total transfer. While the net aid transfer to India has been falling, aid commitments have been rising quite steadily since 1973/74 (with the exception of a decline in 1976/77), to their present level of US$2688 million. The aid pipeline -- which in 1977/78 reached US$4452 million -- shows a similar steady upward trend.

Aid Terms

5. In contrast to the declining net aid transfer, the terms of aid to India have been improving steadily. In 1977/78, bilateral aid carried an average interest rate of 2.4%, a 30-year maturity and a 6.8 year grace period, giving a grant element of almost 60%. This was in contrast to 1975/76 when bilateral commitments were pledged on much harder terms: 2.7% interest, 19 year maturity and 6.6 years' grace, and a grant element of 47%1/. For this year, Consortium commitments are estimated to carry an average interest rate of 1.7%, 8.3 years' grace and a 33-year maturity2/.

Burden of Debt and Balance of Payments Strength

6. Because of inflation, as well as the general softening of aid terms, India's debt service burden has been considerably eased since early in the decade when it hovered for almost three years (1969/70 - 1971/72) around 30% of exports (see Table 1). Further softening of aid terms, continued inflation and the advantageous terms on which India has recently been able to contract short and medium-term debt suggest that the debt service ratio will not rise unduly in the foreseeable future over its present level -- 12% of exports of goods and non-factor services. In any case, India's strong current and projected balance of payments position -- due to a combination of healthy invisibles growth, continued import substitution, and vigorous growth of goods exports -- should enable the debt service requirements to be met without undue strain.

1/ Debt Reporting Service estimates.
2/ Division estimates:
These terms are weighted averages of Consortium countries' terms using commitment levels as weights.

Table 2

NET AID TRANSFER TO INDIA

US$ millions

	Net Aid Transfer	Net Aid Transfer	Net Aid Transfer
A. Consortium Members	1975/76	1976/77	1977/78
Austria	-1.2	0.9	29.0
Belgium	29.9	-2.5	-1.2
Canada	76.2	65.8	37.3
Denmark	6.4	11.0	13.7
France	26.7	17.7	-3.9
Germany	45.5	8.9	-45.9
Italy	-15.7	-14.5	-2.6
Japan	-2.7	49.3	-10.0
Netherlands	37.6	52.1	59.5
Norway	7.3	8.5	12.8
Sweden	82.0	43.0	65.9
U.K.	106.5	122.0	141.7
U.S.A.	153.1	55.4	-21.2
Sub-total	551.6	417.6	275.1
IBRD	-49.8	-11.6	42.1
IDA	467.1	503.2	298.9
Sub-total	417.3	491.6	341.0
Total	968.9	909.2	616.1
B. East European Countries			
Bulgaria	-0.1	-0.2	-0.1
Czechoslovakia	-5.2	1.9	-0.7
GDR	4.4	-5.7	-5.7
Hungary	2.3	2.5	4.8
Poland	-1.8	-2.4	-2.6
Rumania	10.0	4.3	-4.6
USSR	-31.2	-68.2	-112.7
Yugoslavia	19.7	9.1	22.8
Total	-1.9	-58.7	-98.8
C. OPEC Countries			
Iran	393.1	189.2	223.4
Iraq	34.7	32.5	-
Kuwait	-	21.8	24.0
Saudi Arabia	-	-	24.2
UAE	49.4	18.7	5.4
OPEC Fund	-	-	21.7
Others	-2.2	-1.1	-1.0
Total	475.0	261.1	297.7
D. Others			
Switzerland	-0.6	3.4	1.0
UNEO	47.5	-	[illegible]
EEC	52.8	3.1	94.0
Others	13.4	5.7	-1.7
Total	113.1	12.2	93.3
E. GRAND TOTAL	1555.1	1123.8	908.3

Source: Economic Report Tables

TABLE 3

INDIA - External (Public and Private) Debt, and
Debt Service as of March 31, 1978
US$ Millions

Debt Outstanding to:	Debt Outstanding		Debt Service				
	Disbursed	Committed (incl. Undisbursed)	1978/79	1979/80	1980/81	1981/82	1982/83
1. All Creditors	13,358.4	16,519.0	858.6	1,010.2	1,087.4	1,031.0	994.2
2. International Organizations	3,788.8	5,534.9	151.3	161.6	180.7	176.5	181.4
3. Government	9,473.3	11,036.9	678.4	821.9	883.6	836.5	797.6
4. Private Debt	96.3	147.2	28.9	26.7	23.1	18.1	15.2
5. Government Loans excl. suppliers credits	9,208.6	10,726.0	617.6	769.8	842.0	798.5	763.5
Austria	31.2	32.3	3.6	3.2	2.5	2.0	1.7
Belgium	49.0	60.35	1.5	1.5	1.8	1.9	2.3
Canada	466.6	485.4	15.1	15.9	15.6	16.4	16.3
Czeckoslovakia	42.9	128.7	8.2	9.2	9.2	9.6	10.0
Denmark	23.1	43.7	1.3	1.7	1.7	1.6	1.6
France	296.2	439.9	36.5	37.9	38.1	37.3	36.9
Germany (FDR)	1,409.2	1,533.4	129.6	125.2	118.3	113.2	98.3
Iran	719.6	1,249.6	22.8	156.5	214.6	135.8	103.8
Iraq	172.9	173.7	4.3	25.1	31.7	31.0	36.9
Italy	15.1	32.82	3.5	4.9	4.9	4.8	4.2
Japan	827.6	896.4	87.8	73.7	80.0	79.2	83.0
Kuwait	22.3	51.5	1.7	1.8	1.8	4.4	4.3
Netherlands	252.9	320.3	12.0	14.3	15.6	16.6	17.7
Poland	14.0	14.5	3.2	3.2	2.3	2.2	0.7
Quatar	1.8	1.8	1.0	-	-	-	-
Sweden	136.7	158.7	3.1	3.1	3.1	3.3	3.8
Switzerland	28.1	40.4	4.5	4.7	4.8	4.7	4.7
United Arab Emirates	70.0	87.5	2.0	2.2	5.0	6.1	8.0
United Kingdom	934.8	973.8	51.2	52.1	55.8	65.3	65.1
USA	3,453.9	3,478.6	168.5	173.3	171.9	179.2	174.9
USSR	238.5	520.6	54.8	58.2	60.4	80.3	79.1
Yugoslavia	2.3	2.3	-	-	-	-	-
6. Suppliers Credits (Public)	264.7	310.9	60.8	52.1	41.6	38.0	34.1
Austria	0.14	2.9	0.4	0.4	0.3	0.4	0.4
Belgium	3.3	3.3	0.8	0.6	0.4	0.2	0.1
Bulgaria	1.2	1.2	-	0.1	0.1	0.1	0.1
Czechoslovakia	0.045	0.045	-	-	-	-	-
Denmark	3.4	3.4	0.8	0.8	0.8	0.7	-
Finland	0.19	0.19	-	-	-	-	-
France	24.9	24.9	7.0	4.0	3.5	3.3	2.6
Germany (DDR)	20.9	20.9	1.6	1.5	1.4	1.4	1.4
Germany (FDR)	47.9	48.5	8.0	7.9	8.1	7.4	6.6
Hungary	0.27	1.0	0.2	0.1	0.1	0.1	0.1
Italy	50.5	53.4	11.5	10.9	5.1	4.5	4.1
Japan	19.5	19.5	5.5	4.1	2.7	2.6	2.4
Netherlands	3.7	3.7	1.2	1.0	0.3	0.1	-
Norway	1.3	1.3	0.4	0.4	0.4	-	-
Romania	29.2	29.2	2.8	2.7	2.7	2.6	2.6
Sweden	0.66	0.66	0.1	-	-	-	-
Switzerland	0.01	0.01	-	-	-	-	-
United Kingdom	0.009	0.009	-	-	-	-	-
USA	3.0	3.0	0.8	0.5	0.3	-	-
USSR	1.5	1.5	0.4	0.3	0.2	-	-
Yugoslavia	52.8	92.1	19.4	17.0	15.2	14.6	13.7

Source: Debt Reporting Service

5

INDUSTRIAL DEVELOPMENT IN INDIA

Industrial Performance

1. Industrial performance in India since the mid 1960s has been unimpressive, not only in terms of the volume of industrial growth[1/] in relation to the considerable resources invested in industry, but also in terms of the low employment absorption that has characterized this sector[2/] and the inadequate utilization of installed capacity in several specific industries.

2. Growth and capacity utilization in agro-based industries, which account for about one-third of industrial production, have been constrained by an inadequate supply of agricultural raw materials. Between 1970 and 1977, production in agro-based industries increased by 16.2%, compared to 49.4% and 64.7% in metal-based and chemical-based industries, respectively. This slow growth in agro-industries is in large part due to the relatively low increase and large annual variations in the production of raw materials. As an example, an index of fibres production based on the triennium ending 1969-70 = 100, reached 119.4 in 1974-75 and only 103.4 and 105.6 in 1975-76 and 1976-77 respectively.

3. Weak demand conditions have contributed to excess capacity in several industries and have become more pervasive in recent years. The percentage of capacity utilization seems to have declined between 1970 and 1977. This in turn has affected investment prospects. In recent years, the Bank has advocated an expansionary policy in order to overcome the stagnant demand conditions and improve the investment outlook.

4. Industrial performance in the most recent period has shown some improvement over average 1960-78 trends. Partly as a result of outstanding agricultural performance, which led to higher rural income and fewer constraints on the supply side, industrial growth rates during fiscal years 1975 to 1978 improved significantly with respect to the early seventies, reaching over 10% in 1976/77. However, in the second half of 1977/78, industrial production slackened again and increased by only 3.5% with respect to the previous year.

1/ Growth in value added in the industrial sector (defined inclusive of manufacturing, mining, electricity, water, gas and construction) averaged 5.5% p.a. between 1960 and 1970 and only 3.8% p.a. between 1970 and 1976 (World Development Report, 1978.)

2/ For instance only about six million persons are currently employed in the factory sector, representing less than 3% of the labor force. The factory sector comprises manufacturing enterprises of at least 20 workers, and those that having between 10 and 19 workers use electricity.

5. Since the beginning of 1978/79, the depressed outlook for industrial demand has also started to improve. However, this has not in all instances been translated into effective output increases. Several factors have constrained the expected expansion in output; power shortages have been the most critical, but shortages in the supply of crucial commodities, such as cement and steel, have also had a dampening effect on output. The Ministry of Industry estimates that power shortages alone may have constrained industrial production this year by as much as Rs. 40 billion.

6. In spite of these contraints, the prospects for industrial growth in the present fiscal year are better than they were for 1977/78. Power supply is expected to increase by 14.5% (as against 3.4% in the previous year), thus relieving -- at least partially -- an important bottleneck. Restrictive pricing policies in cement and textiles have been relaxed (see para 23 below) and are expected to increase profitability and lead to more extensive use of existing capacity, as well as to capacity expansion in the case of cement. Industrial output, then, is expected to increase by 7% in 1978/79. Table I summarizes annual growth rates by industries for 1977/78 and projected growth rates for 1978/79.

Recent Developments in Industrial Policy

7. The Janata party election manifesto, which came out before the elections, followed by the Janata Party Economic Policy Statement in November 1977 and the Government's Statement on Industrial Policy in December 1977 had raised expectations in some quarters and fears in others that a major overhaul of the industrial policy was in the offing. Such a change has not taken place so far. In general, looking at what has actually happened, continuity with past industrial policy is the more evident trend. Although the rhetoric regarding the shift in favor of village and small scale industries and indigenous or appropriate technologies has intensified, and some new programs have been designed, a major change has not occurred in the effective policy framework. Nor have the threats to curb the expansion of the large business houses or to disperse the economic concentration of power been translated into concrete action. Nevertheless, the rhetoric has increased the uncertainty in the policy environment, especially for organized industry.

8. Motivated and supported by the comfortable resource situation, the mild trend towards piecemeal liberalization which was already taking place in the past three or four years in India has continued. Consequently, there has been some easing of controls in licensing (even, it seems, for large houses; see below), in imports, in production, and in pricing. However, the administrative constraints as reflected in the numerous and cumbersome procedures that the industrialists have to cope with do not seem to have lessened and the situation in this respect may have even worsened, due to the hesitance of the bureaucracy to take quick decisions.

Table: 1

Annual Rates of Growth in Selected Industry Groups: 1977-78 and 1978-79

Industry Group	Weight in the index	Growth rates during 1977-78 (a) (Provisional)	Growth rates during 1978-79 (b) (Projected)
I Mining and Quarrying	9.69	2.5	11.1
II Manufacturing	81.08	3.7	6.4
Food products	7.74	8.8	3.2
Beverage industries	0.69	14.8	-10.1
Tobacco manufacture	2.21	1.0	2.8
Textiles	17.43	2.4	2.4
Footwear, other wearing apparel and made up textile goods	0.34	-20.5	4.1
Wood and cork manufacture of furniture	0.49	6.8	7.4
Paper and paper products	2.24	5.0	6.7
Leather and fur products except footwear and other wearing apparel	0.32	-12.2	2.6
Rubber products	2.22	2.8	5.3
Chemicals and chemical products	10.90	6.4	9.1
Petroleum and coal-based products	1.62	8.3	6.1
Non-metallic mineral products	3.33	4.2	8.1
Basic metal industries	8.84	-3.1	8.5
Metal products except machinery and transport equipment	2.77	2.4	4.7
Non-electrical machinery	5.55	7.8	8.8
Electrical machinery, apparatus, appliances and supplies	5.30	5.7	10.0
Transport equipment	7.39	-2.4	14.3
Miscellaneous industries	1.70	17.6	Not estimated
III Electricity	9.23	3.4	14.5
All Industries	100.00	3.5	7.0

Notes: (a) Based on provisional figures released by CSO
(b) Projected rates of growth have been worked out by the Office of the Economic Adviser after taking into account targets fixed for major industries.

9. Small Scale Industry. The emphasis on village and small-scale industry, which figured prominently in the policy pronouncements of the Janata Party and the new Government, was not new in India. Ever since the early Plans, Indian industrial policy has stressed the importance of cottage industries and labor-intensive small-scale production units and has instituted measures for promoting them. These objectives represented the extension of the Gandhian philosophy to the economic arena long before "small is beautiful" slogans became fashionable in many other countries. Over the years this emphasis was especially reflected in the importance attached to the khadi and handloom textile sector, and various incentives for small industries -- such as the exclusion of the organised factory sector from certain lines of production -- were incorporated in the industrial policy. In the evolution of the present Government's policy, the promotion of small-scale and village industry at first appeared in the form of an extreme doctrine. There were statements to the effect that anything that could be produced in the tiny sector should not be produced in the small sector and anything that could be produced in the small sector should not be produced in the large sector. But as the Government settled down to its responsibilities, this slogan faded into the background and a more moderate approach was adopted.

10. The measures that were contemplated aimed at promoting the small-scale sector mainly by reserving certain activities for small units, by providing institutional support and fiscal and other incentives, and by curbing the expansion of the large-scale businesses. As a first step, the list of industries reserved for small-scale units was increased from 180 to 504. The extent of the increase was, however, largely illusory. Comparison of the earlier lists with the new additions shows that the activities in terms of their scope and importance were much more significant in the earlier lists and somewhat forced and fragmented in the recent revision. Wide areas of production such as domestic electrical appliances, leather footwear, paper conversion products, paints and varnishes, plastic process products, safety matches, wide brushes and fibre brushes, dyes, electrical light fittings and laundry soap were included -- as single items -- among the first 48 items listed in 1967/68. In comparison to this, the new list of 324 additions was mostly made up of very detailed product names, most of which probably constitute activities which are not comparable in size to the components of the earlier lists. The lists evidently refer to areas where future capacity increases will be reserved for small units, although there have been statements indicating specific targets for early phasing out of the production of large units in a few industries, such as matches, footwear and soap.

11. The other concrete program for promoting small-scale industries concerned the setting up of District Industry Centres (DIC). The idea behind this scheme is to provide coordinated administrative assistance to the small-scale industries on a decentralized plane. The DICs would be expected to reduce the formalities in the setting up of small units and to assist -- under one roof -- the small entrepreneurs in solving their problems.

The scheme was launched on May 1, 1978, in 112 districts. Personnel is being recruited from the state government departments as well as from outside and the help of the nationalized banks is sought to provide credit managers. Training programs for the staff are underway. This is a centrally sponsored scheme and the costs will be covered mostly out of the central budget. During the current fiscal year the expenditure on DICs is estimated at 150 million rupees. It is too early to pass judgment on the impact that the DICs will have, but there is widespread skepticism about it in the circles outside the Ministry of Industry. If past experience is any guide, DICs will probably function reasonably well in regions which possess developed infrastructures and not so well in poorly endowed regions where they are expected to contribute most.

12. The Draft Five-Year Plan endorsed the emphasis to be given to the village and small-scale industries and set ambitious production and outlay targets -- outlays increasing more than three-fold. The Plan also highlighted the role that the DICs were expected to perform and the need for better credit, trade and marketing facilities while at the same time cautioning against inflation of the subsidies in these programs. Several new credit facilities and incentives for exports and imports for the small-scale sector have been announced over the past year; the extent to which these new facilities are being utilized and what impact they will have remains to be seen.

13. Medium & Large Sector. After the first wave of anti-industry doctrine, the role of the medium and large industries has been increasingly recognized in the pronouncements of the new Government. The Janata Party statement made a forced attempt to justify large industry only in areas that were needed for agriculture, for infrastructure and in production lines which were resource-based, such as steel and aluminum. The Government's Industrial Policy Statement was less rigid and recognized the need for a broader definition; it explicitly included capital goods, high technology industries and "other industries which are considered essential for the development of the economy such as machine tools, organic and inorganic chemicals." The Draft Five-Year Plan, while emphasizing the labor-intensive technologies, took a pragmatic approach towards the scale question.

14. The role of the public sector vs. the private sector in industry has not figured as an explicit issue in recent industrial policy discussions. There were some press reports about private sector involvement in the production of defense equipment. There were also rumours of the government's intention to nationalize the automotive industries. But these have not been confirmed, and do not seem to be on the agenda. The take over of the sick units by the government has continued -- although at a slower pace -- not as a measure of nationalization but as a rescue operation. For all practical purposes, therefore, the rules of the game as regards the respective domain of the public and the private sectors seem to be based on the 1956 Industrial Policy Resolution as it has evolved over the years and to be no longer a major concern. The Janata Party Industrial Policy Statement talks of the public sector as a sector which "has today come of age."

15. Although direct nationalization of private industry or large houses is not a current issue, given the political instability, the industrailists are not entirely confident about the future of their businesses either. They are especially worried about the schemes which would strengthen the control of public banking institutions over the management of their companies. This is why the soft loan facility for the modernization of some industries initiated two years ago had no takers so long as it contained a convertibility clause. The disbursements picked up only after the convertibility clause was revoked. Since many companies are controlled by family interests owning rather low proportions of share capital -- i.e.textiles -- the industrialists are very sensitive to the risks which may change the delicate balance that gives them the controlling interest. For the same reason, they are also suspicious of the government's intention to amend the Companies Act or to "profesionalize" the management of industries.

16. The policy towards large industries in particular has become, if anything, more confused and controversial. The concern with the concentration of power in the hands of the large houses 1/ and the debate on it has intensified. The Janata Party economic policy talked of the need to restrict more rigorously than before the expansion of the large houses -- especially the 20 largest -- and to break up the family controls, interconnections or groups. The industrial policy statement by the government was more explicit. In addition to endorsing the strict application of the Monopolies and the Restrictive Trade Practices (MRTP) Act, it pronounced that:

(a) Except in the case of industries eligible for automatic growth of capacity, the expansion of existing undertakings into new lines and establishment of new undertakings by large houses will require specific approval of the Government.

(b) Large houses will have to rely on their own internally generated resources for financing new or expansion projects. While an appropriate debt-equity ratio will be permitted in the case of industries like fertilizers, paper, cement, shipping and petrochemicals, which are relatively more capital-intensive in nature, the debt-equity ratio in case of other less capital-intensive or less sophisticated industries will be so fixed as to reflect the greater use of their own internally generated resources by the large house.

17. The Government's attitude towards the large houses has recently been discussed extensively in the Parliament and the press. Figures were produced in the Parliament to show the rapid growth of the assets of the large houses and statements were made by Ministers on how the Government was determined to

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1/ Large business houses are enterprises -- single or interconnected -- whose assets are larger than Rs. 200 million. In 1977 there were 74 large business houses and 22 single large undertakings in India.

curb their expansion and break up the family run concerns. There have also been reports about the preparation for reducing the debt-equity ratio of such businesses to 1:1, for increasing the power of term lending institutions in the management of big houses, and for other amendments to the Companies Act. In return, the big houses have accused the government of citing misleading statistics and of embarking on a witchhunt which was injurious to the interests of the economy. J.R.D. Tata, in his address to the shareholders of TISCO, recently declared that the criticism of the large houses was "both incorrect and unfair." He also complained about the "dark hints given and publicized in the Press of possible nationalizations and of further amendments to the Companies Act and to the rules and regulations which already strangulate the functioning of joint-stock companies in some cases to a point of asphyxia."

18. The dust on these debates has not yet settled and it is not clear in what direction the concrete policies of the government will evolve. However, the report of the Sacher Committee, which looked into the workings of the MRTP Act and the Companies Act, has now been submitted to the government and its recommendations seem to be in the direction of strengthening government control over big business. The plea of private sector to reduce the scope of the MRTP Act has not been accepted. It is recommended that all businesses with assets exceeding Rs. 200 million come under the purview of the MRTP Act and Commission, as before, in spite of the price inflation that has occurred since the asset criterion was fixed. Moreover, the Committee has recommended that one-fourth of the market share, instead of one-third as at present, be taken as the criteria for determining the dominance factor of the large houses. It is further suggested that the scope of the MRTP Act should be enlarged to cover all unfair practices, that jurisdiction to try offenders under the MRTP Act rest with the MRTP Commission instead of a magistrate as at present, that a ceiling on inter-corporate investment be established as well as a ban on acceptance of public deposits by private companies and that workers be nominated as representatives on the boards of directors of companies.

19. Despite the ongoing debate on the activities of the large houses, a look at the experience of the year since the elections reveals that a rather pragmatic policy of granting licenses to big businesses has continued side by side with periodic attacks on them by the Government, perhaps meant for public consumption. In a recent reply to a parliamentary question, the government cited a long list of criteria which were being taken into account in approving or rejecting the investment applications from the companies covered under the MRTP Act: concentration of economic power, effect on small-scale sector and the public sector, indigenous demand, export demand and import substitution, inter-linkages among large houses, location relative to urban centers, use of indigenous technology and internal generation of resources. According to the government reply, various conditions were imposed while according approval to the proposals -- i.e., dilution of non-resident holdings, debt-equity ratios, representation of public financial institutions and banks on the boards of directors of the companies, stipulations for the conversion of the existing private companies into public companies, conditions in regard to professionalization of management and stipulations of export obligations.

20. Despite this seemingly toughened criteria, however, the actual granting of licenses to the big houses has not become more restrictive than in the past. A quick examination of the licenses granted and rejected under the MRTP Act suggests that the approvals during the Janata Party rule have been quite generous -- licenses to the large houses totalling Rs. 2.1 billion in the year from May 1977 to May 1978. Compared to these, the rejected applications are few in number and low in total costs, except for a large aluminum project by the Birlas, which was rejected for being too power intensive.

21. Liberalization. Whereas the licensing criteria for new capacity of large houses was, at least in theory, made more restrictive, the rules were liberalized for the small enterprises. The recommendations of the G.V. Ramakrishna Committee on Industrial Regulations and Procedures to increase the exemption limit for industrial licensing from Rs. 10 million to Rs. 30 million has now been accepted by the government.

22. In response to the favorable foreign exchange position, the government has gradually simplified and liberalized the import policy over the past two years. For example, actual users can now import their requirements of raw materials -- other than banned and restricted items -- under Open General License. A number of capital goods have also been placed under Open General License. Further, 14 specified industries may invite global tenders for imports of capital goods, whether or not the items are manufactured indigenously; an official committee will scrutinize the offers and approve appropriate purchases.

23. Price and Production Policies. During the past year, in at least four major industries -- cement, steel, textiles and sugar -- the government has taken decisions which aim at abolishing price or production controls or adjusting regulated prices. It appears that the new policies can strengthen the market forces and remove some obvious inefficiencies, although the social consequences of the textile and sugar decontrol are still hotly debated.

24. Labor Relations. During the Emergency, labor unrest was minimal as strikes and lock-outs were banned. Man-days lost in industry due to labor unrest increased sharply after the elections, but the situation has improved since last spring. The Boothalingam Committee on Wages, Incomes and Prices which produced its report in May had no concrete proposals regarding wage determination in the private industry except suggesting "broad guidelines". But the draft Industrial Relations Bill approved by the Cabinet and introduced in the Parliament August 30, goes into considerable detail in specifying machinery for labor relations and collective bargaining. According to the draft, strike will be the ultimate resort after all the facilities for conciliation and arbitration (each taking a minimum of two months) have been exhausted. A legal strike will need the support, through secret ballot, of not less than 60% of the workers in a unit, and then could only start after a notice to the employer of at least 14 days. The bill also sets rather strict provisions for registration of trade unions, work conditions, compensations for lay-offs and retrenchment, and unfair practices. The government proposal is likely to encounter stiff opposition by the labor organizations and some political parties.

Industrial Outlook

25. The contradictions as well as the continuity in the industrial policy reflect to a large degree the unstable political scene in India. With opposing doctrines and interests among the constituents of the Janata Party and within the government getting more divergent every day, industrial policy will continue to be shaped by *ad hoc* decisions -- which cannot be easily predicted -- or, rather more often, by lack of firm decision. The negative effect of this is felt throughout the economy, both in the public and the private sectors. Provided the short-term bottlenecks are removed and with good harvest and comfortable foreign exchange supply, industrial production may not be affected adversely in the immediate future. But the instability in the political scene and in industrial policy will cost the Indian economy dearly if the response of the private sector -- or even the public sector -- to the investment opportunities continues to be dampened by the lack of clear direction.

6

INDIAN EXPORT PERFORMANCE AND POLICY

Background

1. India did not participate significantly in the world-wide expansion of exports that occurred during the period from 1960 to 1975. India's share of world exports (at current prices) declined continuously until 1974: from 2.41% in 1948 to 1.12% in 1958, 0.73% in 1968, and 0.46% in 1974. In 1975 India's share of world exports increased slightly -- to 0.5% -- but it remained below the 1948-72 levels. The performance of Indian manufacturing exports up to 1973 was similarly not outstanding. In current value terms, Indian manufacturing exports increased from US$572 million in 1960/61 to US$1476 million in 1973/74, whereas developing countries exports of manufactures increased from US$4.4 billion in 1960 to US$37.5 billion in 1973 and world exports of manufactures rose from US$54 billion to US$317 billion in the corresponding years. Against this backdrop the Bank consistently pressed for a more expansionary export policy in India, both to provide a continuing basis for financing the growth in imports required if the economy is to grow consistently faster and to encourage more efficient specialization in industry.

Recent Performance

During the years 1975/76 and 1976/77, the export doldrums that had so long prevailed were dramatically reversed with volume growth during these two years averaging 14.3% per annum. 1/ This compares quite favorably to the rate of 5.8% per annum of the 1970/75 period.

However, a disaggregated view of these two years reveals some disturbing elements which came to the fore with renewed stagnation during 1977/78. During 1975/76 41.5% of the volume growth increment was contributed by only two homogeneous non-manufactured commodities, sugar and silver, while in 1976/77 another four commodities - iron and steel, polished diamonds, engineering goods and garments - constituted fully 80% of the volume growth increment. While some concentration of growth is to be expected, the Indian spurt has proved quite thin and too dependent on items in temporary domestic surplus.

In 1977/78 there were no extraordinary growth items to compensate for the overall anti-export bias of India's trade policy regime. As a result export volume actually declined by 1.2%

1/ We have concentrated on volume performance because it better reflects the effort to export: international prices are not responsive to Indian policies except in one or two cases.

While there have been real improvements during the past three years, no fundamental change appears to have taken place. The need remains to emphasize the importance of policies which will lead to consistent, substantial growth over the broad range of India's heterogeneous exports. The Draft Five Year Plan projects export expansion of 7% per annum in real terms between 1978 and 1983. Even this modest objective (only 0.5% per annum above the 1970/78 trend) will require special attention to policy improvements.

Export Policy

2. Three elements of Indian trade policy have an important influence on exports: the exchange rate, export incentives and import controls. During 1977/78 the latter were the subject of a sweeping review by the "Alexander Committee" on Import-Export Policies which recommended numerous simplifications and substantive changes in import controls in its report submitted to the GOI on 31 January 1978.[1] Many of these were adopted in the subsequently issued Import Policy for 1978/79 which was described by Mr. Mohan Dharia, the Minister for Commerce, Civil Supplies and Cooperation as a "radically new system" in which "the 30 years cobwebs of import controls and regulations have been brushed aside". Unfortunately, our analysis of the new policy does not support such bravura. The main points may be summarized as follows:

> There has been significant simplification: particularly important, the positive lists of permitted items have been replaced by relatively compact negative lists of restricted or banned items. Furthermore, industry-specific lists have been dropped. The flexibility of the system has also improved, with greater transferability of licenses, but access to imports has changed little. On the key issue of stability in the trade policy regime, virtually no progress has been made as policy continues to be reformulated annually. This is an extremely important inhibition to investment for export purposes. On balance these largely procedural changes should lead to modest but real increases in import availability for exporters.

> Most important, however, is the continuing focus of Indian import policy on restricting imports to "essential" inputs, raw materials and capital goods. The piecemeal liberalization of "essential" imports can only increase the relative protection of consumer goods (especially consumer durables). This development not only runs counter to India's industrial planning priorities but also serves to increase the variance in export incentives that itself constitutes the greatest economic cost

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1/ P.C. Alexander who headed the committee was then Secretary of Commerce.

of India's trade policy regime. The effect of the changes in import control policy on the relative incentive to produce for export rather than for domestic production cannot be determined a priori but there is no reason to suppose that the bias against exports has been lessened. The prevailing tariff structure exacerbates this bias as tariff rates on capital goods average 45%, on intermediates 80% and on permitted consumer goods about 120%. Continued liberalization of only "essential" imports could prove disastrous for both Indian exports and overall industrial development.

Just as there has been little rationalization of import policy, recent indicators concerning the future of export incentives are not encouraging. The justifications for export incentives put forward by the "Alexander Committee" - indirect taxes, freight differentials and promotional expenditures - are minor compared to the disincentive to export implicit in the entire control system. If the narrow base proposed by the Alexander Committee is adopted as the basis for revised export incentives in 1979/80, the bias against exports will grow enormously.

Recent developments in the purchasing power parity effective exchange rate have also turned against exports. An improvement of the effective exchange rate for exports relative to imports by 10% during 1975 was all but lost by an 8% deterioration in 1976. Recent trends in the nominal exchange rate portend further deterioration in 1977/78.

3. Recent policy developments thus provide little assurance that even the modest plan objective of 7% real growth can be easily achieved. The new liberalization must continue with greater reliance on tariffs and exchange rate adjustments, rather than physical controls, as the scope of the liberalization is broadened beyond producers' goods. Of great importance is the continuation of generous export incentives which, as the special import privileges of exporters decline, have become increasingly - not less - necessary.