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Latest Cabinet Line-Up

Cabinet Ministers

1. Mrs. Indira Gandhi	Prime Minister
2. Mr. R. Venkataraman	Finance
3. Mr. Zail Singh	Home
4. Mr. Rao Birendra Singh	Agriculture
5. Mr. B. Shankaranand	Health & Family Welfare
6. Mr. P.V. Narasimha Rao	External Affairs
7. Mr. A.B.A. Ghani Khan Chaudhury	Energy
8. Mr. V.P. Sathe	Information & Broadcasting
9. Mr. P. Shivshankar	Law, Justice & Company Affairs
10. Mr. A.P. Sharma	Tourism & Civil Aviation
11. Mr. Bhishma Narain Singh	Parliamentary Affairs
12. Mr. P.C. Sethi	Petroleum, Chemicals & Fertilisers
13. Mr. Pranab Mukherjee	Commerce
14. Mr. C.M. Stephen	Communications
15. Mr. Veerendra Patil	Shipping and Transport
16. Mr. Vidya Charan Shukla	Civil Supplies
17. Mr. Narain Dutt Tiwari	Planning
18. Mr. Kedar Pandey	Irrigation
19. Mr. S.B. Chavan	Education & Social Welfare

(Prime Minister Indira Gandhi is also holding charge of the portfolios of Defense, Atomic Energy, Science & Technology and Space.)

Additional Portfolios being held:

1. Mr. Pranab Mukherjee	Steel & Mines
2. Mr. Narain Dutt Tiwari	Labor & Employment
3. Mr. Bhishma Narain Singh	Works & Housing
4. Mr. Kedar Pandey	Railways

Ministers of State:

1. Mr. R.V. Swaminathan	Agriculture & Rural Reconstruction
2. Mr. Nihar Laskar	Health & Family Welfare
3. Mr. P. Venkatasubbiah	Home & Parliamentary Affairs
4. Mr. Yogendra Makwana	Home
5. Mr. Jaffar Sharief	Railways
6. Mr. Kartik Oraon	Communications
7. Mr. C.P.N. Singh	Science & Technology, Electronics
8. Mr. Z.A. Ansari	Irrigation
9. Dr. Charanjit Chanana	Industry
10. Mr. Sitaram Kesari	(Independent charge) Parliamentary Affairs
11. Mr. Daibir Singh	Petroleum & Chemicals
12. Mr. Buta Singh	Shipping & Transport
13. Mr. Chandulal Chandrakar	Tourism & Civil Aviation
14. Mr. Vikram Mahajan	Energy & Coal
15. Mrs. Ram Dulari Sinha	Labor
16. Mr. Bhagwat Jha Azad	Supply & Rehabilitation
	(Independent charge)
17. Mr. Khurshid Alam Khan	Commerce
18. Mrs. Sheila Kaul	Education & Social Welfare
19. Mr. S.S. Sisodia	Revenue & Expenditure
	(in the Ministry of Finance)
20. Mr. Shivraj V. Patil	Defence
21. Mr. Baleshwar Ram	Agriculture & Rural Reconstruction

Deputy Ministers:

1. Mr. Mallikarjun	Railways & Parliamentary Affairs
2. Mr. P. Venkata Reddy	Labor
3. Mr. Mohammed Usman Arif	Works & Housing
4. Mr. Maganbhai Barot	Finance
5. Mr. Vijay N. Patil	Communications
6. Mr. P.K. Thungon	Supply and Rehabilitation
7. Mr. Brij Mohan Mohanty	Civil Supplies
8. Miss. Kumudbehn M. Joshi	Information & Broadcasting
9. Miss. Kamala Kumari	Agriculture & Rural Reconstruction
10. Mr. P.A. Sangma	Industry

Biographical Data on the following officials
being prepared by the New Delhi Office

The Prime Minister

Ministers: Finance
Planning
Agriculture & Irrigation
Energy
Commerce
State for Industry

Governor of Uttar Pradesh
Chief Minister, Uttar Pradesh
Irrigation Minister, Uttar Pradesh
LK Jha
BK Nehru
And other Secretaries, officials as
determined by schedule

Bio-data of Shri R. Venkataraman,
Finance Minister of India

Mr. R. Venkataraman enrolled as an Advocate of the Madras High Court in 1935 and later as an Advocate of the Supreme Court of India. Participated in the Quit India Movement and detained under the Defence of India Rules from 1942 to 1944. In 1946 was deputed by the Government of India as one of the panel of lawyers to defend the Indian nationals charged with offences of collaboration during the Japanese occupation of Malaya and Singapore. Secretary, Madras Provincial Bar Federation from 1947 to 1950. Founder and Editor of the Labour Law Journal since 1949.

Elected to provisional Parliament in 1950 and to the House of People in 1952 and 1957. Secretary, Congress Party in Parliament 1954-1955, Member, Standing Finance Committee, Member, Privileges Committee, Member, Estimates Committee, Member, Public Accounts Committee of Parliament.

Member of the Working Committee of the Tamil Nadu Congress Committee, Secretary, Tamil Nadu Congress Committee, Secretary of the Reception Committee of the Avadi Congress Session, Member, A.I.C.C., Leader of the House in Madras Legislative Council.

1957 to 1967 Minister for Industries, Labour, Co-operation, Power, Transport and Commercial Taxes in Tamil Nadu Government. 1967 to 1971 Member, Planning Commission in charge of Industry, Labour, Power, Transport, Communications, Railways, etc.

Represented India in the Commonwealth Parliamentary Conference in New Zealand in 1950. Represented the Workers in the I.L.O. Committee on Metal Trades in Geneva in 1952. Delegate to the United Nations General Assembly, 1953, 1955, 1958, 1959, 1960 and 1961. Leader of the Indian Delegation to the 42nd Session of the International Labour Conference at Geneva. Represented India in the Inter-Parliamentary Conference in 1978 in Vienna. Elected Member, United Nations Administrative Tribunal from 1955 to 1979. President of the Tribunal from 1968 to 1979.

Also visited United States, Canada, Western Europe, Eastern Europe, Soviet Union, South East Asia, Far East, Australia, New Zealand and Fiji on official duties.

Chairman, Major Ports Commission, Chairman, Indian Institute of Foreign Trade, Chairman, National Research Development Corporation and Chairman, Committee on Automation. Chairman of the Committee of Inquiry into the Working of State Electricity Boards.

Social Service: Trustee, Jawaharlal Nehru Memorial Fund. Trustee, Gandhi Gram Trust, Chairman of the Trust of Minakshi College for Women, Chairman of the Society of Sankara Secondary School, Vice Chairman, Kalakshetra, Chairman of the Society of the Malai Mandir Temple, New Delhi.

Awards: Tamra Patra for participation in Freedom Struggle, Soviet Prize for Travlogue on Shri K. Kamaraj's visit to the Socialist Countries. Souvenir by the Secretary-General of the United Nations for Distinguished Service as President of the United Nations Administrative Tribunal. Title "SAT SEVA RATNA" by His Holiness SHANKRACHARYA for service to the temple.

Hobby: Photography.

Special Interest: Arts, music and cultural activities.

Games: Tennis.

BIO - DATA

Mr. R.N. Malhotra, who is at present Secretary in the Department of Economic Affairs, Ministry of Finance, Government of India, has been a member of the Indian Administrative Service since 1951. After serving in the districts of Uttar Pradesh, Rajasthan and Madhya Pradesh for about 9 years, he served as a Deputy Secretary in the Department of Finance and Revenue (3 years), Commissioner of Sales Tax (3 years) and Secretary, Finance, Revenue & Planning (5 years) in the Government of Madhya Pradesh. He then served as a Fiscal Adviser in the International Monetary Fund from October 1970 to November 1975 and worked for the Fund in Indonesia, Tanzania and Washington. After his return to India, he has been serving in the Department of Economic Affairs. His area of responsibility includes multilateral and bilateral aid relationships, technical assistance, international trade in so far as it relates to Economic Affairs, foreign investment, banking, insurance, internal finance and budgeting, etc.

Born on 3rd February 1926, he graduated from the Punjab University in Physics and mathematics and did his post-graduation in literature from the Lucknow University. He is also a Bachelor of Laws. His interests are economics, public finance, planning and development banking. In various ex-officio capacities, he has been Chairman of a district co-operative bank (short-term agricultural lending), Chairman of Madhya Pradesh State Finance Corporation (term lending to medium and small industry), Director, M.P. State Industrial Development Corporation, Director, M.P. State Industries Corporation and Member, M.P. State Electricity Board, Government director on the State Trading Corporation of India, Minerals and Metals Trading Corporation of India and the Punjab National Bank, Member, ONGC, Director on the Boards of Reserve Bank of India, Industrial Development Bank of India Alternate Governor on the Boards of International Bank for Reconstruction and Development, Washington and Asian Development Bank, Manila.

List of Invitees to be provided

by

the New Delhi Office

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Through: Mr. E. Stern, SVPO
FROM: W. David Hopper, VP, South Asia

DATE: February 2, 1981

SUBJECT: Background Note for Your February 3 Meeting
With Mr. R. N. Malhotra, Secretary, Finance, GOI

1. We understand Mr. Malhotra's meeting with you is intended essentially as a courtesy call, during which he will once again extend the Government's invitation to you to reschedule your visit to India for some time later this year. During the course of the meeting, however, Mr. Malhotra may be expected to seek reassurance regarding India's access to her "full share" of IDA VI and IDA VII. Mr. Malhotra will likely make reference to India's low per capita income, low per capita aid transfers, and current and projected energy deficit in urging continued allocation of the maximum amount possible of IDA resources to India.
2. Mr. Malhotra may also stress the importance of increasing allocations of Bank resources to India, in view of the severity of the overall resource constraint and the unavoidable necessity of increased commercial borrowing. He can be expected to resist the notion of a trade-off between Bank and IDA funds, arguing that India requires the maximum amount possible from both Bank Group facilities. In this connection, Mr. Malhotra may inquire about the Bank's creditworthiness criteria, although he is likely to maintain that the primary consideration in allocation of Bank funds must be resource needs.
3. Finally, the Secretary is likely to raise the subject of the Extended Fund Facility India is seeking from the IMF. He may inquire into the arrangements for Bank/Fund coordination and, in particular, the likely implications of the EFF for structural adjustment lending from the Bank. The Fund mission has just returned from India and our own economic mission is still in the field, looking into, among other things, structural adjustment requirements. We can only say that we will work closely with the Fund and will, of course, take into account any EFF agreement reached in evaluating a program for structural adjustment.
4. From our perspective, it would be helpful if you could, in your conversation with the Secretary, stress the critical importance of improved export performance and the related necessity of attention to relieving the severe infrastructure bottlenecks that have plagued the economy. After a marked improvement in export performance between 1970/71 and 1976/77 (volume growth averaging 8.6% p.a.), export volume has stagnated, with an average growth rate of less than 1% p.a. in the years since 1976/77. This disappointing performance stems from factors affecting the economy as a whole as well as from inadequate trade policies. The simultaneous presence of strong domestic demand and serious

supply bottlenecks, particularly in the non-tradeable sectors of power and transport, has reduced both the need to export (as slack capacity is taken up by more profitable domestic sales) and the ability to export (timely production and movement of goods being essential to export production). Thus, improved trade policies are required to help overcome the dominating pull of the domestic market and better performance in the infrastructure sectors to allow increased production of exportable goods.

5. The specific trade policy reforms required are currently being investigated by an economic mission in the field. Indications are, however, that no major overhaul of either exchange rate or general trade policies is required. Improvements in export profitability in the range of 15-20%, which could be accomplished through a variety of measures, would appear, at least at this stage, to provide adequate stimulus. In particular, greater availability of imported inputs (facilitated by tariff relief) would be one crucial area of reform; another focus could be on domestic policies, particularly taxation, affecting exporters.

6. As for improvements in infrastructure performance (particularly power, coal and transport), more efficient utilization of existing capacity is crucial. Labor troubles and management deficiencies contributed to serious power and coal shortages and transportation bottlenecks in 1979/80. Although there has been some improvement in 1980/81, the railways are still having difficulty moving goods, and power generation (which continued to fall below the previous year's level through July 1980, picking up significantly only after October) is expected to be 10% below requirements for this fiscal year, despite an expected 8.7% increase in installed capacity.

7. The strategy we would urge is by no means export-led or export-dominated growth. Under even the most optimistic assumptions, exports are unlikely to constitute more than 8-12% of GDP through the 1980s. More rapid export growth (assisted by infrastructure improvements) can, however, help ensure that policies for general economic development in India, with a continuing focus on agriculture, rural poverty alleviation, and basic industrial infrastructure, will not be frustrated due to a recurring foreign exchange constraint. At the moment, due to poor export performance combined with a sharp rise in the POL import bill, India's balance of payments position is deteriorating rapidly, with reserves falling at a rate of US\$200 million per month. Moreover, our projections indicate a balance of payments deficit on the order of 2-2.25% of GDP by the mid-1980s, even in the presence of reasonable structural adjustment initiatives. While GOI has not made their own projections available to us as yet (indeed, you might inquire about their BOP forecasts), they have not taken issue with our figures. Clearly, early and effective efforts to improve export performance are essential if India is to sustain a reasonable growth rate, supported by the required level of international borrowing.

8. Finally, you might inquire about the nature of the Sixth Five-Year Plan, still under finalization. We are particularly interested in the likely foreign exchange and foreign financing requirements implied in the Plan and in the implications of planned investment in terms of India's capital/output ratio, which has in the past been very high, due both to a relatively heavy concentration on capital-intensive investment and to inefficiencies in capital utilization.

cc: Mr. Wiehen and Mrs. Hamilton (ASA)

MChoksi:jl

October 7, 1980

Ann O. Hamilton, Chief, ASADB

INDIA - Meeting of Annual Meeting Delegation
with Mr. McNamara

1. The Indian Finance Minister met with Mr. McNamara at 8:30 a.m. on October 2, 1980. Also present were Messrs. R.N. Malhotra, M.D. Godbole, M. Narasimham and D. Das Gupta of the Government of India and Messrs. W. David Hopper, Michael H. Wiehan, Olivier LaFourcade and Mrs. Ann O. Hamilton of the Bank staff.
2. The Minister pointed out that the Indian economy seemed to have turned the corner. Last year's drought had led to a decline in foodgrain production to 115 million tons; industrial production had not grown at all; and infrastructure -- especially coal, power and transport -- had been severely constrained. In the current year, by contrast, foodgrain production was expected to reach 136 million tons, which would permit buffer stocks to regain the 20-million-ton level; industrial production was picking up; the hydro-electricity reservoirs were full; and a 10% increase in coal production should lead to increased thermal power generation. As a result of all these factors, GNP was expected to grow by at least 5%.
3. In response to a question by Mr. McNamara regarding exports, the Indian delegation indicated that they were expected to grow by about 8% in the current year. This performance was expected to result both from enhanced incentives to exporters (a 5% automatic expansion of capacity, drawbacks, etc.) and from the increased availability of export items, as the scarcities which had imposed a serious constraint on exports last year were removed. The Sixth Plan would include an export growth target averaging 9-10% over the five-year period, although the rate would necessarily be somewhat lower in the initial years. The steps so far announced to achieve this included import replenishment facilities for exporters (10% in excess of what had been exported), the usual drawbacks, and assistance in respect of sales tax and local taxes. Some of the recommendations of the interim report of the Tandon Committee, which was established to propose a medium-term export strategy, had already been accepted; specifically, efforts to promote exports of agricultural commodities (sugar, coffee, vegetables), especially to the Gulf States, would be undertaken. The Finance Minister pointed out, however, that the world trading environment could inhibit export promotion efforts. Mr. McNamara commented that, although the trading environment appeared unlikely to improve in the near term, there were huge markets which could be penetrated, and that an expansion of India's exports was essential to meet the country's import bills. The Indian delegation agreed, pointing out that POL imports are already equivalent to 70% of export receipts, and the import bill is likely to rise in the near term since 11 million tons of India's 16 million tons of crude imports come from Iran and Iraq. Mr. McNamara said that he would like to learn more about the export position and prospects during his next visit to India.

4. Turning to the subject of China and the impact of its entry into the Bank, Mr. McNamara pointed out that the Bank had made no commitment to China about lending levels and nothing had yet been included for China in the five-year lending program. However, it was obvious that China would have a lending program which would be substantial once the project pipeline was full. Although the size had not been determined, it was reasonable to assume that, if India had a lending program of US\$2.25 billion by 1985 with a population of 750 million people, China, with a population of one billion people, might have a program of US\$3 billion. This lending level could be attained either by reducing the funds available to other large borrowers or by increasing the total available. In this context, he urged India to do everything possible to help organize a consensus in support of the various measures being proposed to increase the volume of resources available to the Bank Group for channelling to the developing world, including efforts to accelerate the flow of funds while the debate on longer-term issues is going on. He explained that such increases were essential, since the private market would not be able to carry the full burden of intermediation which would be necessary to distribute the large surpluses which would be accumulating in the oil-exporting countries. For this reason, the Bank relied on India to help deflect negative positions on any of the proposals under consideration (the energy affiliate, the gearing ratio, the capital increase, etc.)

5. Mr. McNamara pointed out that, in order to avoid putting an argument in the hands of those who wished to cut back on India's program, it was important that India develop a strong list of financing possibilities. In this connection, he noted that real difficulties were emerging in the FY81 lending program, which was seriously behind schedule. He urged that every effort be made to accelerate the decision-making necessary for project approval.

6. In conclusion, Mr. McNamara congratulated the Government on the acceleration of disbursement of Bank Group funds, and complimented Mr. Malhotra on his performance at the recent meeting of the India Consortium. He pointed out that he hoped to visit India at the end of January or in February, noting that he should have his schedule worked out in about three weeks. The Finance Minister said the Sixth Plan should be finalized by the last week of December or the first week of January, and Mr. McNamara would be welcome whenever it suited his convenience.

cc: Messrs. Stern (VPO), Hopper (ASNVP), LaFourcade (EXC), Wiehen (ASA), Thalwitz (ASP), Roulet (NDO), India Division

AOHamilton:ns

5. DISCUSSION TOPICS FOR MEETINGS IN NEW DELHI

The following topics are suitable for discussion with the various Ministers. References are made to the Briefing Notes where a fuller discussion of the topic is given.

MONDAY PM: Meetings with Mr. R. Venkataraman, Minister of Finance and Mr. Narain Dutt Tiwari, Minister of Planning and Manmohan Singh, Member/Secretary, Planning Commission

(a) Sixth Five-Year Plan

You may wish to note the expeditious completion of the Plan and its generally realistic assessment of India's situation and prospects. The following points highlight issues which have been identified on the basis of an initial, necessarily brief review.

- (i) The Sixth Plan implies a significant shift from private to public investment which could be a major disincentive to residual private investment.

	Fifth Plan ----- (1974-79)	Sixth Plan ----- (1980-85)
Share of Public Sector in Investment	45%	53%

- (ii) Public sector outlay program involves ambitious targets for additional resource mobilization, particularly from State public enterprises (State Electricity Boards and Road Transport Corporations). What progress has been made on raising these resources?

Additional Public Sector Resource Mobilization in Sixth Plan (Rupees Billion)

Center	122.9	
of which:		(12.6% of total resources for public sector outlay)
Taxes	51.4	
Reduced Subsidies	32.5	
Public Enterprise Profits	39.0	
States	90.1	(9.2% of total)
Public Enterprise Profits (estimated in Plan)	52.0	
Other measures including taxation	38.1	

- (iii) Given the poor performance of infrastructure sectors in recent years, you may wish to raise the question of adequacy of Plan investment levels in transport and power (see (d) below).

Can these be met - But progress

(b) General Bank-India Relations

- (i) Review current situation of IDA VI and VII replenishments and the effect of China's entry on the level of lending to India (refer to Section D.3 - Analysis of Creditworthiness).
- (ii) India: membership in the CGIAR and the suggestion that India contribute a minimum of US\$500,000 to join the CG (see attached material).

(c) Agricultural Credit Situation

The Agricultural Refinance and Development Corporation (ARDC) refinances the bulk of institutional agricultural credit in India. ARDC has so far been associated with about 40 Bank Group projects in India involving loans and credits of over US\$2 billion, of which about US\$1.2 billion is directly channelled through ARDC.

While ARDC has developed into an efficient organization contributing very significantly to the agricultural development needs of the country, its channels of lending (Land Development Banks and Commercial Banks' agricultural portfolio) are facing very serious problems of overdue loans. Overdues range from below 5% in Haryana, Punjab and Kerala to 60% and over in Tamil Nadu, Gujarat and Bihar. The reasons for such unacceptably high overdues include drought, floods and other natural calamity, but willful defaults, encouraged by the politicians during the political instability of the past two or three years, were very significant. Some encouraging signs of improvement on collection of dues have appeared recently, although the State-by-State data will be available only after June 1981. ARDC lines-of-credit are complementary to practically all other agricultural projects supported by the Bank Group. Indeed, they occupy a very high priority in GOI's overall program. We are considering appraisal of a fourth ARDC credit project in April, and we should ask GOI for clear evidence of improvement in the overdues situation before the IDA Board considers the next project.

(d) Role of Indian Railways

Bank staff are currently preparing two projects for the IR on electrification, workshop modernization and imports of components. There are differences of opinion, however, within the Government on what levels of investment should be made by IR to ensure adequate growth. IR and the Bank staff believe that investments at a greater level than provided for in the Sixth Plan would be desirable. Elsewhere in the Government (specifically Finance and Planning) there is the feeling that IR is being too "lavish" in its capital expenditure program and should improve its efficiency. Given the Plan's financial constraints, it is not clear how any additional investment in IR could be financed if the Government were

convinced of the additional needs. In any discussion of this issue, we should explain that the Bank staff are adopting the official Plan investment figures and the projects being prepared are "time slices" of that Plan investment program. The Bank is also strongly endorsing efforts by IR at improving utilization of existing assets by improved management tools and techniques.

(e) Establishment of Economic Administration Reforms Commission

To be chaired by L.K. Jha (attached telex refers). This commission will be concerned with such items as tax administration rationalization and improvements, use of non-tax devices for raising the levels of savings and other matters of economic policy. You may wish to ascertain whether the Commission is intended to have an operational role in policy-making.

(f) Structural Adjustment Lending

The Finance Minister may raise the issue of structural adjustment lending or other forms of non-project assistance. You may wish to stress that, in the case of large countries such as India, the scope for structural adjustment lending is less clear given the complexity of macro-economic and sectoral issues. With respect to India, much will depend on the results of the upcoming negotiations with the IMF and the review of India's new Five-Year Plan, which has only recently been published. India may wish to consider the possibility of various sectoral operations in which a significant policy dialogue could take place and agreement reached on sectoral programs which would contribute to India's overall adjustment efforts.

MONDAY PM: Meeting with Mr. Rao Birendra Singh, Minister, Agriculture and Mr. Kedar Pandey, Minister, Irrigation

(a) Foodgrains (Briefing Note Tab E.4A)

You may wish to note the general balance which has been achieved over the past five years between supply of and demand for foodgrains. Real foodgrain prices fell 1.9% per year between 1970 and 1978, imports were eliminated and buffer stocks built up. The 1979/80 drought brought production down sharply to 109 million tons. Using the buffer stocks (and no doubt private stocks built up during the record 1978/79 harvests), India was able to withstand the effects of this drought relatively well, while exporting 0.6 million tons of rice. Production during 1980/81 is expected to recover to about 130 million tons, though it is clearly too early to be certain about this figure.

(b) Agriculture and Irrigation in the Sixth Plan (Briefing Note Tab E.9)

India's long-term commitment to agriculture is continued in the Sixth Plan. Foodgrain production is projected to increase from a 1979/80 weather-corrected base of 128 million tons to 149-154 million tons. Such growth is ambitious but feasible and implies a substantial surplus over domestic demand at present real prices. You may wish to explore present Government thinking on how such surpluses, should they arise, might be used: for exports, to earn badly needed foreign exchange; or for increased domestic consumption at lower real prices.

You may wish to note the Sixth Plan's irrigation target (13.6 million ha) and express the hope that it can be met despite the shortages of crucial raw materials (cement, coal, steel) and transport which have been slowing construction of ongoing projects. You might also wish to express approval of the Plan's emphasis on improving the efficiency of existing irrigation facilities through promoting systematic water distribution procedures and better on-farm water management practices.

(c) Agricultural Credit

The problem of overdues in repayments of loans by Land Mortgage Banks and Commercial Banks for Agriculture (see (c) above) could also be raised in your discussion with the Minister of Agriculture.

TUESDAY AM: Meeting with Mr. Chaudhury, Minister, Energy

(a) Pricing in the Energy Sector (Briefing Note Tab E.2)

A major policy issue in the energy sector is pricing. Both coal and electricity prices do not reflect long-term marginal costs of production and are subsidized by the Central or State Governments. Higher coal and electricity prices would not only promote greater economy and efficiency in the use of coal and electricity which are in short supply, but would also enable these sectors to generate resources to meet their own investment requirements, which has now reached close to a quarter of total Plan outlay.

The energy pricing policy advocated by the Sixth Plan reflects this view: "An appropriate energy pricing policy would have to be followed in order to induce economies in the use of energy in all sectors and encourage the desired forms of inter-fuel substitution. In the past, the pricing of energy has not always reflected either the true costs to the economy or helped to ensure the financed viability of the energy industries. This situation cannot be allowed to continue for long".

In the past, the Central and State Governments have been hesitant to raise coal and electricity prices mainly because of their likely

inflationary effects. We should indicate our strong support for the Sixth Plan's energy pricing policy and inquire about GOI's plans for implementing it.

(b) Capacity Utilization There has been a declining trend in capacity utilization in thermal power plants (from 56% in 1976/77 to 45% in 1979/80) that has contributed significantly to power shortages especially in the last two years. What steps are being taken to improve capacity utilization in thermal power plants?

(c) Oil Exploration

GOI is planning to accelerate its oil exploration program by both increasing its own exploration capabilities and opening up prospective areas to foreign exploration firms. We actively encourage this and there is an exploration project in the pipeline for FY82 (Krishna-Godavari US\$150 million).

TUESDAY AM: Meeting with Mr. Pranab Mukherjee, Minister, Commerce

Policies for Accelerating Export Growth (Briefing Note Tabs E.3 and E.6)

While export growth during the 1970s, at 7-8% volume growth per annum, was a distinct improvement over India's long-term export performance (3% volume growth p.a., 1950-1978), the performance of the past two years has been less adequate (an estimated 4-5% volume growth). You may wish to note that GOI has accorded high priority to improving recent performance and that several policy measures have been implemented.

Issues which you may wish to discuss (include the following):

- (i) The relative importance of supply constraints and infrastructure bottlenecks versus profitability on export production.
- (ii) To the extent that supply constraints have been binding, the adequacy of imports to alleviate at least some of these constraints (particularly iron and steel, the major input for engineering goods exports).
- (iii) The extent to which recent concessions to 100% export oriented units can be extended generally to exporters (e.g., duty-free imports under replenishment licenses).
- (iv) Delays in the preparation and publication of trade data. Official trade statistics for 1978/79 have only recently become available and volume indices are seriously out of date (1968/69 base, with two-year publication delay).

With increased attention to creditworthiness issues as India enters commercial credit markets, improvements in data collection and publication are crucial.

- (v) Progress on further streamlining the procedures associated in duty-drawbacks (refunds of customs duties on imported inputs for exports), import licensing, and other trade policies.
- (vi) Any anticipated changes on foreign collaboration and imports of technology.

TUESDAY AM: Meeting with Dr. Chanana, Minister of State for Industry (Briefing Note Tab E.6)

Industrial production has recovered more slowly than expected from the drought-induced fall in 1979/80, rising by only about 4% for 1980/81 as a whole. Performance in the second half of 1980/81, however, has improved and industrial production in 1981/82 is expected to be much stronger.

Manufactured exports accounted for over 54% of Indian exports in 1977. Given the importance of growth in industrial exports for India's foreign exchange earnings, you may wish to explore the measures under consideration for promoting the growth of manufactured exports, in particular, measures to improve profitability of export sales relative to the protected domestic market.

Given the Plan's ambitious resource mobilization targets, you may wish to explore what incentives are under consideration to raise the level of private corporate savings, which are expected to account for only 6% of domestic savings during the Plan period.

FRIDAY PM: Meeting with Mr. P.C. Sethi, Minister for Petroleum, Chemicals and Fertilizers (Briefing Note Tab E.2)

(a) Gas Exploration and Utilization. You may wish to discuss prospects for natural gas. What does the Government plan to do with the additional quantities of natural gas now known to exist? Is there a long term gas utilization strategy being developed?

(b) Fertilizers. In view of the fertilizer supply constraints likely to emerge during the Plan period, you may wish to explore the steps being taken to ensure better capacity utilization of existing fertilizer plants and the prompt commissioning of new plants.

(c) Thal Fertilizer Project

The annexed Board statement by Mr. Hopper sets out the sequence of events which led to our refusal to declare this US\$250 million loan effective on December 31, 1980. There was a mixed response to our action by the Indian press. Government reaction was expectedly tough. The Prime Minister, speaking to the press at Calcutta airport, alleged "interference" by the Bank in India's internal affairs, presumably referring to our refusal to accept the Danish firm Messrs. Haldor Topsoe, selected by GOI, as the ammonia plant engineering consultants. Mr. P.C. Sethi, the Minister of Petroleum and Chemicals, has been a more persistent and vociferous critic of the Bank's action. Mr. Sethi has visited Europe recently to try to raise the foreign funds now required to execute the project. Recent press reports of a statement he made in the Lok Sabha (February 12, 1981) indicate that Denmark (US\$30 million), Japan (US\$69.8 million), Italy (US\$20 million) and the UK 1/ (US\$67.5 million) are expected to help out with financing the project, and a French commitment is expected shortly. Costs have, however, increased due to the delay in placing foreign orders and the foreign exchange gap is now considerably higher than the US\$250 million originally pledged by the Bank.

2. In the meanwhile, we have negotiated the Hazira Fertilizer Project, which was also held up pending appointment of ammonia plant engineering consultants. For this project, we have accepted GOI's selection of Messrs. M.W. Kellog (USA) as the ammonia plant engineering consultants because they have the required qualifications and experience to construct large plants of this size (-1,350 tpd). A US\$400 million Credit for the Hazira project is due to be considered by the Board on March 31, 1981.

SATURDAY AM: Final Meeting with Prime Minister

In addition to issues that arise in the course of discussions with the various Ministers you may wish to raise the following additional points.

- (1) The apparent gaps in the Sixth Five-Year Plan between today's levels of performance and the Plan expectations, and how the "gaps" are to be filled. Specific gaps include:
- policies to improve export performance while preserving the import liberalization of recent years (you may wish to note the Prime Minister's direct involvement as Chairman of the Cabinet Committee on Exports).
 - the funding of the public sector outlays proposed in the Sixth Plan, particularly the steps that States must

1/ It is not clear whether this amount excludes the US\$45 million of British assistance committed to the Thal project at the time of negotiations.

- undertake to meet targetted additional resource mobilization (projected at Rs 123 billion from Central Government measures and Rs 90.1 billion from the States).
- current energy pricing policy and the steps to be taken for the implementation of the energy pricing policy advocated in the Sixth Plan.
 - the adequacy of Plan allocations to overcome India's infrastructure bottlenecks.
- (ii) India's membership in the CGIAR.
- (iii) India's balance of payments prospects and likely levels of IBRD and commercial lending.

Balance of Payments Estimates
(US\$ millions)

	<u>Estimates</u>		<u>Projections</u>
	<u>1980/81</u>	<u>1981/82</u>	<u>1984/85</u>
Merchandise Exports	9,050	10,300	16,200
Merchandise Imports	-15,000	-16,150	-25,600
<u>Trade Balance</u>	<u>- 5,950</u>	<u>- 5,850</u>	<u>- 9,400</u>
Net Invisibles	2,600	2,850	3,600
<u>Current Account Balance</u>	<u>- 3,350</u>	<u>- 3,000</u>	<u>- 5,800</u>
Net Aid	1,413	1,718	2,055
Other Borrowing (net)	317	612	<u>4,910</u>
Capital n.e.i.	100	-	-
IMF Credit	1,035	-	-
Change in Reserves (- equals increase)	485	529	- 1,169
End of Year Reserve Level (Months of Import Coverage)	7,094 (5.3)	6,465 (4.4)	7,730 (3.2)

Source: World Bank estimates.

...
18. GOVERNMENT OF INDIA HAS CONSTITUTED AN ECONOMIC ADMINISTRATION REFORMS COMMISSION UNDER THE CHAIRMANSHIP OF L. K. JHA, FORMER GOVERNOR OF JAMMU AND KASHMIR. OTHER TWO MEMBERS OF COMMISSION WILL BE R. TRUMALAI, SECRETARY (COORDINATION), CABINET SECRETARIAT AND C. H. HANUMANTHA RAO, INSTITUTE OF ECONOMIC GROWTH, DELHI.

19. A SECRETARY TO BE APPOINTED BY GOVERNMENT WILL ASSIST THE COMMISSION.

20. COMMISSION IS AUTHORISED TO CO-OPT AD HOC MEMBERS ON A PART-TIME BASIS AND ALSO ENLIST ASSISTANCE OF EXPERTS AND INSTITUTIONS WITH THE APPROVAL OF GOVERNMENT.

21. COMMISSION WILL BE AN ADVISORY BODY AND WILL DEAL WITH SUCH MATTERS REGARDING THE ECONOMIC ADMINISTRATION AND ITS REFORMS AS MAY BE REFERRED TO IT BY GOVERNMENT FROM TIME TO TIME. IT WILL ALSO CONSIDER SUCH RELATED CHANGES IN ECONOMIC POLICIES AS WOULD FACILITATE THE IMPLEMENTATION OF ITS RECOMMENDATIONS REGARDING IMPROVEMENT IN ADMINISTRATIVE EFFICIENCY.

22. IN THE FIRST INSTANCE COMMISSION WILL TAKE UP FOR CONSIDERATION THE FOLLOWING MATTERS:

- 1) TAX ADMINISTRATION, ITS RATIONALISATION AND IMPROVEMENT;
- 2) THE USE OF NON-TAX DEVICES FOR RAISING THE LEVEL OF SAVINGS;
- 3) EXAMINATION OF PROPOSALS UNDER CONSIDERATION IN INTERNATIONAL BODIES FOR THE ESTABLISHMENT OF NEW ECONOMIC ORDER WITH A VIEW TO FORMULATING A WELL COORDINATED NATIONAL APPROACH TO THEM; AND,
- 4) EXAMINATION OF RENT CONTROL LAWS IN FORCE IN DIFFERENT STATES AND RECOMMENDATIONS REGARDING A MODEL LAW.

23. COMMISSION WILL BE UNDER THE ADMINISTRATIVE CONTROL OF CABINET SECRETARIAT AND WILL SUBMIT ITS REPORT TO PRIME MINISTER. THE TERMS OF THE COMMISSION WILL BE FOR TWO YEARS.

24. A RESOLUTION CONSTITUTING THE COMMISSION WAS ISSUED IN NEW DELHI ON MARCH 05.

March 6, 1981

Note on India as a Donor Member
of the CGIAR

1. The Consultative Group on International Agricultural Research (CGIAR) was organized in May 1971 to bring together countries, public and private institutions, international and regional organizations, and representatives from developing countries in support of a network of international agricultural research centers and programs. The basic objective of this effort was then, and is now, to increase the quantity and improve the quality of food production in the developing countries. The research supported by the Group concentrates on those critical aspects of food production in the developing countries that are not adequately covered by other research facilities, and which are of wide usefulness, regionally or globally. Currently, the CGIAR network is involved in research on all of the major food crops and farming systems in the major ecological zones of the developing world.
2. The international centers' research and training activities deal with crops and livestock that encompass three-quarters of the food supply of the developing countries. These centers have already made significant contributions toward increasing food production in the developing countries.
3. There are today forty-six members of the CGIAR. Thirty-four of these are donor members and ten, each serving a term of two years, are countries elected to represent the countries of the five major regions of the developing world. The donor members have pledged about \$140 million in 1981 to support the thirteen international centers and programs in the CGIAR system.
4. About three years ago it was decided to provide a stronger developing country voice in the Group by inviting a few developing countries to become continuing donor countries. The aim was to include within the continuing membership of the Group a selection of countries which, because of the advances they had made in agricultural research and its application to agricultural development, could make a substantive contribution to the deliberations of the Group. These countries would at the same time be able to make a significant financial contribution to the Group's resources, for which there was an increasing demand.
5. Four countries -- Brazil, India, Mexico and the Philippines -- were invited. Mexico and the Philippines have accepted and are already contributing. Brazil has accepted to join as a donor member in 1982. In 1981 Mexico is contributing \$1 million and the Philippines \$500,000. In 1982 Brazil will contribute \$1 million.

..../

6. Discussions have been going on with India for almost three years. We understand that India would, in principle, like to become a donor member. The main point of discussion has been the amount India would contribute each year. This question has been discussed a number of times in various places. It was first discussed in Delhi in the summer of 1979. It was discussed in January 1981 by Sir John Crawford and by Dr. Hopper of the World Bank shortly thereafter.
7. India has been asked to contribute a significant amount. With a need for \$140 million in 1981 and over \$170 million in 1982, something more than a token is needed from each of the donors. All new donors are being asked to contribute at least \$500,000. There is concern that if a country as large and important as India gives less, then others also would give amounts which would not significantly add to the Group's resources. When India was first approached it drew attention to the fact that New Zealand was contributing only \$25,000 and Italy not a great deal more. However, because it did not wish to give more, New Zealand is no longer a donor member. In 1982 Italy is giving \$1 million.
8. India gives high priority to agricultural research. With its experience it can be a valuable member of the CGIAR. This is the main reason it has been asked to become a donor member entitled to continuing membership. At the same time the Group needs additional resources and a substantial financial contribution from India would be greatly welcomed and would encourage other developing countries to become donor members at a significant level.
9. Sir John Crawford left with Indian authorities a note on "India's Relations with CGIAR." It is attached as Annex I. Also attached, as Annex II, is a list of the contributions to the CGIAR for 1982 pledged at its annual meeting last November.

Attachments

January 27, 1961

INDIA'S RELATIONS WITH CGIAR

India has been invited to join the Consultative Group for International Agricultural Research (CGIAR) as a donor member. I have been asked to present the matter to the Government of India. I do this willingly as I strongly believe in the appropriateness of the invitation.

My reasons are several:

- (1) In agricultural research India is the leading Third World user and developer of advanced agricultural technology based on research in the relevant agricultural sciences. It has a mutually profitable two-way relation with the International Research Institutes now financed by the donor members of the CGIAR to the tune of US\$140 million in 1961. India's scientific experience is used by the Research Institutes, but the value of its experience would be greatly enhanced if it could, as a member, contribute in the forum of CGIAR to the debate and policy decisions made by donor members. A quite modest annual donation would secure this right.
- (2) Up till recently the financial cost of membership was, for some, a matter of a token only. This is no longer the position. New Zealand which contributed a few thousand dollars only is no longer a member. France which for long contributed extremely little to the pool of CGIAR resources now

- contributes over a million dollars. Italy had been a minor contributor, but now provides US\$800,000 ^{1/}
- (3) More important is the dramatic change which reflects recognition of the value of the system by developing countries. Thus the Philippines is giving US\$500,000; Mexico US\$1,000,000; Nigeria, just under US\$1,000,000 ^{2/} Brazil will be a donor member in 1982 and will contribute US\$1,000,000.

It is suggested that India could contribute US\$500,000 which represents considerably less than 1% of this year's total of US\$140,000,000 by all donors. It is worth bearing in mind also that the United States automatically contributes 25% of the total of other donors and the World Bank 10%. A contribution of US\$500,000 by India would thus yield another US\$175,000 to the total.

- (4) I am aware of the present difficult balance of payments situation and do not in any way belittle the importance of this fact. Nevertheless, I do believe the case is solid for immediate Indian participation. It is not irrelevant to note that in balance of payments terms India is presently a considerable beneficiary because of the relative large sums of foreign exchange contributed by the donors who support ICRISAT.
- (5) I invite the Government's earnest consideration of this matter.

J.G. Crawford
Adviser to World Bank and
formerly Chairman of the Technical Assistance
Committee to the CGIAA

^{1/} Increased to \$1 million in 1982
^{2/} Increased to over \$1 million in 1982

CONSULTATIVE GROUP ON INTERNATIONAL
AGRICULTURAL RESEARCH

Estimated Contributions for 1981
(Indicated as of October 1980)

(US\$ Millions equivalent)

African Development Bank	(.050)
Asian Development Bank	(.350)
Australia	3.315
Belgium	4.045
Canada	7.620
Denmark	1.175
Commission of the European Communities	5.460
Ford Foundation	1.300
France	1.095
F.R. of Germany	10.800
Inter-American Development Bank	7.400
International Development Research Centre	1.075
International Fund for Agricultural Development	6.490
Ireland	.200
Italy	1.000
Japan	8.400
Mexico	(1.000)
Leverhulme Trust	.585
Netherlands	3.070
Nigeria	.955
Norway	2.000
OPEC Fund	1.100
Philippines	.500
Rockefeller Foundation	1.000
Spain	.500
Sweden	3.525
Switzerland	2.580
United Kingdom	7.140
United Nations Development Programme	4.990
United States	35.000
World Bank/IDA	14.600
TOTAL	138.620

Note: The amounts in this table were indicated by each donor at the meeting of the Consultative Group held in October 1980, or confirmed subsequently, and in most cases are subject to legislative or similar approval by the authorities concerned. Exchange rates used are as of November 6, 1980. Figures in parentheses indicate the amount has not yet been confirmed and is still tentative.

G. Uttar Pradesh

THE STATE OF UTTAR PRADESH

1. An Overview

General

1. The State of Uttar Pradesh (UP) is the most populated State in India. It has a population of about 100 million (1979), accounting for 15% of total Indian population, and a geographical area of 298,000 km² or 9% of India's total area. The population density is high at 340 persons per km² (compared to the national figure of about 200 per km²). And about two-thirds of all farm holdings in UP are below one hectare (compared to about 50% for the nation).

The Economy

2. The economy of UP is predominantly agrarian, with agriculture contributing about 55% of the State income and employing about 78% of the working force. Between 1960/61 and 1976/77, the growth rate of the primary sector, including agriculture, forestry, fishing and mining was only 1.7% per annum (p.a.) compared to an all-India average of 2.0%. Similarly, the secondary sector, including manufacturing, construction, electricity, gas and water supply (15% of the State income) only grew at 2% p.a., which was half the national rate of 4%. The performance of the tertiary sector, including transport, trade, finance and services (30% of the State income) fared better at 4% growth p.a. However, since tertiary sector activities started from a relatively small base and were concentrated mostly in the urban areas, their rapid growth only contributed marginally to the welfare of the 85% of the population living in the rural areas.

3. As a result of the poor performance of the primary and secondary sectors, State income grew at an annual rate of only 2.2% p.a., well below the national rate of 3.1%. Per capita income increased by only 0.5% p.a. and at Rs 870 in 1976/77, which was lower than the national average of Rs 1,015. Since agriculture is the main activity in the State and has close links to other sectors, economic progress is largely dependent on the removal of constraints to further agricultural growth, particularly through increasing productivity and expanding of irrigation.

Employment and Rural Poverty

4. The labor force constitutes about 30.9% of the UP population. Its participation rate is higher in rural areas (31.4%) than in urban areas (27.7%). Cultivators and agricultural laborers account for 66% and 23% of

the rural labor force, respectively. Because of the slow growth of agriculture and manufacturing, productive employment has failed to keep pace with population growth. An attempt was made in 1978/79 to quantify the unemployment rate as follows:

	Number of Unemployed ' 000 jobs =====	% of Rural Labor Force =====	% of Urban Labor Force =====	% of Total Labor Force =====
Rural	2,381	9.0	-	7.8
Urban	272	-	6.6	0.9
	-----	-----	-----	-----
Total	2,653	9.0	6.6	8.7

5. The poor performance of the agricultural sector also resulted in a deterioration in the proportion of rural population living below the poverty line (US\$75 per capita per annum) from 33% in 1960/61 to 40% in 1970/71. These figures were still about 20% below the national average. However, over the period 1957/58 to 1973/74 there was no discernible trend in the incidence of poverty. Agricultural laborers account for a substantial part of the poor. It is estimated that 90% of the agricultural laborers in Uttar Pradesh lived below this poverty level. A series of programs have been created to raise standards of living of this group, including measures to secure tenants rights, land redistribution and public works program. These programs so far have been largely unsuccessful due to faulty planning and poor implementation.

6. Public Services. The literacy rate (36% in 1976) is lower than the national average of 46.5%. The number of doctors and health centers per 1,000 persons is the lowest in India. Although the State is well connected to the rest of India through national highways, railways and airways, the intra-State communication is inadequate. In 1975/76, the road length per 100 km² was only 24 km compared to the national average of 36 kms. The provision of safe, and adequate drinking water has been slow. At present, water supply schemes are being implemented in about 20% of the villages with no adequate source of drinking water. The Bank Group has supported GOUP in water supply schemes through the ongoing Uttar Pradesh Water Supply and Sewerage Project (Cr. 550-IN, US\$50 million).

2. The Agricultural Sector

Climate

1. Uttar Pradesh has a tropical monsoon climate, but there are great variations in temperature in accordance with changes in altitude. On the Gangetic plain, the average temperature ranges from a minimum of 3-4°C in January to a maximum of 43-45°C in May and June. The Himalayan region of the State is much cooler with snowfalls from December through March. The mean annual rainfall ranges from about 700 mm in the western part of the plain to about 1,200 mm in the east. It exceeds 1,800 mm in the Himalayan foothills. About 87% of the rainfall occurs during the June-September monsoon period. However, there are considerable variations in both amounts and distribution. Variability is directly related to the mean annual precipitation; thus the eastern part of the Gangetic plain is subject to the greatest variation (+30 to 35% of mean annual rainfall). The times of onset and end of the monsoon are uncertain, and long dry spells may occur within the rainy season. Uncertainty regarding amount and distribution of rainfall makes irrigation important for successful crop production even during the monsoon season.

Topography and Regional Division

2. The State divides naturally in three physical regions: the Himalayas, the Gangetic plain and the Central Indian Plateau. The Himalayan region is of rugged topography, with high mountains intersected by deep valleys. A large proportion of the land is not suitable for agriculture. The Gangetic plain is an area of subdued topography, which slopes to the south east. This is the most heavily populated and cultivated area in the State. The southern edge of Uttar Pradesh rises onto the Central Indian Plateau. This is an area of low hills and plateau lands; part of the region is unsuitable for agriculture due to the undulating topography and thin soils. All the major rivers originate in the Himalayas and flow south eastwards across the Gangetic plain in deeply incised channels. Only some of the minor tributaries of the Yamuna and Ganges Rivers originate in the Central Plateau.

3. For planning purposes, the State is divided into five regions: the Hills comprising mainly the Himalayas; the Western region consisting of a small strip of sub-Himalayas and the western part of the Gangetic plain; the Central region covering the central Gangetic plain; the Eastern region extending over the eastern part of the Gangetic plain; and the Budelkhand lying in the Central Indian Plateau.

Soils

4. A wide variety of soils occurs in different parts of the State. The soils of the Himalayan region are generally thin, occur in pockets or along valleys, and are absent on steep slopes. They are usually immature and exhibit many of the characteristics of the parent rocks. The soils of the Gangetic plain are alluvial of different ages. The western part of the plain is characterized by shallow loams and sandy loams. The west central plain has thick, heavy loam soils, while the central area and eastern plain have loam or sandy loam soils. The soils of the Central Plateau region are categorized mainly into black or red varieties. The former are heavy and calcareous, occurring mainly on the valley floor. The red soils are light and occur on the plateau tops and on the upper slopes of hills. Thickness of soil profile is variable, and soils may be absent on steeper slopes. Some areas of saline soils occur on the Gangetic plain, but neither salinity nor alkalinity is a common problem. Fertility levels are low to medium.

Land Use

5. About 18.2 million ha (61% of the 29.8 million ha of reported area for land utilization in the State) is under cultivation. The forest area of 5.1 million ha (17%) is less than what is required to maintain a healthy ecological balance. About 3.4 million ha (11%) are either barren, uncultivable or put to non-agricultural use. Cultivable waste land accounts for 1.5 million ha (5%). The remaining 1.6 million ha (6%) are either fallow or used as permanent pastures and groves. Since 1960/61, the net cultivated area has remained stagnant, and there is little scope for increasing it in the future.

Farm Size and Land Tenure

6. The average farm size in UP is 1.2 ha, but there are large variations from one region to another. As noted below, the farm size distribution is largely determined by local agro-climatic conditions as well as population density:

Region	Annual	Population	% of Farms in Size Group (ha)					Average
	Rainfall	Density	0-1	1-3	3-5	5-10	10+	Size
	(mm)	(no/km ²)	-----%					(ha)
Hill	1600-1800	85	68	26	4	1	1	1.1
Western	700-900	428	59	29	8	3	1	1.4
Central	900-1000	381	66	27	5	2	1	1.1
Eastern	1000-1400	424	75	19	3	2	1	0.9
<u>Bundelkhand</u>	<u>1200-1400</u>	<u>164</u>	<u>37</u>	<u>34</u>	<u>12</u>	<u>10</u>	<u>4</u>	<u>2.7</u>
Uttar Pradesh		334	67	24	5	3	1	1.2

7. The smallest average farm size is in the Eastern region, where rainfall is relatively high and the area is densely populated. In contrast, in another high rainfall region, Bundelkhand, the average size of holdings is larger, about 2.7 ha. This is due to sparse population, difficult topography and infertile land.

8. A variety of land tenure arrangements exist. In the early 1950's, an Act was passed abolishing intermediate tenancy and providing security of tenure to erstwhile tenants. In 1961, a second Act imposed a ceiling on rural landholdings, with the specific aim of achieving greater equality in the landholdings of individual cultivators. However, the existence of legal loopholes, coupled with ineffective enforcement, resulted in a failure of this second Act to achieve its objective. In 1971, the land reform issue was reopened, but so far, has remained unresolved. Crops and Cropping Patterns

9. Cropping intensity for the whole State (133%) has not changed since 1970/71. The intensity is generally high in the Hills, Western and Eastern regions and low in the Central Region and Bundelkhand. The Hills have a high cropping intensity (157%) due to high rain fall and adequate soil moisture. Western UP is well provided with irrigation facilities, and agricultural technology is better developed here than elsewhere in the State. Consequently, the cropping intensity is as high as 140%. The high intensity in the eastern UP plain (135%) is mainly in response to the high pressure of population on cultivable land in these areas. These districts are densely populated, with 400-500 persons per km², and a large majority of the population depends on agriculture for its sustenance. The less developed state of agriculture in the Central and Bundelkhand regions results in low cropping intensities (129% and 100%, respectively).

10. Cereals -- paddy, maize, bajra and sorghum in the kharif season and wheat and barley in the rabi season -- account for two-thirds of the cropped area. Pulse crops, which occupy about 12% of the cropped land, include pigeon peas, moong and moth in the kharif and gram, peas and masur in the rabi. Non-food crops are grown only on 22% of the crop land, including various types of oilseeds (15%), sugarcane (6%), and the remaining 1% under miscellaneous crops such as fruits, vegetables, fiber crops, green manure and condiments.

11. Cropping patterns vary with the changing physical and social conditions in different parts of the State. In the Western region, particularly in the Upper Ganga-Yamuna Doab, sugarcane and forage are the important crops in the kharif season. Bajra, maize and rice are more dominant in the Central Region, and jowar in Bundelkhand. During the rabi season, wheat occupies most of the land in all regions, followed by gram and barley.

Agricultural Production Trends

12. From the commencement of the First Five-Year Plan (1950-51) up to 1977/78, foodgrain production grew only at about 2% p.a., barely keeping pace with the population growth. Rice and wheat production accounted for most of this growth, while coarse grains remained stagnant and pulse production declined. The performance of non-food crops such as oilseeds, sugarcane and potatoes, fared better at 3.2%, 3.5% and 5.5% growth p.a., respectively. However, since these crops only occupy a small portion of the total cropped area, their rapid rates of growth do not significantly affect the overall performance of the agricultural sector.

13. The early years after Independence were characterized by both area expansion and yield increases for most crops. Between 1950/51 and 1960/61, production of both rice and wheat, major cereals in the State, grew at respectable rates of 5.1% and 2.5% p.a., respectively. In the sixties, the agricultural scene changed significantly. Increases in production of most crops during this period were largely the result of rising yields. Rice production, however, stagnated. While wheat and sugarcane production only grew at 3.7% and 1.0% p.a., respectively. The gain in potato production was spectacular. It grew at a rate of 10% p.a., resulting from both area expansion (4.4% p.a.) and yield increases (5.6% p.a.). The impressive performance of most crops, except rice and sugarcane, during this period was largely due to the introduction of improved high yielding varieties and accelerated development of private tubewells in the latter part of the sixties.

14. The agricultural transformation in rice crops seemed to lag a few years behind wheat. From 1971/72 to 1977/78, rice production improved significantly, growing at a rate of 4.7% p.a., slightly above wheat production (4.1%). Areas under other major cereal crops, such as maize

and barley, suffered a major setback, and their production showed a declining trend. Cash crops still performed well, growing at a rate of 4-5% p.a. Production of oilseeds and sugarcane improved significantly, growing at 4.2% and 4.4% p.a., respectively. Potato production maintained its earlier momentum, growing at a rate of 9.5% p.a. Area expansion under this crop slowed down, however, to a rate of 1.6% p.a. compared to 4.3% during the sixties. Greater use of high yielding potato seeds resulted in a yield increase of 8.0% p.a.

3. Irrigation and Power

Water Resources and Utilization

1. Surface Irrigation. Uttar Pradesh lies within the catchments of four great tributaries of the Ganges river system. These are, from west to east, the Yamuna, Upper Ganga, Ghagara and Gandak Rivers. Most of the streams which feed these rivers have their sources in the Himalayas, though right bank feeders to the Yamuna and to the Ganges below the confluence with the Yamuna originate on the Central Plateau. The Himalayan streams are fed by both run-off from monsoon rainfall and by snow-melt during the spring through fall period. The streams originating on the plateau are fed only by monsoon run-off. The river reaches within the Gangetic plain are generally deeply incised into the regional water table and function as a drainage line for groundwater. The combination of run-off from snow-melt and groundwater drainage ensure perennial flows in the main river courses. However, there is a marked difference of discharge rate between early spring (before the onset of snow-melt run-off) and during the height of the monsoon. Though no proper survey has been undertaken, it is estimated that the total water resource of the Ganges basin is about 510,000 Mm³ per annum. Approximately 70% of this passes through Uttar Pradesh. The ultimate irrigation potential 1/ in UP is estimated at 12.4 million ha. At present about 6.2 million ha or 50% of the resources available to the State has been utilized. Thus, there is ample scope for further development.

2. Groundwater. The Gangetic plain is underlain by a rich aquifer system formed of alluvial deposits. The alluvial deposits form a single though heterogeneous, aquifer system which exceeds 1,000 m in thickness in some parts of the plain. Aquifers are formed by beds of sand which inter-finger with beds of silt, clay and kankar. The aquifer system is recharged mainly by infiltration of rain falling on the area or collected by local run-off into pools and lakes. Another important source of recharge is deep percolation of canal and on-field losses from surface water irrigation systems. Parts of the plain are subject to flooding by river water in some years, and infiltration of flood water forms an important source of recharge in such areas. Discharge is by seepage to the main natural drains, which are deeply incised and form line-sinks for groundwater drainage, evaporation from shallow water tables and extraction by wells. Underflow under the regional hydraulic gradient forms a relatively small part of the water balance.

1/ This is expressed in terms of gross irrigated area.

3. The State Groundwater Directorate of the Ministry of Irrigation in UP has estimated a mean annual net recharge available to the State at 58,000 Mm³. Net extraction by various types of tubewells and dugwells amounted to 29,000 Mm³ in 1976/77 or about 50% of the groundwater resources. Thus, the prospect for further groundwater development in UP is good, and demands for tubewell water appear to be strong.

General Trends in Irrigation Development

4. The State is well endowed with water resources. Nevertheless, only about 8.3 million ha (46% of the total net cultivated are of 18.2 million ha or 74% of the potential irrigable land area) was irrigated in 1976/77. Between 1950/51 and the onset of the Green Revolution, surface and groundwater development contributed equally to the expansion of irrigated areas in UP. However, since 1965/66, groundwater development has accounted for virtually all the increase in net irrigated area. In 1976/77, about 4.8 million ha, or 58% of the total net irrigated area, was supplied with groundwater, compared to 34% provided by surface irrigation schemes. The remaining 8% is served by storage tanks or by pump lift schemes of varying scales. Progress of irrigation development in terms of net irrigated area in the State since 1950/51 is shown below.

	1950/ 51	19650/ 61	1965/ 66	1970/ 71	1976/ 77	Increase 1950/51-1976/77	
						Total in Million ha	% Yearly Increase
-----Million ha-----							
Major and Medium Tubewells	1.8	2.0	2.3	2.5	2.8	+1.0	+ 1.7
Tubewells	0.2	0.5	0.9	2.3	3.6	+3.4	+11.5
Dugwells	1.9	1.8	2.0	1.7	1.2	-0.7	- 1.3
Others	0.8	0.7	0.7	0.7	0.6	-0.2	- 1.7
Total	4.8	5.0	5.9	7.2	8.2	3.4	+ 2.1

5. The significant increase in areas irrigated by tubewells after 1965/66 was mainly due to private groundwater development. Tubewells also replaced many traditional dugwells. This stemmed from the introduction of high yielding varieties (HYV) which offered higher profits and required

higher and more reliable water supply and the increasing availability of rural electricity. However, most of the private groundwater development during the Green Revolution period occurred in the western part of the State, where farmers were more progressive and familiar with irrigation provided by surface canals. At present, there are about one million private tubewells and about 25,000 public tubewells in operation in the State. GOUP plans to accelerate the development of both sectors at rates of 100,000 private tubewells per annum. Progress of development of private and public tubewells since 1960/61 is illustrated below:

	1960/ 61	1965/ 66	1970/ 71	1976/ 77	Increase 1950/51-1976/77	
					Total in Million ha	% Yearly Increase
--Net Irrigated Area in '000 ha--						
Public tubewells	495	721	809	859	0.4	3.5
Private tubewells	48	184	1,522	2,707	2.6	28.7

Private groundwater development has been rapid and at present about three quarters of the areas served by tubewells are irrigated by private tubewells.

6. About 40% of the gross cropped area (24.8 million ha) is presently irrigated. Wheat has accounted for the largest share of the expansion of the irrigated area since Independence. The general trend for the major crops in irrigated areas was:

	<u>1950/51</u>	<u>1960/61</u>	<u>1965/66</u>	<u>1970/71</u>	<u>1976/77</u>	<u>% of Total Crop Area Under Irrigation 1976/77</u>
	<u>Area Irrigated in '000 ha</u>					
Wheat	1,627	1,780	2,223	3,988	5,270	80
Paddy	409	502	614	745	980	21
Maize	36	68	150	251	201	15
Gram	402	369	547	433	355	21
Mustard	25	21	35	65	131	47
Sugarcane	693	874	965	902	1,099	75
Potato	77	100	135	152	173	95

Power Supply and Demand

7. Present Situation. The State of Uttar Pradesh is well endowed with natural resources for generating power. The Himalayan rivers in the northern region of the State have a hydro-power potential in the order of 20,000 MW and the recently developed Singrauli coal fields in the southern part can offer a thermal power potential of about 10,000 MW. Due to the lack of financial resources, the State has only installed about 3,500 MW of which about one-third is provided by hydel schemes and the balance by thermal stations. The energy is transmitted through 431,000 km of main transmission and sub-transmission lines of 33 to 400 KV. There is, in addition, an extensive 11 KV network dispersed throughout the State.
8. Per capita generation of electricity was about 130 Kwh in 1979/80 compared to an all-India average of 164 Kwh. Per capita consumption of electricity rose from 7 Kwh at the commencement of the First Five-Year Plan (1951) to about 80 Kwh by 1979/80. This still lagged behind the national average of 122 Kwh per capita. To assist GOUP in its drive to increase the standard of living of the rural population, the Bank Group is supporting rural electrification in UP through a line of credit to the Rural Electrification Corporation.
9. Future Situation. Under the revised Sixth Five-Year Plan (1980-85), an additional plan for about 1,800 MW has been approved and is under construction. If the targets of the plan are achieved, the total installed capacity in 1985/86 would be about 5,300 MW. Improvement of the transmission in accord with the additional generation capacity is also planned. The Bank Group has participated in augmenting power supply in UP through the First and the Second Singrauli Thermal Power Projects.
10. The power supply and distribution will still fall short of

potential demand even if the targets of the Sixth Plan are achieved. Given historical growth rates and the latent demand for energy, it may not be possible to avoid some rostering during peak demand periods for years to come.

Rural Electrification in Uttar Pradesh

11. Of the approximately 112,500 villages in UP, about 40,000 (36%) were connected to the State grid by August 1980, providing the opportunity to obtain electricity for about 45% of the State's rural population. This compares to all-India figures of 43% of villages "electrified" (i.e. connected to the grid with at least some consumer connections in each) and 65% of rural population potentially served in the same year. The national objective is to achieve a minimum of 50% village electrification in each State by 1988. The Sixth Five-Year Plan 1980-85 provides for the electrification of an additional 16,600 villages in UP, bringing the electrification percentage to the target minimum by 1985.

12. UP is estimated to have about 30% of all Indian ground water potential for irrigation. As of September 1980, there were about 370,000 electric irrigation pumps installed in the State, i.e. about 9% of the Indian total at that time. There is, therefore, a large scope for converting diesel pumps and expanding electricity-powered irrigation to new areas to effect economic cost savings as well as make new well irrigation possible in marginal areas. During the period 1980-85, it is planned to connect about 300,000 additional electric pumps in UP (an increase by more than 80%), increasing UP's share of the Indian total to 12%.

13. The Rural Electrification Corporation (REC), a national organization lending to State Electricity Boards (SEBs) for rural electrification schemes, has financed about 20% of village electrification and 20% of pump connections in UP to date. Its role is increasing rapidly, and it is expected to be involved in up to 70% of rural electrification financing during the Sixth Plan period. Between 1970 and 1980, REC had approved and financed about 330 rural electrification schemes with a total loan commitment of Rs 1.4 billion in UP, and is disbursing about Rs 150-200 million to the UP SEB per year. This constitutes about 10% of REC's annual disbursements. Under the presently committed REC lending program to UP, about 17,600 villages will benefit, and more than 100,000 new irrigation pump and rural industry connections are envisaged. The total cumulative REC lending program in UP to date (partly implemented) covers about 720,000 consumer connections.

14. During the Fifth Plan period (1974/75-1978/79), UP achieved about 60% of targets in terms of village electrification, and about 80% in terms of new pumps connected. Performance since 1978/79 has increased substantially in both categories, with target achievement in pump

connections exceeding 100%. In 1979/80, this has been achieved at a much lower cost in terms of REC disbursements than anticipated.

15. Sample evidence shows that the main beneficiaries from rural electrification are farmers with sufficient land to irrigate profitably, and small rural entrepreneurs. The increased agricultural and industrial output benefits the lower-income groups by creating additional employment opportunities.

4. POPULATION AND FAMILY PLANNING IN UTTAR PRADESH

1. With an estimated population of 106 million on March 1, 1981, Uttar Pradesh (UP) is the most populous state of India, accounting for 15.7% of India's estimated 672 million population on the same date. As an independent political entity, UP would rank eighth largest in world population rankings, just behind Japan (114 million) and ahead of Bangladesh (93 million).

2. Table 1 below shows selected demographic indicators for UP, India and Bangladesh.

Table 1: Selected Demographic Indicators

	<u>UP</u>	<u>India</u>	<u>Bangladesh</u>
Population (mid year 1981)	106 mln.	672 mln.	93 mln.
Crude Birth Rate (1976)			
Urban	32.5/1000	28.3/1000	n.a.
Rural	41.2/1000	35.8/1000	n.a.
Combined	40.0/1000	34.4/1000	43/1000 1/
Crude Death Rate (1976)			
Urban	12.9/1000	9.5/1000	n.a.
Rural	21.7/1000	16.3/1000	n.a.
Combined	20.5/1000	15.0/1000	17/1000 1/
Infant Mortality Rate (1973)			
Urban	132/1000	89/1000	n.a.
Rural	182/1000	143/1000	n.a.
Combined	176/1000	134/1000	139/1000 2/
% Urban (1971)	14%	20%	11%

1/ 1978.

2/ 1980.

In all respects, the demographic indicators are more extreme in UP than India. The crude birth rate approaches that of Bangladesh whilst the crude death rate is higher. The annual rate of natural increase is about 2%. This is relatively low but can be expected to increase if fertility, which is the highest of any of the major India states (Total Fertility Rate in 1972 was 7.45), does not decline commensurately with the death rate.

3. Unfortunately, UP's family planning activities are weak. Of India's 15 most populated States, UP had the lowest percentage of couples effectively protected -- 11.4% in June 1979. Of these, 80% were protected by sterilization, 14% by IUDs and 6% by other methods. UP's performance in family planning has fluctuated with national performance as Table 2 shows. In 1976-77, 927,500 equivalent sterilizations were recorded; in the following year, only 70,362. Performance doubled in 1978-79 to 134,000 and again increased to 148,500 in 1979-80. UP was particularly affected by the intensive drive in 1976-77. In that year 690,000 vasectomies and 148,000 tubectomies were performed; the corresponding figures for 1977-78 were 1,290 and 12,200. Performance improved to 9,400 vasectomies and 47,000 tubectomies in 1979-80 but is still well below that of the immediate pre-Emergency years. IUD acceptors have shown a gradual upward trend since the introduction of this method in 1965-66 and reached their highest peak last year. Of the estimated 11 million couples effectively protected by IUDs in India in August 1980, about 31% were attributed to the UP program. Legal abortions have also risen steadily from 700 in 1973-74 to 84,4000 in 1979-80.

TABLE 2: UTTAR PRADESH--ABSTRACT OF PERFORMANCE OF FAMILY PLANNING METHODS ('000)

Family Planning Methods	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81 ¹
Sterilizations	28.5	50.7	128.7	838.1	13.5	29.3	56.4	15.9
Vasectomies	10.3	22.6	54.0	690.1	1.3	4.6	9.4	1.5
Tubectomies	18.2	28.1	74.7	148.0	12.2	24.7	47.0	14.4
IUD Insertions	80.0	107.2	165.3	160.2	78.4	195.2	222.4	61.3
O.P. Acceptors ²	-	-	-	-	-	11.2	11.3	3.2
Equiv. CC Users ³	137.1	146.6	349.9	261.9	226.1	349.3	301.7	124.4
% of Couples Effectively Protected	n.a.	8.3	11.0	14.1	12.8	11.9	11.6	11.1 ⁴
Equiv. Sterilizations	88.9	109.0	213.0	927.5	70.4	134.4	148.5	-
Medical Terminations of Pregnancy	0.7	11.7	48.1	50.0	44.0	66.5	84.4	38.1

^{1/} To September 30, 1980.

^{2/} Calculated on numbers of cycles of oral contraceptives distributed.

^{3/} Calculated on numbers of condoms distributed.

^{4/} As of August 31, 1980.

5. Bank Group Activities in Uttar Pradesh

1. Bank Group's direct assistance to Uttar Pradesh (UP) started in 1961 with the UP Tubewell Irrigation Project. Since then, UP has benefitted from a number of Bank-Group assisted projects in the fields of population, agriculture, forestry, irrigation, water supply, fertilizer and power. In addition, UP has benefitted significantly from all-India projects in railway and telecommunication sectors; a large diesel locomotive factory in Varanasi and the telecommunication equipment factories in Naini (near Allahbad) and Rae Bareli provide UP with additional benefits of the Bank-Group's railway and telecommunication operation. The list of the projects in the State of UP include the following:

<u>Project</u>	<u>Amount</u> (US\$ million)	<u>Date of Signing</u>	<u>Completion Date</u>
Cr. 8 UP Tubewell	6.0	September 1961	Sept. 1964
Cr. 279 Gorakhpur Fertilizer <u>1/</u>	10.0	January 1972	March 1976
Cr. 312 *Population Project <u>2/</u>	21.2	June 1973	June 1980
Cr. 392 UP Agricultural Credit Project	38.0	June 1973	Dec. 1973
Ln. 1079 IFFCO Fertilizer <u>1/</u>	109.0	January 1975	Dec. 1980
Cr. 585 UP Water Supply and Sewerage <u>3/</u>	40.0	September 1975	June 1981
Cr. 816 *Second National Seed	16.0	July 1978	Dec. 1984
Cr. 871 *National Cooperative Development	30.0	February 1979	Dec. 1984
Cr. 685 Singrauli Thermal Power	150.0	April 1977	Dec. 1983
Cr. 925 UP Social Forestry <u>4/</u>	23.0	June 1979	Dec. 1984
Cr. 963 *Inland Fisheries	20.0	January 1980	Sept. 1985
Cr. 981 *Second Population Project	46.0	April 1980	Dec. 1985
Cr. 1004 UP Public Tubewells <u>5/</u>	18.0	May 1980	March 1983
Cr. 1027 Second Singrauli Power	300.0	June 1980	March 1988
Ln. 614 Terai Seeds	13.0	June 1969	Dec. 1977

* Part of a multi-State project.

- 1/ See Annex 1
2/ See Annex 2
3/ See Annex 3
4/ See Annex 4
5/ See Annex 5

FERTILIZER PROJECTS

1. ~~Three of the eleven fertilizer plants financed by the Bank Group in India so far are located in Uttar Pradesh.~~ IDA approved a US\$10 million credit in 1972 for a nitrogen fertilizer plant at Gorakhpur. The project was completed in December 1975 and is operating satisfactorily. In 1975, a Bank loan of US\$109 million was approved for a large nitrogen fertilizer plant at Phulpur owned by a cooperative society (IFFCO). This project was completed in March 1980 and after prolonged shutdowns due to lack of feedstock started production earlier this year; our next fertilizer project in India -- Hazira Fertilizer -- scheduled for Board presentation on March 31 is sponsored by an offshoot of IFFCO. The third Bank supported nitrogen fertilizer project in the State is located in Kanpur and financed by IFC in 1967. It was completed in 1970 and has operated satisfactorily.

Our future operations in the fertilizer sector would also reflect the importance of UP in fertilizer consumption in the country. The first fertilizer distribution project, scheduled for FY82, is designed to improve fertilizer transportation, storage, handling and distribution facilities in the States of UP, Punjab and Haryana. We also expect to consider financing, during the next 2-3 years, a large nitrogen fertilizer project based on the Bombay High and Bassein gas to be located on a yet to be selected site in Western UP.

FIRST AND SECOND POPULATION PROJECTS

1. UP was one of two States selected for the first India population project, in essence an attempt to demonstrate that family planning performance would be improved if all the necessary inputs (facilities, staff, vehicles, etc) were in place. The project became effective on May 19, 1973 and the credit was closed on June 30, 1980. It was well implemented in terms of physical implementation. To monitor and evaluate performance in the six selected districts, a Population Center was created in Lucknow and this has subsequently been taken over by the State. Because of the time taken, to put the infrastructure in place (which was not inordinately long), it is only now possible to begin to measure the performance impact of the project but too soon to assess its demographic impact. There is evidence, however, that performance is superior to that of comparable control districts. (See Tables 1 and 2.) Monitoring is being continued by the Population Center. The project successfully introduced basic management concepts, a much improved management-information-evaluation-system, and more practically oriented training for paramedical workers.

2. UP was also selected as one of the two states for the second population project, the objective of which is to lower infant and child mortality, improve the health status of mothers and children, and lower fertility. The project is part of an acceleration in family welfare program development targeted towards 32 districts in seven states with foreign assistance from IDA, UK, USAID, DANIDA and the UNFPA. In addition to improvements in the coverage and quality of services, the project focuses attention on improved management, a communications program oriented towards much greater community participation than hitherto attempted, the involvement of community health volunteers and traditional birth attendants, and the introduction of effective monitoring and evaluation procedures. In the six districts of eastern UP which it covers, the project is expected to raise the contraceptive prevalence rate from 11-13% to 24-26% by 1985, to increase antenatal service coverage from 10% to 50%, and raise the coverage of deliveries by trained staff from 15% to 75%. Disastrous floods in the project districts in the summer of 1980 and unstable political conditions in the State slowed initial project implementation expectations, but momentum is now being regained.

3. Because of its size, the remoteness of many rural areas where communications are difficult and facilities lacking, cultural constraints exacerbated by low levels of income and literacy, family planning performance in UP as a whole will lag behind that of India until socio-economic conditions improve substantially. Family Welfare performance, however, can be improved substantially provided:

- (a) the State Government gives the program recognition and commitment;
- (b) responsibility for program implementation is further decentralized to division and district level;
- (c) reasonable continuity of staff is maintained at all levels; and
- (d) attention to effective management is intensified.

TABLE 1: FAMILY PLANNING ACHIEVEMENTS OF PROJECT DISTRICTS COMPARED WITH REMAINING DISTRICTS IN U.P. STATE

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
Sterilizations							
per 1,000 population							
Project	0.35	0.84	1.86	11.31	0.23	0.46	0.79
Non-Project	0.32	0.55	1.41	9.36	0.14	0.31	0.63
IUD Insertions							
per 1,000 population							
Project	1.03	1.67	1.85	2.19	1.87	3.76	3.73
Non-Project	0.90	1.13	1.89	1.71	0.78	2.06	2.38
Condom's Distribution							
(millions)							
Project	1.03	1.04	3.05	3.02	3.02	3.03	2.09
Non-Project	8.01	9.03	21.05	15.03	13.03	62.01	18.08
MTU per 1,000							
Project		0.24	0.99	0.99	1.92	1.67	2.07
Non-Project		0.12	0.49	0.52	0.45	0.64	0.87

TABLE 2: EQUIVALENT STERILIZATIONS OF PROJECT DISTRICTS^{A/}
COMPARED WITH NON-PROJECT DISTRICTS IN SAME DIVISION^{B/}
AND NON-PROJECT DISTRICTS IN DIFFERENT DIVISIONS^{C/}

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
A	1.5	2.7	11.3	1.0	2.3	3.1
B	1.3	2.3	8.9	0.5	1.3	1.6
C	1.0	2.2	8.9	0.7	1.7	1.6

UP Water Supply and Sewerage Project (Credit 585-IN)Project Data

1. The salient features of this project are:

Date of Credit Agreement:	September 25, 1975
Effective Date:	February 6, 1976
Credit Amount:	US\$40 million
Disbursements (as of 2/27/81):	US\$22.9 million
Closing Date (Original):	June 30, 1980
Extended Closing Date:	June 30, 1981

Objective

2. The objective of this project is to assist in the reorganization of the water supply and sewerage sector in the State of Uttar Pradesh with a view to introducing better management and financial practices. The project also involves the construction of piped water supply schemes in selected rural areas, as well as improvements in the water supply and sewerage systems in the State's five largest cities known as the KAVAL towns (Kanpur, Allahabad, Varanasi, Agra and Lucknow).

Implementation Progress

3. The project caused in the formation of an autonomous Water Supply and Sewerage Development Corporation (Jal Nigam) and is the recipient of the IDA credit from GOI with powers to on-lend to urban and rural water board (Jal Sansthans) to be established under the project. The Jal Nigam succeeded the existing Local Self-Government Engineering Department and was responsible for design and construction of schemes. It also acted as sectoral adviser and had powers to borrow and provide money required to finance the sector activities.

4. The project had a slow start but picked up later and has made significant progress on the engineering design improvements and the construction of water and sewer facilities as well as on the improvement of the internal appraisal procedures. Progress on the institutional building aspects of the project have, however, been disappointing. Although consultants were appointed for management, accounting, assets valuation, tariff studies and training, no counterpart staff was assigned to the consultants with result that the work remained constrained and was not completed for all the water authorities (Jal Sansthans). In short, the consultants recommendations are being implemented slowly, if at all. Consequently, institutional building was lagging and appropriate accounting systems had not been established. In some instances, necessary tariff increases had been dropped, contrary to good commercial practice, following political pressure and revenues were insufficient to cover operational expenditures and debt service. In the urban areas, in particular KAVAL towns, there was no attempt to establish water boards

(Jal Sansthans), and municipal departments continued to operate and maintain their systems unsatisfactorily with no consideration given to financial discipline. These initial delays in implementation have resulted in a lag in disbursements.

5. We had conveyed our disappointment with the project's progress to GOI at the highest administrative level but with little appreciable success. Consequently, we proceeded to inform GOI of our inability to approve additional subprojects until pending actions were completed in accordance with an action program proposed by us. GOI's reports of project progress subsequent to this have been encouraging, and we have agreed to GOI's request to extend the credit closing date by one year to June 30, 1981 to give the project authorities adequate time to implement the decision taken as required by the action program. We have now followed this up with a supervision mission which is due back shortly. The mission is under specific terms of references to assess the progress made as expected by us and to make recommendations on future action proposed, especially with regard to extension of the credit closing date of June 30, 1981.

UP Social Forestry Project1. Project Data:

Amount of Credit:	US\$23 million
Date of Project Signing:	June 21, 1979
Effective Date:	January 3, 1980
Closing Date:	December 31, 1984
Disbursements (as of February 28, 1981):	US\$1.7 million

Background

2. Forests cover 17% of the total area in UP; the per capita forest area is only 0.05 ha, compared to the all-India average of 0.14 ha and the world average of 1.04 ha. UP forests support a wide variety of industries (large- and small-scale as well as cottage industries), but the demand for forest products far exceeds the supply. The most critical gap, however, exists in fuelwoods for domestic consumption.

3. Rural households meet their energy requirements almost exclusively (95%) from non-commercial fuels, such as firewood (36%), vegetable and crop wastes (32%) and dung cake (27%). Commercial fuels are used mostly for lighting (kerosene 3.5% and electricity 0.5%). Fuelwood remains the most preferred source of rural energy but its growing scarcity in a large area has obliged the villagers to burn cattle and buffalo dung which would otherwise be profitably utilized as farm manure.

Objective

4. The main objective of existing social forestry programs is to provide forest products in rural areas where they are most needed. This objective is achieved by establishing multi-purpose tree plantations to supply fuel and small timber and to provide food, fodder, shade and the environmental stability that is necessary for continued food production. These plantations also generate income and employment, both directly, by providing jobs in planting, harvesting, and marketing, and indirectly, by providing raw materials for cottage industries. The plantations are established on presently unproductive or unused land, for example, by strip planting along road, canal and rail sides and by block planting on village commonland, wastelands and degraded forests.

Project Description

5. The UP project is located in the Gangetic Plains (70% of the State area) where the density of human population is very high at 350 person/sq.km. and forest cover is very low at 2% of the land, and composes the following:

- (a) Expansion and strengthening of the Social Forestry Directorate, through the provision of additional staff, low-cost housing, equipment, transportation, and training facilities;
- (b) Forest plantations on 48,600 ha - including about 45,600 ha along roads, rails and canals, on village common lands, and on degraded forests planted by the Social Forestry Directorate with varying degrees of community involvement, and a minimum of 3,000 ha of village forests planted in village common lands under community self-help programs. The planting program is labor-intensive, providing paid employment to the poorest sections of the rural population. In addition about 8 million seedlings and extension services are being provided for planting on privately-owned lands;
- (c) Construction of 90 new nurseries and rehabilitation of 50 existing ones;
- (d) Protection of social forest plantations; and
- (e) Research, seed testing and storage, and field demonstrations.

6. Although the main focus of the project planting is on the provision of fuelwood and fodder, other species have been included to meet a variety of other local requirements, including fruit trees, trees producing small timber and oilseed, trees for raising silkworms, and trees producing other raw materials for cottage industries. Palatable grasses (for stall-feeding) are being grown within young plantations to compensate villagers for the loss of grazing until abundant fodder became available from tree foliage.

7. The ultimate objective of the social forestry program is to have the villagers establish their own village forests using voluntary labor with technical assistance from the state-wide forest extension services. Therefore, the project is initiating pilot schemes of community self-help forests in at least 3,000 ha in about 1,500 villages. In such schemes the role of the Social Forestry Directorate is limited to provision of extension services and fencing materials. Villagers provide free labor.

8. In addition to the community self-help forest plantations on commonlands, encouragement is provided to promote tree plantings on private lands. The Social Forestry Directorate provides seedlings to individuals at nominal cost, and extension services including tree planting demonstrations close to fields and homesteads. Eight 8 million seedlings are being provided, sufficient to plant trees on at least 4,000 ha of private land.

Implementation Progress

9. The project is proceeding well and the total area planted in 1980 (14,169 ha) was about double the target for the year. The most striking achievement was the distribution of some 11 million seedlings in 1980 compared to a target of 0.4 million under the private farm forestry component. This is a very desirable development since this can be a cheap and effective way of ensuring rural afforestation on a large scale. A recent supervision mission reported that the technical work reviewed was of a high standard and that the survival rate of the seedlings was over 80 percent.

10. Other components of this project are also progressing satisfactorily. The component progressing most slowly so far is the community self-help forestry component. Some modifications in benefit-sharing between the Government and the community would probably be required to expedite progress of this component.

UTTAR PRADESH PUBLIC TUBEWELLS PROJECTProject Data

Date of Credit Signing	: May 12, 1980
Amount of Credit	: US\$18 million
Project Closing Date	: March 31, 1983
Disbursement (as of February 28, 1981)	: US\$476,000

Background

1. The public tubewell, each commanding about 100 hectares or more, are constructed in areas where gravity irrigation is not feasible and where the potential for construction of shallow tubewells is limited due to the deep aquifer. Public tubewells are preferred to overcome the underutilization of groundwater resources in certain areas where fragmented and small holdings make private tubewells unattractive to small farmers. Furthermore, since proper spacing in private tubewells is difficult to enforce, properly constructed and managed public tubewells are found desirable to prevent excessive extraction of the groundwater resources.

2. To support these endeavors, the Bank Group financed the construction of 800 public tubewells in UP between 1961 and 1964 (Cr. 8-IN, US\$6 million). While the construction program was satisfactory, post-project performance fell short of expectations due to deficient design and construction standards, poor management, inadequate maintenance, and power shortages. The present project introduces significant changes in technical design, management and operational standards to overcome these shortcomings.

Project Objectives

3. The improvements to be introduced under the project are aimed at:
- (a) reducing water losses to a minimum by conveying water in underground pipes to outlet valves commanding about 3 to 5 ha;
 - (b) providing facilities to protect pumps and motor from frequent electrical breakdowns;

- (c) providing facilities for automatic operation of the system and thus increasing the security of water supply to individual cultivators (except when power is not available);
- (d) improving water allocation procedures to ensure reliable water supply to each individual cultivator through better organization of operational staff and farmers' groups;
- (e) providing facilities for better preventative maintenance and emergency repairs of the water points; and
- (f) speedy construction of each tubewell system (about 6 months compared to 2 years at present) which would be feasible by minimizing land acquisition problems.

Project Description

4. The project is designed to demonstrate and evaluate the relative merits of a number of technical and operational improvements to the design of existing public tubewell systems in UP. The project supports construction of 500 public tubewells of three basic alternative designs to be implemented in 12 out of the 56 Districts of UP, representing the full range of agro-climatic conditions of the State. The tubewells are to be located in areas where no alternative irrigation system exists and where development of private tubewells is inhibited due to financial or technical constraints.

5. Tubewell and Distribution System Design. The principal design improvements to be introduced in project-financed tubewells are summarized below.

- (a) Command areas for wells with a discharge of $150 \text{ m}^3/\text{h}$ (the discharge of most existing public tubewells in Uttar Pradesh) would be reduced to 75-100 ha, as against a current average of 150-200 ha, to permit a change from the use of irrigation as a simple protection against drought to the use of irrigation for more intensive agriculture. In addition, 40% of project wells would be designed for increased discharge levels (i.e., 225 and $300 \text{ m}^3/\text{h}$) with proportionately larger command areas. The expected effect of this innovation would be a significant reduction in the cost of tubewell system investment per hectare irrigated (from Rs 3,900/ha for smaller wells to Rs 3,300/ha for the proposed larger wells).

- (b) Pumps would be automated to obviate the necessity for a pump operator to be present to start the pump or re-start it after power interruptions. Pumps would also be fitted with protective devices to prevent damage to the motors due to voltage fluctuations or power cuts and with electronic meters to permit continual monitoring of pump operation.
- (c) Elevated regulating tanks would be installed at 90% of project wells to permit automatic starting and stopping of the pumps in response to the level of water in the tank and, in turn, the rate of offtake in the distribution system. This would prevent spillage at times when the distribution system was operating at less than the full discharge of the well.
- (d) Finally, water would be conveyed from the well to outlets serving no more than 3-5 ha each through underground pipes, in order to prevent the excessive water loss occurring in existing tubewell systems and the delay in tubewell construction which typically occurs due to disputes over right-of-way for distribution channels. Individual farmers' plots would be no more than 150 m from outlets of the piped system and would be connected to these outlets by properly designed earthen channels constructed under the project.

6. Water Allocation. A rotational system of water allocation, designed by the engineer in charge of each tubewell, would govern delivery of water to individual outlets (serving 3-5 ha and approximately 5 farmers each). Only one outlet per distribution system loop would be open at any one time, thus fixing the rate of water delivery and allowing the quantity delivered to be defined on a time basis. Water deliveries would be allocated to each outlet according to the size of the command area of the outlet. Assisted by the tubewell engineer and an agricultural officer, farmers within each outlet would form a committee and elect a leader to supervise water distribution within the outlet command on the basis of an agreed schedule. Leaders of all outlet committees would select, from among their ranks, five representatives to sit on the Tubewell Committee, which would be responsible for coordination and cooperation among outlet committees, adjudication of disputes, and oversight and adjustment, in concert with the tubewell engineer, of the rotational schedule.

7. Operation and Maintenance. The operation and maintenance function would be separated from the task of well construction for the project-supported tubewell program. The Government of Uttar Pradesh would provide one skilled mechanic plus assistants for each cluster of approximately 20 wells, would establish a properly equipped workshop (including adequate means of transport and spare parts stock) for each Operations and Maintenance Division, and would carry out regular (semi-annual) checks of pump discharge and well drawdown at all tubewells to ensure adequate preventive maintenance.

The State Electricity Board would provide power to each tubewell pump unit no more than two months after the completion of the piped distribution system.

8. Training. In order to ensure proper construction and operation of the new-design tubewell systems, the project would support in-service training of the engineering staff in charge of well construction as well as short training courses conducted at the State's G.P. Pantnagar University of Agriculture and Technology for staff of the Operation and Maintenance Divisions. In-service training for construction engineers would place particular emphasis on the design and layout of the proposed piped distribution system.

9. Monitoring and Evaluation. Monitoring and evaluation would be a critical element of the proposed project, due to the importance of evaluating the relative merits of the design alternatives incorporated in the tubewell systems to be constructed under the project. Therefore, a special Monitoring and Evaluation Division has been established in the Department of Irrigation. The Division would gather and analyze information on (i) the actual investment, supervision, and operation and maintenance costs of each construction alternative, as compared with the costs of existing tubewell systems; (ii) water use and water losses for each new construction alternative and for existing tubewell systems; (iii) well yield and water table fluctuations; (iv) power availability at well sites and running hours of each pumping unit; (v) irrigation practices in each tubewell system and pre-project and post-project yields in tubewells commands; and (vi) farmers' reaction to water allocation procedures introduced under the project. In addition to the activities of the Monitoring and Evaluation Division, a baseline and post-project agro-economic survey of the project area and selected control areas would be conducted by the Uttar Pradesh Development Systems Corporation as the basis for a full evaluation of the impact of the project on agricultural practices in command areas of project-financed tubewells.

10. Estimated Cost.

	(US\$ Millions)		
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
Land Acquisition	0.38	-	0.38
Tubewell Construction	22.64	1.56	24.20
Buildings	0.71	0.02	0.73
Vehicles and Equipment	0.76	0.09	0.85
Monitoring and Evaluation	0.12	-	0.12
Training	0.01	-	0.12
Administration and Engineering	2.19	-	2.19
Preparation for Stage II	0.01	-	0.01
Base Cost	<u>26.82</u>	<u>1.67</u>	<u>28.49</u>
Contingencies: Physical Price	1.95 <u>6.74</u>	0.12 <u>0.39</u>	2.07 <u>7.13</u>
Total Project Cost	35.51	2.18	37.69
Taxes and Duties	<u>1.69</u>	-	<u>1.69</u>

Implementation Progress

11. Project implementation started from April 1980. Construction activities have been actively pursued with satisfactory progress. At the end of January 1980, 482 sites had been surveyed, selected and contoured; 204 wells had been drilled, 75 wells constructed and developed, 23 wells have been provided with the pipe distribution system and field channels, 9 tubewells have been energized. There have been delays in the establishment and staffing of the Maintenance Division particularly the agricultural extension staff. The State Government has been requested to expedite these pending actions.

12. Preliminary results in one tubewell which has been operated since December show that the irrigated areas are twice as much as those in tubewells with previous design standards. In addition farmers are more willing to invest in higher valued crops. In the command area of this tubewell (140 ha), about 70 ha is irrigated of which one-third is in potatoes, one-third in mustard and the remainder in wheat. In other tubewells nearby, most of the crops are wheat.

13. Encouraged by the demonstrated superiority of tubewells under the new design, the Government of Uttar Pradesh is now preparing a second tubewell project, for Bank-Group assistance, consisting of 5,000 new public tubewells and the modernization of 5,000 old ones. The Region does not plan to appraise the project before at least 20% of the tubewells under the first project have been under operation for at least one season.

THE STATUS OF BANK GROUP OPERATIONS IN INDIA

A. STATEMENT OF BANK LOANS AND IDA CREDITS
(As of January 31, 1981)

Loan or Credit No.	Year	Borrower	Purpose	Bank	US\$ million (Net of Cancellations)	
					IDA	Undisbursed
43 Loans/ 65 Credits fully disbursed				1,313.2	3,807.4	
342-IN	1972	India	Education	--	12.0	4.47
378-IN	1973	India	Karnataka Agricultural Markets	--	8.0	1.12
390-IN	1973	India	Bombay Water Supply I	--	55.0	1.87
456-IN	1974	India	HP Apple Processing & Marketing	--	13.0	6.43
1011-IN	1974	India	Chambal (Rajasthan) CAD	52.0	--	14.83
482-IN	1974	India	Karnataka Dairy	--	30.0	19.56
502-IN	1974	India	Rajasthan Canal CAD	--	83.0	31.32
521-IN	1974	India	Rajasthan Dairy	--	27.7	14.36
522-IN	1974	India	Madhya Pradesh Dairy	--	16.4	6.17
526-IN	1975	India	Drought Prone Areas	--	35.0	2.29
1079-IN	1975	IFFCO	IFFCO Fertilizer	109.0	--	1.24
1097-IN	1975	ICICI	Industry DFC XI	94.8	--	1.32
532-IN	1975	India	Godavari Barrage Irrigation	--	45.0	4.81
541-IN	1975	India	West Bengal Agric. Development	--	34.0	9.22
562-IN	1975	India	Chambal (Madhya Pradesh) CAD	--	24.0	2.05
572-IN	1975	India	Rural Electrification I	--	57.0	.04
585-IN	1975	India	Uttar Pradesh Water Supply	--	40.0	17.37
598-IN	1975	India	Fertilizer Industry	--	105.0	35.16
604-IN	1976	India	Power Transmission IV	--	150.0	60.16

Loan or Credit No.	Year	Borrower	Purpose	US\$ million (Net of Cancellations)		
				Bank	IDA	Undisbursed
609-IN	1976	India	Madhya Pradesh Forestry T.A.	--	4.0	1.71
610-IN	1976	India	Integrated Cotton Development	--	18.0	11.61
1251-IN	1976	India	Andhra Pradesh Irrigation	145.0	--	90.34
1260-IN	1976	India	IDBI II	40.0	--	16.13
1273-IN	1976	India	National Seeds I	25.0	--	23.14
1313-IN	1976	India	Telecommunications VI	80.0	--	21.98
1335-IN	1976	India	Bombay Urban Transport	25.0	--	8.25
680-IN	1977	India	Kerala Agric. Development	--	30.0	25.15
682-IN	1977	India	Orissa Agric. Development	--	20.0	12.00
685-IN	1977	India	Singrauli Thermal Power	--	150.0	67.31
687-IN	1977	India	Madras Urban Development	--	24.0	9.47
690-IN	1977	India	WB Agric. Exten- sion & Research	--	12.0	12.00
1394-IN	1977	India	Gujarat Fisheries	14.0	--	11.18
712-IN	1977	India	Madhya Pradesh Agric. Dev.	--	10.0	6.94
720-IN	1977	India	Periyar Vaigai Irrigation	--	23.0	14.68
728-IN	1977	India	Assam Agricultural Development	--	8.0	6.87
736-IN	1977	India	Maharashtra Irrigation	--	70.0	39.26
737-IN	1977	India	Rajasthan Agricul- tural Extension	--	13.0	9.49
740-IN	1977	India	Orissa Irrigation	--	58.0	39.11
1475-IN	1977	ICICI	Industry DFC XII	80.0	--	15.27
747-IN	1978	India	Second Foodgrain Storage	--	107.0	85.53
756-IN	1978	India	Calcutta Urban Development II	--	87.0	37.29
761-IN	1978	India	Bihar Agric. Extension & Research	--	8.0	7.33

Loan or Credit No.	Year	Borrower	Purpose	US\$ million (Net of Cancellations)		
				Bank	IDA	Undisbursed
1511-IN	1978	India	IDBI Joint/Public Sector	25.0	--	21.17
1549-IN	1978	TEC	Third Trombay Thermal Power	105.0	--	79.66
788-IN	1978	India	Karnataka Irrigation	--	117.6	88.01
793-IN	1978	India	Korba Thermal Power	--	200.0	161.27
806-IN	1978	India	Jammu-Kashmir Horticulture	--	14.0	13.79
808-IN	1978	India	Gujarat Irrigation	--	85.0	73.23
815-IN	1978	India	Andhra Pradesh Fisheries	--	17.5	16.08
816-IN	1978	India	National Seeds II	--	16.0	15.58
1592-IN	1978	India	Telecommunications VII	120.0	--	56.35
824-IN	1978	India	National Dairy	--	150.0	135.44
842-IN	1979	India	Bombay Water Supply II	--	196.0	189.33
843-IN	1979	India	Haryana Irrigation	--	111.0	59.81
844-IN	1979	India	Railway Modernization & Maintenance	--	190.0	154.33
848-IN	1979	India	Punjab Water Supply & Sewerage	--	38.0	27.12
855-IN	1979	India	National Agricultural Research	--	27.0	26.21
862-IN	1979	India	Composite Agricultural Extension	--	25.0	20.47
871-IN	1979	India	NCDC	--	30.0	19.90
1648-IN	1979	India	Ramagundam Thermal Power	50.0	--	50.00
874-IN	1979	India	Ramagundam Thermal Power	--	200.0	176.70
889-IN	1979	India	Punjab Irrigation	--	129.0	112.29
899-IN	1979	India	Maharashtra Water Supply	--	48.0	47.21
911-IN	1979	India	Rural Electrification Corp. II	--	175.0	151.91
925-IN	1979	India	Uttar Pradesh Social Forestry	--	23.0	21.32

Loan or Credit No.	Year	Borrower	Purpose	US\$ million (Net of Cancellations)		
				Bank	IDA	Undisbursed
947-IN	1979	India	ARDC III	--	250.0	145.98
963-IN	1979	India	Inland Fisheries	--	20.0	20.00
954-IN	1979	India	Maharashtra Irrigation II	--	210.0	192.52
961-IN	1979	India	Gujarat Community Forestry	--	37.0	34.03
981-IN	1980	India	Population II	--	46.0	45.97
1003-IN	1980	India	Tamil Nadu Nutrition	--	32.0	32.00
1004-IN	1980	India	U.P. Tubewells	--	18.0	17.52
1011-IN	1980	India	Gujarat Irrigation II	--	175.0	175.00
1027-IN	1980	India	Singrauli Thermal II	--	300.0	289.17
1012-IN	1980	India	Cashewnut	--	22.0	21.95
1028-IN	1980	India	Kerala Agricultural Extension	--	10.0	10.00
1033-IN	1980	India	Calcutta Urban Transport	--	56.0	56.00
1034-IN	1980	India	Karnataka Sericulture	--	54.0	54.00
1046-IN	1980	India	Rajasthan Water Supply and Sewerage	--	80.0	79.88
1843-IN	1980	ICICI	Industry DFC XIII	100.0	--	94.87
1887-IN	1980	India	Farakka Thermal Power	25.0	--	25.00
1053-IN	1980	India	Farakka Thermal Power	--	225.0	225.00
1897-IN	1980	India	Kandi Watershed and Area Development	30.0	--	30.00
1072-IN	1980	India	Bihar Rural Roads	--	35.0	35.0
1078-IN	1980	India	Mahanadi Barrages	--	83.0	83.00
1925-IN*	1980	India	Bombay High Offshore Development	400.0	--	400.0
1082-IN	1981	India	Madras Urban Dev. II	--	42.0	42.0
Total				2,833.0	8,671.6	
of which has been repaid				1,060.9	71.7	
Total now outstanding				1,772.0	8,599.9	
Amount Sold			133.8			
of which has been repaid				128.1	5.7	
Total now held by Bank and IDA ^{1/}				1,766.3	8,599.9	
Total undisbursed (excluding*)				560.7	3,546.2	

* Not yet effective

^{1/} Prior to exchange adjustment.

OFFICE MEMORANDUM

TO: Note to Files

FROM: Onder Yucer, Technical Assistance Officer (IRD)

SUBJECT: UNDP/Bank Activities in India

DATE: March 5, 1981

IND/78/047 - Advisory Services in Land and Water Management Schemes

The objective of the project is to reinforce the system of hydrological and other data collection and analysis to be used for modern planning and management purposes in land and water development schemes and to introduce modern technologies through the provision of short-term specialists in related fields such as: flood and water supply hydrology, comprehensive stream flow measurement programs, application of computer programs on water management and allied fields of water resources development, as supporting technical inputs to irrigation projects in India--particularly those supported by the World Bank. The total UNDP contribution to this project is US \$361,500 covering consultancies over a four-year period (1979-1982).

GLO/78/006 - Demonstration Projects in Low Cost Water Supply and Sanitation

This UNDP global project is executed by the Bank. The project has a substantial consultancy input for India including a Technical Advisory Group (TAG) and an Indian Resident Manager. The TAG consists of four Indian engineers and further local and international consultants. The program builds on the Bank-assisted research project on low cost sanitation, completed in 1978. At the request of the Indian Government, the program covers seven states and 110 towns and has an estimated population of 4.0 million. The design and feasibility studies for the low cost sanitation program are expected to be completed by mid-1981 for local and international financing. The program is basically run by the Indian experts with over-all supervision and backstopping being provided under GLO/78/006. The Government appears to be very satisfied with the programme and its expansion is under active consideration to be funded under UNDP resources (IPF) made available to India. International seminars and meetings have been held in India under the auspices of GLO/78/006 particularly as regards to ground water pollution hazards of the various low cost sanitation techniques. This project is expected to be extended by three years--from January 1982--to cover further studies. It is expected that about US \$2.5 billion will be needed to establish or upgrade rural sanitation in India affecting about 20 million households.

OYucer/smm

cc: Mr. Griffith (ASA) C522

INDIA--A Survey of the News Media

Size

The Indian news media, with some 14,000 dailies, weeklies and periodicals claiming a cumulative total circulation of 40 million, and the Government-owned All India Radio commanding a potential audience of some 450 million, is among the largest in a developing country.

Television is yet to emerge as a major factor. Estimates are that India has a little over 800,000 TV sets mostly concentrated in big cities like Bombay, Calcutta, New Delhi, Hyderabad, Madras, Lucknow and Amritsar.

India has a large film industry. With some 9,000 "movie houses", the Indian films have a wider reach than the print media or TV. Its power and potential were exploited to advantage by the Dravida Munnetra Kazhagam in Tamil Nadu. The present Chief Minister of Tamil Nadu, Mr. M.G. Ramachandran is a film actor—a la Ronald Reagan.

India is among the ten largest book producing countries in the world.

The Print Media

Jawaharlal Nehru's biographer and editor of Indira Gandhi's family newspaper National Herald, M. Chalapathi Rau, once described the Indian press "...A magnificent illusion. Largely a subsidiary industry run by owners of other industries. It is the instrument largely of sugar barons, jute barons and cement barons."

There may be some exaggeration in Rau's description of the Indian press, which celebrated its 200th anniversary last year. But there is an element of truth in what he says about the concentration of ownership, which in the U.S. context would have created conflict of interest problems. Two of the largest publishing properties--Bennett Coleman & Co. and the Express Newspapers--bring out some 44 newspapers and magazines, including 28 dailies. The list included such big papers like the Times of India, Economic Times, Navbharat Times, Illustrated Weekly, Indian Express, Financial Express and Lok Satta. The two groups together account for about 42% of the total circulation of english language newspapers in India. Bennett Coleman & Co. is owned by the Jain family and the Express Newspapers by the Goenka family. The two families have extensive interests in jute, cement, chemicals, textiles and are related to each other by marriage. The Hindustan Times and allied publications belong to the Birlas, who are

perhaps the largest of India's business entrepreneurs. The Statesman is often identified with the House of Tatas.

There is no evidence to suggest that the owners interfere with the day-to-day decisions of running the papers. Their influence is felt in the broad policy approach of newspapers. The Government of India, as a major advertiser, can influence the press indirectly.

The Indian press reveals a strong urban and middle class bias. Some 33% of newspapers published in India are concentrated in the four 'metropolitan cities' of Bombay, Calcutta, Delhi and Madras. This is understandable because the cities provide the readership and the bulk of the advertisement revenue. As for its middle-class character, Arun Shourie, Executive Editor of the Indian Express, once remarked "We are like the rest of society. We are middle class people. There really is a great distance between us, the middle class, and the broad masses of the people..." The Indian press is striving to correct the imbalance by giving more attention to the problems of India's 500,000 villages and the under-privileged sections of the society.

Importance of the Print Media

Although the print media does not enjoy a commanding position in India, it plays a crucial role in shaping opinion of the elite who set development goals and evolve the strategy to achieve these goals. In this respect, the English language press is in a dominant position. Many of the Indian language papers often get their copies from the wire services or their English language affiliates. Increasingly the Indian language press is gaining in influence, since many politicians in various State capitals rely heavily on these papers.

Variety

The Indian press covers a range of language and a cultural diversity unparalleled anywhere except in the U.S.S.R. Newspapers are published in as many as 68 languages and dialects.

Circulation--Dailies

Recent estimates are that India had some 950 dailies with a total circulation of about 12 million.

The following table gives details of circulation of dailies by major languages (1977 actuals):

<u>Language</u>	<u>Number of Dailies</u>	<u>Circulation</u>
English	87	2.5 million
Hindi	281	2.1 million
Malayalam	91	1.2 million
Marathi	97	1.1 million
Gujarathi	36	844,000
Tamil	60	785,000
Bengali	27	696,000
Urdu	93	415,000
Kannada	57	368,000
Telugu	22	332,000
Oriya	10	127,000
Punjabi	15	119,000
Assamese	3	41,000
Sindhi	4	15,000

The Two Wire Services

The Press Trust of India (PTI) and the United News of India (UNI) are the two major Indian wire services. In a country of India's size and diversity, the two wire services are the channels to get a national audience. In addition to providing a national news service to newspapers and commercial subscribers, the PTI and UNI serve the All India Radio. They also offer to subscribers foreign wire service copy (Reuter, AFP, Tanjug, ANSA and AP). These two wire services also help us reach a wider national audience beyond the English-speaking elite. N.R. Chandran is the General Manager of the PTI. S. Sethuraman is the Chief News Editor. Sethuraman visited the Bank in 1973 at the invitation of IPA and interviewed Mr. McNamara. G. G. Mirchandani, General Manager of the UNI, is a good friend of the Bank.

All India Radio (AIR)

In India, as in many developing countries with low literacy rates, the spoken word is a more powerful means of mass communication than the written word. The All India Radio (AIR) is by far the most important means of mass communication in India. It is in its 53rd year of service. AIR is a relatively sophisticated outfit with some 80 broadcasting stations. AIR estimates that it covers about 80% of the population and some 70% of the area of the country. AIR broadcasts daily 243 news bulletins in 19 languages and 34 dialects. There are about 20 million radio sets in the country (these are licensed; the unlicensed sets may amount between 15 to 18 million). AIR estimates its potential audience around 450 million. Mr. U.G. Tiwari is the Director of News Services.

Prominent Papers and Persons

Indian Express. With ten simultaneous editions in as many cities, the Indian Express commands a total circulation of about 600,000. Executive Editor Arun Shourie was a staff member of the Bank. He is critic of Mrs. Gandhi and is active in Janata politics. Ajit Bhattacharjee, the Resident Editor in Delhi, knows the Bank well since he covered the Bank for five

years as Hindustan Times correspondent in Washington. S. Mulgwaokar is the Editor-in-Chief. T.V. Parasuram is the paper's Washington correspondent. He has covered the Bank for almost 20 years. Prem Shankar Jha, Editor of the Financial Express, visited the Bank last summer. The Marathi, Telugu and Tamil affiliates of the group use the copy provided by Express correspondents.

Times of India. The three editions of the Times of India (Bombay, Ahmedabad and New Delhi) commanded a combined circulation of about 390,000. Girilal Jain is the Editor-in-Chief. Inder Malhotra and K.C. Khanna are the editors of the Delhi and Bombay editions respectively. Hannan Ezekiel, the Editor of Economic Times, visited the Bank last summer. M.V. Kamath, editor of the Illustrated Weekly (circulation around 300,000) used to be the Washington correspondent of the Times of India. Another important affiliate is the Hindi daily Navbharat Times (Delhi and Bombay) with a combined circulation of 360,000.

Hindustan Times. S. Khushwant Singh is the Editor-in-Chief of this daily with circulation of 200,000 plus. At IPA's invitation, he spent a day at the Bank last year. He is considered a close friend of the Indian Prime Minister. He is also a member of the upper House of the Indian Parliament. Eastern Economist is a weekly belonging to this group. The Chief Editor, V. Balasubramanian, is expected to come to Washington as the correspondent of the Hindustan Times, replacing N.C. Menon who is returning to occupy a senior editorial position in the paper.

Hindu. Published from Madras has a circulation of over 250,000. G. Kasturi, the Editor and part-owner of the paper called on Mr. McNamara some 10 years ago. N. Ravi the correspondent carried favorable interview with the Bank President early this year. N. Ram, part-owner of the paper, is currently correspondent in Washington.

The Statesman. Has a circulation of 200,000 plus. Last year, the paper's Assistant Editor of Economic Affairs, N.S. Jagannathan spent a day in the Bank.

The Amrita Bazar Patrika, published from Calcutta, has a circulation of 100,000 and the Ananda Bazar Patrika, also from Calcutta, claims a circulation of 350,000. T.K. Ghosh and A.K. Sarkar are the publishers of the Amrita Bazar and Ananda Bazar Patrika respectively.

Weeklies and Magazines

The Economic and Political Weekly, published from Bombay, has an influential following both in India and abroad. Its editor, Krishna Raj, is known to several people in the Bank. The other weeklies devoted to economics and finance, are Commerce, Bombay (Editor Vadilal Dagli) and Capital, Calcutta (Editor Bidyut Sarkar). Both Dagli and Sarkar have covered a number of Bank Annual Meetings. A new magazine, India Today (Editor Suman Dubey), published from New Delhi is said to have crossed the 100,000 market. It is modeled after News Week. Swaminathan Iyer, Editor of the Eastern Economist has visited the Bank three years ago.

Bank-Indian Media Relations

On the whole the Indian news media has been very good to Mr. McNamara and the Bank. They have given extensive news and editorial coverage to the Bank's Annual Reports, McNamara speeches and other events. Through the Resident Mission in Delhi, the Bank's operations in India are simultaneously announced in Delhi. The Indian press is conscious of the growth in the volume and range of Bank assistance to India, particularly IDA assistance. There is growing speculation about India's future share of IDA funds in the context of the needs of China. The Bank's philosophy of economic growth with social justice has been an important theme with the Indian news media. Both the Government of India and the Indian press were favorably impressed by results of the international press tour of Indian development projects organized by the Information and Public Affairs Department in 1977. IPA has good friends in most major newspapers, the two wire services and the All India Radio.

The controversy over the Thal Fertilizer Project may not have any major adverse impact on Bank-India news media relations. By and large, the mainstream press has been very understanding of the issues involved. Bank-India relations have survived more serious setbacks like the adverse publicity during the devaluation of the Indian currency in 1966 and the critical speech of George Woods in 1968. Since the Bank under McNamara approved loans and credits to India at the height of the Nixon-Kissinger "tilt" during the Bangladesh War, the Bank is seen by knowledgeable observers as an independent institution interested in India's economic development.

Information Officials

H.Y. Sharada Prasad is the Information Adviser to the Prime Minister. A journalist of repute, Sharada Prasad had previously served Mrs. Gandhi as Deputy Information Adviser for a number of years. He was also for two years, Director, Indian Institute of Mass Communications.

Wilfred Lazarus is the Principal Information Officer, Press Information Bureau, Government of India. He was previously General Manager of the Press Trust of India.

SSankaran:sb

March 5, 1981

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World Bank Loan for Thal: Has India Muffed It?

From N. Ram

WASHINGTON, Jan. 2.

Despite Mr. P. C. Sethi's statement in New Delhi that "the World Bank has extended by one month the time for taking a decision on proposals for a loan of \$250 millions for the Thal project", there is virtually no chance of saving the loan in the absence of a turnaround by the Government of India.

The Bank has rejected the Government of India's brief, inspired by Mr. P. C. Sethi's Ministry, seeking to justify the switch of consultants from C. F. Braun Ltd., of the United States to Haldor Topsoe, the Danish-based firm 50 per cent of whose shares are owned by the Italian firm, Snam Progetti.

As the December 31, 1980, deadline for meeting the conditions of effectiveness of the loan was crossed, there appeared to be no formal communication here on the Government of India's request for yet another extension.

It is known that the bank management is unwilling to prolong through these means a negotiating process that is already exceptionally protracted. It is not clear how the "one-month extension" will be used and whose process of decision-making Mr. Sethi referred to.

So far as the World Bank is concerned, its decision to reject the Government of India's justification of the switch of consultants for the ammonia process is final.

Consequently, its support for the project in western Maharashtra — supposed to be commissioned in 1983 and planned to produce 2700 tonnes of ammonia and 4500 tonnes of urea per day at full capacity — has fallen through whatever the technicality at this moment. This assumes, of course, there will not be a cancellation of its switch by the Government of India.

Meanwhile, expectations have been raised that a very substantial World Bank loan can be secured for the Hajira project for which Pullman-Kellogg have

been chosen consultants. With the appraisal over, negotiations for this are expected to be conducted in February-March.

Besides being responsible for the cost escalation and other types of losses resulting from its decision-making in relation to an expensive venture based on Bombay High gas, the Government of India is left with the job of finding other sources of major external financing for Thal.

The 20-year World Bank loan (including five years of grace) bearing an annual interest of 7.9 per cent was cleared by the Bank's Board of Executive Directors in June, 1979, and the loan and project agreement were concluded a couple of months later.

From then on, it has been a story of footdragging on the part of New Delhi in making it effective; a sudden switch on the choice of consultants overruling the recommendations made by expert committees; a demand by the Bank to justify the procedures for the decision, and the seeking of repeated extensions from the Bank of the deadline for resolving the differences.

The conditions of effectiveness of the loan included the specific requirement in Section 2.02 (A) of the project agreement that the Rashtriya Chemicals and Fertilizers Ltd. (RCF), the implementing organisation, shall obtain licences and plant designs and employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank.

The firm originally chosen for the ammonia plant process for both Thal-Vaishet in Maharashtra and Hajira in Gujarat—C.F. Braun—and recommended for the Thal project by the B. B. Singh expert committee is recognised worldwide as the possessor of a very advanced and proven technology that is way ahead of the competition, including Kellogg.

Banker's Standpoint

It also happened to be the lowest bidder. The World Bank gave crucial weightage to the fact that Braun offered a 20 per cent saving in energy consump-

tion.

The Bank, while maintaining it is not casting aspersions on the firm chosen in the face of reported opposition by the former Petroleum Minister, Mr. Veerendra Patil, and the Finance Minister, Mr. R. Venkataraman, takes the position "from a banker's standpoint" that it is not convinced that the Government of India has got a consultant with a proven technology to offer.

Bank officials have not been coy with their informal opinion that accepting Topsoe as consultants for Thal would amount to participation in an arrangement that turns the first in a series of new fertilizer plants in India into a "guinea pig."

The Government of India's not very serious defence of the switch stood no chance of acceptance in any technical or financial evaluation of procedures.

Apart from the intrinsic technical and financial merit in its objection, the Bank has been able to demonstrate, by choosing to make a firm stand on this, that U.S. interests are safe in its hands. This is a message that will be well received in this country at a time when congressional sentiment is very sticky about U.S. participation in the expanded activities of IDA and IMF.

The brightest retort Indian officialdom has in this context seems to be, "would the Bank have chosen to make such an issue of this if, say, a West German or Japanese firm had been involved? But this is a poor substitute for justification on merits."

The choice of consultants for Thal and Hajira are important, not so much for the consultant's fee which will be a relatively minor proportion of the project cost, as for the fact that the design specifications determine the source of supplies in a highly lucrative field.

Even more important, the multinational chosen for the initial projects will have the big advantage of exposure in a most attractive market for fertilizer plant and technology over the next several years. In fact, given the implications of the new programme of offshore

and onshore exploration of hydrocarbons adopted by New Delhi, the attraction of the Indian fertilizer market for multinationals cannot be overstated.

Important Factors

From India's standpoint, the terms immediately offered in a period of quite rapid cost escalation, the suitability and sophistication of the plant and technology, the relative energy efficiency offered, and the issue of willingness or otherwise of the foreign firm to transfer technology to the Fertilizer Planning and Development India Limited (FPDIL) are said to be important.

The set of extensions secured from the World Bank for satisfying the conditions of effectiveness has demonstrated what is regarded here as clumsiness. Bank sources, after an initial exhibition of raw feelings (which featured an angry outburst by the U.S. alternate Executive Director), are now making the point that this unprecedented termination of a loan agreement before the loan became effective can perhaps be treated as a localised or individual dispute which could not be resolved.

They are saying in effect that: after all, there is a lot of other business to be transacted with a member that is the Bank group's largest borrower by far over the short as well as long terms.

Nevertheless, while formally the issue can be presented as one of divergent technological assessments that could not be reconciled, there is no hiding the reality that there has been much embarrassment in this for the Government of India.

This is certainly the first instance of a major project loan being withdrawn in this fashion. In the case of many other countries, it is being pointed out here, items of business such as the choice of consultants would have had to be cleared in advance of the formal decision by the Bank's Executive Board.

The clearance of the project loan without clinching the choice of consultants is regarded as some kind of tribute to India's technical procedures. It is that which has been brought under a cloud.

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FUDGING ISSUES

It is somewhat disingenuous of the Prime Minister to seek to fudge the real issues behind the choice of a technical collaborator for the Thal fertilizer project in Maharashtra by stirring up hoary prejudices against the World Bank's motivations and methods. Neither have been entirely blameless in the past. But one does not have to hold a brief for the World Bank as an institution, or for its aid policies and appraisal procedures, to infer that in withdrawing its offer of a loan for one of the two projects it had tentatively agreed to assist, it was seeking to "interfere" in India's "internal matters". The suggestion of a sinister design to subvert India's sovereignty is no doubt deliberate. It evokes stock responses of aversion from those long conditioned to view the World Bank as a neo-colonial front organization to enfeeble and undermine Third World economies and Governments. Such arguments would be more persuasive if these Governments were less importunate in soliciting aid from the World Bank and in using such aid, as India has been doing for years, to enlarge domestic resources, including budgetary ones. If Mrs. Gandhi is really serious about her being affronted by "the interference", it would not be enough to do without the aid for the Thal project. India should then withdraw all its applications for aid from the bank and its affiliates. The fact is that, at least in this case, the World Bank was twisting no arms but merely acting on the technical question of the competence of the new collaborator and the relative merits of the economies offered by the rival contenders for the contract. The whole issue has been aired in Parliament and the Press. The reasons given by the Government for the change of collaborators are manifestly weak, even if one were to ignore reports about possible collateral reasons for the new choice. The company originally chosen is said not only to enjoy worldwide reputation for advanced and proven technology but also to have been the lowest bidder and to have offered substantial saving in energy in its operations. The new collaborators are said to be relatively inexperienced in handling projects of the size and complexity involved. Undoubtedly, these are issues to be determined by experts. But the curious part of New Delhi's decision on a new collaborator is that it is at variance with successive official evaluations, including those made after the new Government took office. It has also been reported that the final Cabinet decision was taken in the face of opposition by the Finance Minister and the former Petroleum Minister. Since the World Bank's own technical assessment accords with such weighty domestic judgment, there is hardly any point in imputing perverse obtuseness to the World Bank in its decision to dissociate itself from the project.

This news item appeared on page of the September 22 issue of:

INDIAN EXPRESS, BOMBAY

World Bank praises India's farm output

By T. V. PARASURAM
Express News Service
WASHINGTON Sept 21.

The World Bank in its annual reports says that it made lending commitments of 7,644 million dollars to 43 developing countries during the fiscal year 1980 that ended on June 30. Commitments by the International Development Association totalled 3,838 million dollars. Both were records.

The world's poor nations have been economically outperforming the industrialised countries for the past 10 years. In fact they came close to the impressive record of growth they attained during the sixties. However the costs were often considerable in terms of a slackening in developmental momentum and amassed indebtedness and the gains in the aggregate growth of gross national product masked wide differences among various groups of developing countries. Unless the rich and poor nations worked together in a variety of economic spheres the world would be "hardpressed to survive future decades filled with shocks and turbulences without consequent social upheaval."

The report says frankly that the development of human resources and meeting the basic needs of the poor "have seen only limited success. The fulfilment of commitments by governments to increase the lending ability of both the Bank and IDA has lagged behind the needs of the developing

countries. IDA funds in particular were in short supply during the fourth and fifth replenishment periods."

Bank officials briefing correspondents on the report noted that the sixth replenishment for IDA totalling 12 billion dollars has again been delayed because of foot-dragging by US Congress. The bank hopes to conclude the second "bridging agreement" with a number of member countries in the next 30 or 60 days to lend 1.2 billion dollars though IDA pending completion of action by all member states to make the sixth replenishment effective.

India is cited as the best example of a country in which the difficult period of adjustment was made easier by greater agricultural productivity. India's agricultural advances, the report notes, enabled it to weather the severe drought of the past 12 months. Even in a drought year it was able to produce 118 million tonnes.

Industrial development in the region remained below its potential. More attention is now being paid to improving the performance of public sector units and improving the climate for the operation of private industry.

At the start of the eighties, the South Asian region "faces persistent and massive development problems and prolonged and sustained efforts are needed to alleviate them. Although these efforts must be made largely by

the countries themselves external financial and technical assistance will continue to play a vital role."

Asked about reports that the new member China expects to get five billion dollars from the World Bank group, officials said that China as a member of the bank was entitled to receive lending from the bank. That was the principal reason why China had joined the bank. China was a country of a billion people and, therefore, it stood to reason that when the early preparatory period of work on the economy and project work in China was complete, it would be a very large borrower from the bank if it wished to do that.

Officials hoped for conciliation on the issue of PLO attendance as an observer.

AP quoting World Bank figures says the good things of the world have been increasing faster among people in some countries of East Asia — like South Korea and Taiwan — than in the oil exporting countries.

The bank has found some of the poor countries getting less poor, but others virtually stagnating.

"The increasing disparity among the various developing regions." The world bank report said, "was one of the more significant and frustrating occurrences of the decade."

If the increased wealth of the seven most prosperous oil exporting countries had been shared evenly, each of their citizens would have found his or her income growing by 5 per cent a year. But in the "middle income" countries of the Pacific, the growth was estimated at 5.7 per cent.

In contrast, the growth in African countries south of the Sahara desert was only 1.8 per cent a year for each inhabitant.

The bank has found three kinds of countries that have done best in coping with big rises in

the price of oil and of products they must buy from the wealthier areas of the world:

— "Those whose governments held down their imports and pushed to increase exports. Singapore was cited as a good example.

— Those that did not tighten their belts quite so much and borrowed to buy the things they wanted, but used that money largely to build new factories and make goods they could export — like Brazil and South Korea.

— Those that got good breaks, such as India with successive years of good weather, or the Yemen Arab Republic (North Yemen) which has been raking in remittances from citizens who work in nearby oil countries.

UNI adds: India, drawing 1,535 million dollars, was the topmost borrower from the International Development Association (IDA).

The total loans and credit received by India from the World Bank group as a whole, during the year went up to 1,560 million dollars. This was 168 million dollars more than what India received in fiscal 1979, which was 1,492 million dollars. Of the total of 1,660 million dollars, IDA assistance came to 1,535 million dollars and the balance of 125 million dollars from the World Bank.

In the first half of the decade, the World Bank report says, sluggish growth reflected the relative stagnation of agricultural output. Main cause was the three years (1972-74) of bad monsoons. In addition, during the first five years of the decade, there was a loss of momentum in the spread of new technology in foodgrains production in irrigated areas. Shortage of inputs were a major factor. Agriculture regained its vigour in the period, fiscal 1978-79, when a succession of favourable monsoons, increase in irrigation, better provision of inputs, and improved extension services resulted in an average growth of output of 4.4 per cent a year. Foodgrain buffer stocks,

depleted in the early 1970s, were rebuilt to substantial levels.

Important gains were also reported in the production of other crops, including oil seeds, sugarcane and cotton.

The report observes that the sluggish behaviour of India's industrial sector since the mid-1980s continued into the early 1970s. Domestic and export demand were both weak and erratic and utilisation of industrial capacity was constrained by a scarcity of foreign exchange.

Conditions improved in the latter half of the 1970s in this sector too. Stimulated by more rapid agricultural growth and public investment, demand generally became more buoyant and foreign exchange reserves rose, leading the Indian Government to liberalise, on a selected basis, controls on imported inputs. Average annual industrial growth during the period, fiscal 1978-79, reached seven per cent despite shortages of power, railway wagons and basic commodities such as steel and coal.

Although economic growth was modest during part of the decade, domestic savings and investment were high throughout, the report says. On a gross basis, both are now in excess of 20 per cent of gross domestic product, or about double the rate of the early 1950s.

This news item appeared on page _____ of the September 22, 1980 issue of:

THE HINDU, MADRAS, INDIA

Shift In World Bank Lending Strategy

WASHINGTON, Sept. 21.

The World Bank brought about a radical shift in its lending strategy during the 1970's with half of its credits directed to agriculture and rural development and social sectors.

While continuing its priorities for agriculture and basic needs of the poor, the Bank plans to step up lending for oil exploration and also provide assistance for structural adjustments of the economy of oil importing developing countries with the high cost of petroleum and other global economic changes.

According to the Bank's annual report for 1980, three structural adjustment loans totalling \$305 millions were approved for the first time for Turkey, Kenya and Bolivia.

Adjustment lending is expected to reach between \$600 millions and \$800 millions in the current year ending June 1981.

Lending in support of oil, gas and coal development rose four-fold in fiscal year 1980 as commitments rose to \$457 millions up from \$112 millions in fiscal 1979.

Since fiscal 1977, when the Bank agreed for the first time, to consider financing petroleum development, Bank and IDA (International Development Association) financing has helped to support 18 petroleum projects in 16 developing countries.

Of the 18, nine are mainly for predevelopment activities—five for exploration promotion, including technical assistance and geophysical surveys, two for the evaluation of discovered reserves, and two are in the field of exploratory drilling. The two projects supporting exploratory drilling activities in Morocco and Tanzania were both approved in fiscal 1980.

Energy Planning

The Bank has launched a series of energy sector reviews and begun to develop programmes of technical assistance for energy planning, the report said.

The World Bank President, Mr. Robert McNamara, has already announced that the Bank proposed to establish an affiliate to provide finance up to \$25 billions for investing in energy in developing countries.

Summing up the decade of the seventies the report says despite the deterioration in international environment, the decade saw better perception of human and economic problems being developed.

The share of Bank and IDA lending for agriculture and rural development, which had nearly tripled in the 1960s, continued to expand rapidly in the 1970s.

Helping to solve the food problem and "reaching out" to the small farmers and the rural poor were the main objectives of lending in this sector.

Urban Development

At the same time, recognising the importance of meeting the basic needs of the urban poor, the Bank began lending for urban development and for the provision of water supply and sewerage facilities to low income urban areas.

The Bank also increased the flexibility of its lending operations. In recognition of the growing quality and competitive strength of suppliers and contractors in the borrowing countries, local-cost financing has now risen to 20 per cent of total lending.

Although by far the largest multilateral development finance institution, the Bank provides barely one per cent of total investment in the developing countries and its role can, at best, be viewed as that of a catalyst, the report notes.

Limited Success

Making an assessment of the quantitative and qualitative changes in the Bank policies and programmes, the report says these have not yet gone far enough to affect significantly the well-being of the absolute poor.

Some aspects of the development process—for example, the development of human resources and the meeting of

the basic needs of the poor—have been only limited success.

The fulfillment of commitments by Governments to increase the lending ability of both the Bank and IDA has lagged behind the needs of the developing countries. IDA funds, in particular, were in short supply during the fourth and fifth replenishment periods.

The Bank's structural adjustment assistance will be a type of non-project lending with the objectives of helping countries reduce their current account deficit to more manageable proportions over the medium term by supporting programmes of adjustment that encompass specific policy, industrial, and other changes designed to strengthen their balance of payments, while maintaining their growth and developmental momentum.

Flexible Schemes

Such programmes are intended to be flexible and tailored to the needs of individual countries. They could involve measures to adjust production to higher energy prices, emphasis on labour-intensive investments with short gestation periods and promotion of investment in the production of non-traditional exports.

Enhancement of export competitiveness in economies that have suffered from excessive protection of domestic industry is also envisaged.

Record Rise in Net Income

The World Bank's net income rose to a record high of \$588 millions in fiscal 1980 as compared to \$407 millions in the year ending June 1978.

This news item appeared on page

of the *September 22, 1980* issue of:**AMRITA BAZAR PATRIKA, CALCUTTA**

India gets \$ 1660m. World Bank group loans

WASHINGTON, Sept. 21 (PTI): India was the principal beneficiary of World Bank group lending in the fiscal year ended June 30, 1980 with loans and credits totalling 1660 million dollars.

Of this total, as against 1492 million dollars in fiscal 1979, long-term interest-free IDA credits accounted for 1535 million dollars and 125 million dollars from the World Bank.

India is also the largest borrower of World Bank funds at the end of fiscal 1980 with a total of 11 billion dollars out of the cumulative bank and IDA lending amounting to 79.9 billion dollars. Of this, IDA credits account for 8.3 billion dollars and bank loans 2.7 billion dollars.

Roughly, half of IDA credits was for agricultural and rural development, 325 million dollars was extended for the Singarauli and Farakka super-thermal power stations and the balance of assistance was for water supply, urban development, population and health schemes.

INDIAN ECONOMY

In its annual report published today, the World Bank describes the Indian economy as "a key force in South Asia" and notes substantial advances were made in agricultural technology and in the delivery of inputs and extension services to large and small farmers alike.

Despite one of the worst monsoon failures in record in 1979, its effect on the food economy were limited. Between 1976 and 1977 and 1978-79, a succession of favourable monsoon, increases in irrigation, better provision of input and improved extension services resulted in average growth of agricultural output of 4.4 per cent a year. In the latter half of the 70s, the bank and IDA had lent over one billion dollars in direct support of crop production.

INDIAN INDUSTRY

However, the bank takes a depressing view of India's industrial sector despite the annual growth of nearly 7 per cent in 1976-79. This growth took place at a time of more rapid agricultural growth and public investment and rise in foreign exchange reserves leading to liberalisation, on a selected basis, of controls on imported inputs.

Although the country's comfortable foreign exchange and foodgrain stock position facilitated the adjustment in fiscal 1980 to another bad monsoon, the report says, industrial output has stagnated and there are bottlenecks in infrastructure. With the massive increase in the costs of imported petroleum and unsatisfactory export performance for the second consecutive year, foreign exchange reserves fell gradually for the first time since 1974.

While the Indian economy grew at an average yearly rate of 2.3 per cent in the first half of the 70s, in the four year period ending March 1979, growth increased markedly to an average of 5.7 per cent. In fiscal 1980 total output fell by about three per cent owing mainly to weather-induced dip in agricultural production.

AGRICULTURAL OUTPUT

Although agricultural growth was modest during part of the decade, domestic savings and investments have remained high throughout. On a gross basis, both are now in excess of 20 per cent of gross domestic product (GDP) or about double the rate of the early fifties.

For India as well as the South Asia region in general, the Bank report emphasises

that agricultural output must be expanded to meet the needs of the growing population. Failure to do so would mean "unmanageable dependence" on food imports.

POPULATION

Though the annual growth rate in population in India has been falling and is now probably below two per cent, heavy population pressure and limited resources make family planning a continuing urgent task.

The report warns, even assuming an on-going fairly rapid decline in fertility, population will increase by more than one million people a month for the next 20 years.

RECORD LENDING

The World Bank group made record lending and investments commitments of over 12 billion dollars in the fiscal year ending June 1980.

The World Bank loans on commercial terms amounted to 7644 million dollars in support of 144 projects in 48 developing countries as against 6989 million dollars in fiscal 1979.

Soft loans by the International Development Association (IDA), the Bank's affiliate, totalled 3635 million dollars as against 3022 million dollars in the previous year.

STRATEGY

The World Bank brought about a radical shift in its lending strategy during the 1970s with half of its credits directed to agriculture and rural development and social sectors.

While continuing its priorities for agriculture and basic needs of the poor, the Bank plans to step up lending for oil exploration and also provide assistance for structural adjustments of the economy of oil importing developing countries with the high cost of petroleum and other global economic changes.

According to the Bank's annual report for 1980, three structural adjustment loans totalling 305 million dollars were approved for the first time for Turkey, Kenya and Bolivia. Adjustment lending is expected to reach between 600 million dollars and 800 million dollars in the current year ending June 1981.

The Bank said today that South Asia — a region of 500 million people and reasonably well endowed with natural resources — has a potential for accelerated economic growth during the eighties.

In its annual report, the Bank said the region must pay greater attention to agriculture and limiting population growth. Because of its low income per capita and high population growth rate, the region has been unable to generate internally the massive resources for investment need for development.

Many developing countries have suffered a loss of development momentum and had to curtail investments in the wake of the series of economic shocks of the 70s, the World Bank said in its review of the decade.

The Bank's annual report said indebtedness was considerable and the formidable task of adjusting fully to the new economic environment remains "the main challenge to the developing countries as the new decade begins".

However, the report notes that during the past 10 years the aggregate annual growth in the developing world was 5.3 per cent as compared with 3.1 per cent in the industrialised nations. Yearly growth rates in the 1980s were 5.6 per cent and 5.0 per cent for developing and developed countries, respectively.