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McNamara Papers

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FAMILY PLANNING

FAMILY PLANNING

1. In January 1968 the Minister of State for Health, Family Planning and Urban Development, Dr. S. Chandrasekhar, suggested that a United Nations mission be sent to India to evaluate the current family planning program and to make recommendations as appropriate.^{1/} This suggestion was followed by a formal request by the Government of India in March 1968.
2. In May the United Nations proposed Terms of Reference (attached) which were based on a draft prepared in the Bank. The mission which is expected to submit a report about three months after commencement of work, was originally scheduled to start in October 1968. However, the UN experienced some delay in finding a suitable leader for the team, and the mission is now expected to assemble in January 1969. The mission will be led by Dr. Leo Mates, a distinguished Yugoslav scholar and diplomat.
3. The most recent description and analysis of the GOI's family planning program was issued by AID in September 1968. Both of the Bell Missions to India also produced reports on family planning. Copies of these three reports, of the 1966 report of the earlier UN mission and of a recent article by S. Chandrasekhar, "How India is Tackling her Population Problem", are included in the Reference Materials.

^{1/} An earlier UN mission reviewed India's family planning program in 1965; its report was issued in February 1966.

ANNEX 1

TERMS OF REFERENCE FOR UN POPULATION MISSION TO INDIA
(As Proposed by United Nations on May 23, 1968)

1. Purpose: The Team's principal task will be to make an evaluation of the Indian family planning programme within the context of the Third Five-Year Plan and subsequent Plans, with a view to making recommendations, as deemed appropriate, for the improvement of the family planning programme.

In more specific terms, the Team should:

- (a) Make an evaluation, in relation to established national objectives, of the organization of the family planning programme being implemented at the Centre, State and local levels by public and voluntary agencies, and of the resources available for the programme;
- (b) Evaluate the progress made towards achieving the objectives of the programme, giving due attention to the effectiveness of the various components of the national family planning programme, and the regional differences in performance and their causes; these regional differences should also be examined with respect to differences in other developmental fields;
- (c) Examine social and socio-psychological factors in relation to their implications for the family planning programme, including attitudes, motivations and communication regarding the desirability and acceptability of the small-family norm;
- (d) Identify special problems being encountered in implementing the programme, such as problems related to administration, staffing, training, finances, equipment and supplies, motivation, technical co-operation with international and private agencies, etc.;
- (e) Study the types of research, information and data needed and make necessary recommendations for improvements in these areas in general and, in particular, for a continuing evaluation of the family planning programme at various levels.

2. Composition: On the assumption that the mission will be chiefly concerned with the economic and social development implications of the Indian family planning programme, it is proposed that the mission be organized by the United Nations, with the co-operation of the World Health Organization. The Team should consist of a chairman, who should be a highly-placed individual of international repute, with wide experience in the field of population and acquainted with the United Nations approach to population

matters; a demographer; an economist; a social scientist; and an expert in public health administration, all with broad knowledge of government development schemes and specific expertise in national family planning programmes. A Technical Secretary (demographer) is to be provided by the United Nations Population Division or the Economic Commission for Asia and the Far East. With the agreement of the Government, the Secretary-General and the Director-General of WHO may designate experts to serve as advisers to the Team in order to provide additional knowledge in areas of special interest and importance.

3. Counterparts and facilities: A counterpart professional team consisting of two or three nationals will work in close liaison with the Team of experts, for the purpose both of facilitating their work and of establishing continuity in advice to the Government on matters pertaining to the family planning programme. The members of the Team and of the counterpart team are to be provided with offices in New Delhi and with adequate secretarial and other staff services, as well as with facilities for travel within the country to consult with interested officials and other individuals and to observe the operation of family planning programmes in selected cities and rural areas.

4. Timing and duration: The work of the Team should begin in October 1968 and have a duration of 12 weeks; this includes briefing by the United Nations, WHO and the Government of India, field visits and the preparation of the Team's report. A tentative time schedule is attached.

EDUCATION

EDUCATION

1. On several occasions in recent years, the Government of India has been asked whether it would be interested in Bank Group financing for projects in the field of education. So far, India's reply has been negative, probably for two major reasons: (i) GOI has always considered projects with large direct foreign exchange requirements to be more suitable for Bank Group financing and (ii) the relatively small amounts of foreign exchange needed for education projects have been provided amply from bilateral aid and foundation grants. Education was therefore not included as a probable field for lending in the June projections.

2. During this year's Annual Meetings, C. S. Swaminathan, Joint Secretary in the Ministry of Finance - Department of Economic Affairs - met with Duncan Ballantine and other staff members. Swaminathan suggested that now, with the Bank's new emphasis on education and the modified policies on local currency financing, it would be appropriate for his Department to become more familiar with the Bank Group's activities in the education field. If in view of this interest a suitable project can be identified (which is probable considering the rapid expansion of educational facilities contemplated for the Fourth Plan period), the Five Year Projections would be modified accordingly.

3. Because of India's size, it will not be possible to make a study of the entire education system before priorities are established. Ballantine urged Swaminathan to consider the entire range of educational institutions for Bank Group assistance, including especially agricultural and technical colleges, experimental projects in primary education and research institutions, but also educational television and perhaps even the communications satellite project. New facilities would qualify just as well as the expansion of existing institutions. It was also explained that in establishing priorities, the Bank Group would consider the project's impact on economic development as the decisive criterion.

South Asia Department
November 5, 1968

CALCUTTA EASTERN INDIA

CALCUTTA AND EASTERN INDIA

A. Introduction

1. The Eastern Region^{1/}, comprising the States and territories of West Bengal, Bihar, Orissa, Assam, Manipur, Tripura, Nagaland and NEFA^{2/} and the eastern districts of Uttar Pradesh, Andhra Pradesh and Madhya Pradesh, covers about one-sixth of India with approximately one-fourth of its total population. Its economic importance is substantially greater than its geographical share.

2. In agriculture, the Region produces more than one-fourth of India's total foodgrain output, 90 percent of its jute and mesta^{3/} and 75 percent of its tea, with jute goods and tea together accounting for more than one-third of the total value of India's exports. Almost 70 percent of the working population are employed in agriculture.

3. Starting many years ago with jute and tea processing in and around Calcutta, the Region now has a wide range of heavy and light manufacturing industries. For example, the country's two larger motor car manufacturers, almost the entire railway equipment and a large part of the electrical equipment industries, including cables and wires, are located in the area.

4. Based on extensive deposits of coal, iron ore and manganese, the Region has also seen a concentration of heavy basic industries and of heavy engineering industries: e.g., the iron and steel centers of Durgapur and Burnpur in West Bengal, Rourkela in Orissa, Jamshedpur, Bokaro and Tatanagar in Bihar and Bhilai in Madhya Pradesh; or the heavy engineering center at Ranchi in Bihar. In 1965, the Region accounted for 80 percent of India's total production of coal, 100 percent of coking coal, 80 percent of iron ore, and almost 100 percent of steel output.

B. Calcutta Metropolitan District

5. The entrepot of the Eastern Region, and its financial, trading and manufacturing center, is the Calcutta Metropolitan District (CMD). This conurbation, comprising three municipal corporations, 31 municipal towns, 32 non-municipal towns, one notified area authority and 450 rural mouzas, formed in a swampy area along both banks of the Hooghly River, covers an area of about 500 square miles; it has an estimated population of almost

^{1/} Eastern Region is not an administrative, but an economic unit as defined for purposes of the regional transport surveys undertaken by the Planning Commission of the Government of India. SEE ATTACHED MAP.

^{2/} NEFA: North-East Frontier Agency.

^{3/} Jute-like fiber.

8 million today and is expected to grow to about 12 million within the next 20 years. The CMD accounts for approximately 15 percent of all India's manufactures, and it handles about 30 percent of all bank clearances. The Port of Calcutta handles about 40 percent of India's exports and 25 percent of imports.

Development and Planning

6. Despite its key role in the Eastern Region, CMD's development has not kept pace with the increase of its urban and regional functions. The water supply is grossly inadequate, drainage and sewerage in some areas almost non-existent; the transportation system is near the breaking point due to strangulation; there are vast housing shortages and proliferating bustee (slum) areas; and there is a chronic deficit in such community facilities as schools and hospitals. To come to grips with the continuing deterioration, the West Bengal Government in 1961 established the Calcutta Metropolitan Planning Organization (CMPO), which since its inception has received strong support from the Ford Foundation. The major initial task given to the CMPO was to set a perspective for development and to prepare a coherent plan for the regeneration of the CMD. Accordingly, the CMPO in 1966 published a Twenty Year Basic Development Plan for the CMD, with a Five-Year Crash Program, which alone would cost about Rs. 1270 million (about \$170 million). The Fourth Five-Year Plan, which is presently being drafted, is said^{1/} to aim at an expenditure of about \$96 million.

Water Supply

7. One of the most urgent problems to be solved is the water supply in the CMD, which at present is grossly insufficient and unsafe. Per capita supply has actually declined during the last few decades. A dual distribution system for filtered and unfiltered water was originally designed to conserve filtered water by restricting its use to drinking and cooking purposes. The unfiltered water - today about two-thirds of total supply - is taken directly from the Hooghly River. Although intended for street cleaning, fire fighting and other non-drinking purposes, unfiltered water in practice is used also to wash foodstuffs, utensils and for drinking, particularly by those more than one million people who live in bustees (slum areas) and on sidewalks. Even though unfiltered water is now chlorinated to cut down the spreading of disease, it is still a very serious health hazard. Furthermore, the existing water supply system is in a very poor physical condition; the distribution network is old and rotten, water losses through leaks are substantial, and even the filtered water is often infected by the seepage of contaminated water into broken pipes as a result of low pressure.

Sewerage and Drainage

8. The sewerage and drainage situation is equally, if not more, critical. Only about half of the Calcutta Corporation area, the center of

^{1/} Joseph Lelyveld, New York Times Magazine of October 13, 1968 (copy of article attached).

the CMD with a population of more than three million people, is sewered and Howrah, for example, has no sewerage system at all. Human wastes from more than 40,000 open privies are collected by open trailers. No storm drainage system exists and as a result of the flat topography of the CMD area and the fact that most of the CMD is below the Hooghly River water level, there is almost no natural drainage; the few minor rivers existing are in an advanced state of decay through heavy silt deposits. Heavy rainfalls lead to catastrophic conditions.

International Assistance for Water Supply, Sewerage and Drainage

9. The water supply, sewerage and drainage problems of the CMD have received more assistance from various international organizations, including the Bank Group, than any of Calcutta's other social ills.

10. The WHO organized a team of consultants in 1959 to review the environmental sanitary conditions in the CMD. The report of this team, which was published in February 1960, recommended both a long range and an interim (emergency) construction program; it also strongly recommended the creation of a metropolitan sanitation authority, which was to assume overall responsibility for water supply, sewerage and drainage in the CMD, which at that time was still divided among the numerous individual municipalities comprising the CMD.

11. The Bank Group took a first close look at the critical situation of Calcutta in 1960 when an economic mission reviewed India's Third Five-Year Plan^{1/}. The mission also identified inadequate water supply as an area which deserved particular attention.

12. The WHO then employed a consortium of two firms of consultants^{2/} to prepare, with United Nations Development Programme/Special Fund (UNDP/SF) financing, a Master Plan for water supply, sewerage and drainage for the CMD. The Master Plan was submitted about two years ago.

13. While the consultants were working on the Master Plan, the Bank Group reviewed the Emergency Water Supply Scheme, which had been prepared by CMPO in line with the interim recommendations of the original WHO team, to determine whether this Emergency Scheme would provide a basis for IDA assistance. A first technical mission visited Calcutta in late 1963. It realized quickly that numerous technical, financial and managerial problems had to be solved before a project could be worked out, and that the establishment of a metropolitan authority, as proposed by WHO, was an absolute necessity. In subsequent years, Bank staff members (operational, technical,

^{1/} Report No. AS-80a, dated August 10, 1960.

^{2/} Metcalf & Eddy, Boston, and Engineering-Science, Los Angeles.

financial and legal) on various occasions gave substantial assistance to the CMPO in drafting the necessary legislation as well as in identifying technical and financial problems. Also, the Bank has repeatedly urged the Indian authorities to face the absolute necessity of making a number of basic decisions. ✓

14. In January 1966 the Calcutta Metropolitan Water and Sewerage Authority (CMWASA) was legally established but to date it has not started to function. It seems that this is primarily due to the fact that the Calcutta Corporation has not yet appointed its members on the various organs of CMWASA. Neither has any action been taken to implement the Master Plan for water supply and sewerage. Detailed designs, of which about one-fifth were to be prepared by consultants, the balance by the CMWASA with guidance by consultants, have not even been started. In 1966 the Bank Group was informed by the GOI that the Emergency Water Supply Scheme should no longer be considered for Bank or IDA financing. Some construction, which was part of the Emergency Scheme, has in the meantime been carried out with financing from various internal sources. ✓

15. At present, another UNDP/SF project, again to be carried out by WHO as the executing agency, is being negotiated. The consultants to be employed for this project^{1/} would have to prepare engineering designs and to provide technical advice in the execution of construction so designed. Original terms of reference for the consultants also provided for management assistance to the CMWASA as urged by the Bank, but it appears that at the request of GOI this part has been deleted from their terms. The task of building up CMWASA and putting it into operation, in as complex a situation as the CMD, would challenge the most experienced management personnel and will by far exceed the expertise available locally. We do not know whether the final decision on this subject has been taken. Unless adequate management assistance is made available to CMWASA for a number of years, and utilized by it, it is unlikely that a project would emerge which would be suitable for Bank Group lending. ✓

Housing

16. The housing situation is characterized by the fact that in 1961 the average unit size was only 1.5 rooms, the average occupancy rate three persons per room. At the same time, three-fourths of all families had less than 40 square feet of housing space per person. This says little about the quality of housing, which where it exists is at best poor and at worst squalid.

^{1/} Engineering-Science.

Education

17. With regard to education, the Basic Development Plan paints a dismal picture:

"The present situation in the Calcutta Metropolitan District, with respect to the provision of education, is one of enormous and chronic deficiency. In the city of Calcutta alone in 1961, at the beginning of the Third Five-Year Plan, only 67 per cent of the primary education age-group 6 to 10 (Classes I to V) were in school, and only about one-third of these children attended free schools. The bulk of the educational effort is provided by private enterprise; the Calcutta Corporation provides only about one-third of the existing primary schools in the city. Many of the existing schools - both private and municipal - are hopelessly inadequate. The dismal picture of overcrowded primary classes cramped into dilapidated and unsuitable buildings - usually rented or requisitioned - with inadequate toilet facilities, no playing areas and with only makeshift equipment, is familiar to all who live in Calcutta.

"Apart from the inadequacy of many existing schools, almost 100,000 children in Calcutta at the primary education level, and an additional 90,000 children at the junior secondary level did not attend any school at all in 1961. For the CMD as a whole in 1961, 242,000 children - 32 per cent of the age-group - were given no primary education, and 230,000 children - 56 per cent of the age-group - received no junior secondary education. In this respect, Calcutta was much below the average for other urban areas in India." (page 30)

*200,000
attended no
school at all*

"One of the reasons why more children do not go to school now - why there are vacant places in some instances at the same time that there is a massive deficit of places - is economic. Many parents and guardians are not in a position to pay for education. Thus the first step toward the target of 100 per cent enrolment of the 6-10 age-group is the introduction of free and compulsory education, at least initially, at the primary school level. Once this free education is introduced and present vacancies are filled there will be immediate need for additional school places. While it may be possible to accommodate a part of this demand in the already existing schools with vacant seats, new school places must be found to satisfy the larger part of the need." (page 31)

18. The CMPO estimates that if an adequate system of educational facilities is to be achieved within the next generation, about 125 new schools of average size (primary schools for 225 pupils each, secondary schools for 650 pupils each) will have to be built annually for twenty years. At the same time the teaching staff has to be increased by 15,000 primary school and 26,000 secondary school teachers.

Health and Recreation

19. The situation with respect to health and recreational facilities is equally appalling.

Transportation

20. Another major problem of the CMD is the transport situation. The CMD spreads for many miles along both sides of the Hooghly River, the Port of Calcutta is in the southern portion, there are only two road bridges across the Hooghly, and two major trunk roads, which in some places are as narrow as 25 feet, serve as the main corridors for movement within the CMD and as the only road link to the hinterland.^{1/} Bad narrow roads, poor street lighting, and a mixture of incompatible kinds of traffic ranging from rickshaws to overladen buses make traffic control well near impossible. Howrah Bridge, presently the only bridge between Calcutta and Howrah, has such narrow approach roads that there are continuous traffic jams at both ends. This has a crippling effect on the economic function of the whole area, particularly on the Port and the central business district.

21. An additional crossing of the Hooghly River in the Port area has been considered necessary for a number of years as an essential part of the planning for the redevelopment of Calcutta, and in 1962 the Bank agreed to finance the foreign exchange cost of the consultants (Rendell, Palmer & Tritton) whom the Government of West Bengal retained to prepare a feasibility study. The major issues were the exact location and the choice of bridge vs. tunnel. The consultants in their report of July 1964 advised against the building of a tunnel and recommended a high level bridge which would allow to continue operating the 25 moorings and 5 jetties along the 1-1/2 miles of river upstream of the new bridge, but a good part of the Maidan area would be spoiled by the approach structures for a bridge of this type. The high bridge proposal aroused considerable opposition in Calcutta and a vociferous group demanded that instead a low level bridge be built, at substantially lower cost, though such a bridge would make it impossible for ships to reach the upstream moorings and jetties and these would have to be abandoned. It is unlikely that after commissioning of the new downstream port at Haldia^{2/} the entire port area in Calcutta will be needed for operations; the area in question is now working with antiquated equipment, and it is located on high priced land at the congested center of the CMD. The final decision has not been taken, and even the tunnel alternative has come up again from time to time. Neither has GOI come to a conclusion as to whether or not it will approach the Bank Group to provide financing for the new bridge.

^{1/} Compare also paragraphs 34 seq.

^{2/} Compare paragraphs 28 seq.

22. A large portion of the passenger transportation load in the CMD is carried by the railways. At present about 200,000 people arrive and depart daily from Howrah and Sealdah Stations.

Port of Calcutta

23. The Port of Calcutta, presently the principal deep-sea port serving the Eastern Region, is facing financial insolvency caused by repeated cost increases and essentially stagnant volume of traffic. Cost increases are attributable most importantly to an inflation of the labor force causing an actual decline in productivity and to the heavy river maintenance work for relief of siltation.

24. The original advantage of a sheltered upstream site on the Hooghly River has been largely negated, with the increasing size of modern ships, by the difficulties of access to the port. The 120 miles' approach from the Bay of Bengal is hampered by sandbanks in the estuary and 11 major sandbars in the river itself and by periodic small tidal waves, called bore tides, which endanger ships passing through the river. Navigation for ships over a certain size is impossible on most days of the year, and on many days even for smaller ships.

25. The Port is operated by the Commissioners of the Port of Calcutta (CPC), as an autonomous port authority under the supervision of the GOI. CPC is a body with 24 members who represent local public and private interests; it employs more than 40,000 officers, staff and shore labor.

26. The Bank made two loans to the CPC.^{1/} The first loan, in 1958 for \$29 million, was designed to help finance a rehabilitation program that was to relieve congestion and to provide an increase in capacity from 9 to 11 million tons per year. Before the first loan was fully disbursed, in 1960, it became apparent that CPC's dredging fleet was unable to cope with the silting problem, and an amount of \$8.6 million of the loan was reallocated to the purchase of additional dredging craft, requiring a postponement of certain improvements in the Port itself.

27. The second Bank loan of \$21 million was made in 1961, when navigational conditions in the Hooghly River were particularly bad. The major portion of the second loan was earmarked for the purchase of dredgers and other harbor service vessels; and only about one-third was intended for the rehabilitation of the Port. Part of the second loan was used to help finance a hydraulic study of the Hooghly River in an effort to find solutions to the problem of siltation in the river. This study suggested that a diversion dam, presently being built upstream from Calcutta, the Farakka Barrage, will furnish sufficient flushing water to control siltation, but it also confirmed that hydraulic conditions were satisfactory for building a new port downstream at Haldia to accommodate larger draught vessels.

^{1/} For a summary statement of IBERD/IDA lending in Eastern India, compare Table 1 attached hereto.

Satellite Port at Haldia

28. Haldia, about 65 miles downstream from the present Port of Calcutta or about halfway between Calcutta and the Bay of Bengal, was selected as the site for the new port in 1961. The traffic projections on which the principal design features of the port were based, and the economic justification for this proposal were worked out by a team set up by GOI (the Bhatia Committee), which submitted its report in April 1965. The Haldia project has been planned, and is being executed, by the CPC with the assistance of consultants.^{1/} It is designed to divert mainly bulk commodities such as petroleum, iron ore, coal, foodgrains, fertilizer and salt from the old port, while Calcutta will thereafter handle primarily cargo. The volume of traffic to be channelled through Haldia during the initial years has been estimated by CPC at about 12 million tons; this estimate appears high since total traffic handled in the Port of Calcutta in 1967/68 was only 9 million tons. Construction of the new port is progressing and its facilities are scheduled to come into service in 1970/71.

29. The Bank Group has been interested in the Haldia project from its inception and has assisted the CPC over the years in clarifying many of its technical and economic aspects. In 1963 a formal application for Bank Group financing was received. In late 1965, the project was appraised and found generally suitable for a Bank loan of \$43 million (based on the exchange rate before the 1966 devaluation). However, a number of conditions set up by the Bank Group turned out to be unacceptable to the Indians, although there never was a real discussion of the issues between India and the Bank. The major areas of disagreement were organizational - (i) whether Calcutta and Haldia should be operated under separate managers (considered necessary by Bank Group) or by one manager, and (ii) whether the rates of each port should reflect its respective costs (Bank Group position) or whether profits made in Haldia could be used to subsidize Calcutta; moreover, no consensus was reached on such varied questions as the role of consultants, procurement, accounting, provision of rail and road connections and of power, water and sewerage services to Haldia. In December 1966, GOI withdrew its application for Bank Group financing.

C. The Eastern Region Outside the Calcutta Metropolitan District

30. Approximately the same number of people as live in the CMD are concentrated in various other urban/industrial centers spread throughout the Eastern Region. Most of these, like the Asansol-Durgapur-Chittaranjan area, grew rapidly around industrial establishments. Still, the urban population of the Eastern Region accounts for less than 15 percent of total population as against 18 percent for all India.

^{1/} Rendel, Palmer and Tritton.

Transportation

31. The structure of the Eastern Region with one principal port to handle almost all exports and imports and with numerous urban/industrial centers which depend on a well-functioning interchange with other such centers for inputs as well as for the marketing of their products makes it absolutely necessary to have an efficient transport system.

32. Most of the transport in the Eastern Region has been, and still is, provided by the Railways. Annual average investment in railway facilities (for new lines as well as rolling stock) during the years 1962 to 1966 in the Eastern Region alone was about Rs. 570 million. From 1955 to 1965, goods traffic almost doubled, passenger traffic rose by three-fourths.

33. The Bank Group has supported the investment program of the Railways since 1949 with 9 loans and 3 credits in the total amount of \$576.5 million, which makes the Indian Railways the largest single borrower of the Bank Group. Even though the proceeds of these loans were primarily used to import components and materials for the manufacture of rolling stock, which is not tied to use in particular regions, it has been estimated that about one-third of total Bank Group lending to the Railways has benefitted the Eastern Region.

34. The road network of the area has received less attention by the Indian authorities, and many highways, including large sections of the major trunk roads, are completely inadequate.

35. The Bank Group attempted to stimulate larger emphasis on road transport in 1961 by making an IDA highway credit for \$60 million, of which about \$50 million was used for road and bridge construction in the Eastern Region to benefit both agriculture and industry. The credit contributed about one-half to the cost of improving or constructing various highways of major importance (i.e., a new road linking Calcutta with the industrial centers of Jamshedpur and Ranchi), including 12 bridges; the project involved also the relocation of 2 trunk roads in the Calcutta vicinity from the thickly populated suburban areas along the Hooghly River to an alignment further outside and a new approach to the less congested of Calcutta's two bridges.

36. In the past the transport policies of the Government of India, including investment planning in transportation, have not been based on rational economic criteria. GOI has for many years favored the railways; for example, the cost of new railway investment has in the past not been appraised against the cost of developing alternative modes of transportation. A Bank mission to India in connection with the first industrial import appraisal in 1963 therefore recommended strongly that, as a pilot scheme for economic evaluation of future investment programs, the Bank should

cooperate with GOI in preparing a regional transport survey which, inter alia, was to provide a long-term perspective of the future inter-city transport requirements. The Eastern Region was one of 11 separate regions in India, for which such studies were carried out by the Planning Commission. Even though the Bank would have preferred to entrust internationally experienced consultants with overall responsibility for the survey, it agreed to provide eight experts who were assigned, between 1965 and 1967, to the survey team which had been established by the Planning Commission and which operated under the direction of H.L. Verma, a senior railway officer.

37. The basic purpose of the study was to formulate an inter-city transport program for the Fourth and Fifth Plan periods. All modes of transport were to be covered, but specifically excluded were the metropolitan transport and rural roads.

38. The report of the survey team was finished in September 1967 but it has not yet received public distribution despite repeated requests by the Bank. The results were disappointing to the Bank; while it quantified total investment needs of the Region, the individual projects in the investment plan and their priority were not based on a systematic comparison of costs and benefits but rather on judgments unsupported by systematic analysis. However, it is felt that the survey nevertheless represents an important advance in transport planning in India. It is the first transport development plan based on economic rather than engineering criteria, and while costing estimates are not sufficiently detailed for the purposes of an investment program (and perhaps impossible in the face of the inadequate data base), they do provide a measure of comparison between rail and road transport costs. The report also made valuable contributions to the determination of investment choices in shipping by emphasizing operational efficiency rather than additional investment in ports.

39. In a related field, the Bank in 1963 also financed the foreign exchange costs of the so-called Coal Transport Study^{1/} which was completed in 1964. The terms of reference included a survey of both short-term and long-term problems. The survey of short-term problems focused particularly on the situation as it existed in West Bengal and Bihar. The main finding of the study was that the Railways are the most economical carrier to meet the anticipated demand for the transport of bulk commodities, but that in order to handle demand expected to materialize by 1971, substantial investments would have to be made by the Railways for rolling and motive stock as well as for the doubling of some lines, signalling and braking equipment.

40. Apart from the Calcutta Port and its proposed Satellite at Haldia, the Eastern Region is served by another deep-sea port at Paradip (Orissa),

^{1/} Consultants: Coverdale & Colpitts and Surveys & Research Corp.

which was opened to traffic in 1966. It was designed as the deepest port of India in order to accommodate large bulk carriers for ore exports to Japan. Insufficient dredging despite heavy silting (which is a common problem for east coast ports in India and had been foreseen) made the port practically useless during the last summer. Recently the only small suction dredger of the Paradip port authority was augmented by another dredger on loan from the Calcutta Port Commissioners, and some improvement has already been made.

41. In addition to its involvement in transportation problems of the Eastern Region, the Bank Group has provided assistance in various other basic economic sectors of the Region - power, industry and agriculture.

Power

42. The main source of power for the industry concentrated in the Damodar Valley and in and around Jamshedpur is the Damodar Valley Corporation (DVC), which was established in 1948 by Act of Parliament as a multi-purpose agency modeled along the lines of the TVA. DVC is owned jointly by the Central Government and the States of West Bengal and Bihar. Its principal objectives are to provide power for the area (including part of the requirements of Jamshedpur and Calcutta), flood control and irrigation.

43. The Bank Group has supported the DVC since its inception by making, between 1950 and 1962, 3 loans and 1 credit for a total amount of \$81.5 million. The larger part of the Bank Group assistance was utilized to increase DVC's power generation (Durgapur and Bokaro thermal power stations) and transmission capacity; in total the Bank Group financed more than half of DVC's generating capacity. On the irrigation and flood control side, the first Bank loan financed part of the multipurpose Konar Dam, the second loan, the multipurpose dams of Maithon and Panchet Hill, the Durgapur barrage and associated irrigation canals. Despite its original multi-purpose orientation, DVC has concentrated mainly in the power field. At the same time, the State Electricity Boards of West Bengal and Bihar expanded their operations rapidly.

Industry

44. Bank project lending in the industrial sector, is focused on the two main private sector iron and steel companies, Indian Iron and Steel Company (IISCO) and Tata Iron and Steel Company (TISCO).

45. Of the four Bank loans made to IISCO between 1952 and 1966 for a total amount of \$101 million, three were for the purpose of raising capacity at the Burnpur works from 450,000 tons of ingot steel to more than 1 million tons, and one loan was for the company's coal mining facilities which were planned to make the company self-sufficient for coal.

The coal mining project, consisting of the development of the Chasnalla coal field and the modernization of collieries at Jitpur and Ramnagore, has been impeded by technical difficulties. Target date for the completion of the project which originally was early 1967, is now in the mid-1970's.

46. IISCO's steel works are currently working at about three-fourths capacity and the company's financial results have deteriorated sharply. An end-use mission in June 1968 anticipated debt servicing difficulties. The company is presently negotiating with GOI about rescheduling a GOI loan. The company's difficulties can partly be attributed to the recession and to Government market sharing arrangements and price control (prices have recently been raised), but IISCO has fared relatively worse than TISCO and in the Bank's view a major problem is management. IISCO is currently run by the Martin Burn managing agency owned principally by the Mookerjee family, Sir Biren Mookerjee being Chairman. The managing agency contract is due to expire in early 1970.

47. The Bank has made two loans to TISCO in 1956 and 1957 for a total amount of \$107.5 million to help finance the expansion program at the Jamshedpur works whose capacity is now about two million tons ingot steel. In addition, TISCO has just received a loan of \$5 million from ICICI utilizing a Bank line of credit. TISCO has also been affected by the recession and price control but has much stronger management, particularly on the financial and marketing side, and is showing greater resilience than IISCO.

48. In the coal sector, probably the major portion of the 1961 Bank loan of \$35 million^{1/} to the private sector coal mines was used in the mines of Bihar and West Bengal.

49. In addition to clearly identifiable project lending by the Bank Group to industry in Eastern India, it is estimated that approximately \$118 million has been disbursed under general purpose lending, i.e. about \$100 million under the industrial import credit and about \$18 million through ICICI.

Agriculture

50. Even though about 70 percent of the region's population is engaged in agriculture, West Bengal and Bihar are currently food deficit states; in this light, the Bank Group's involvement in the agricultural sector has been rather small, amounting only to \$23 million for the Sone (Bihar) and Salandi (Orissa) irrigation schemes and a small portion of the \$19.5 million loan to DVC of 1953 which was intended for irrigation and flood control purposes.

51. The Sone Irrigation Project, for which IDA made a credit of \$15 million in 1962, involved the construction of a new barrage across the Sone, the remodeling of the irrigation system and building of link canals,

^{1/} Of which more than \$6 million was not required and therefore cancelled.

resulting in improved water supply to 750,000 cropped acres per annum and extending irrigation to an additional 250,000 cropped acres per annum. The main crop was expected to be rice in an area rated among the very good agricultural areas in India. The primary need for the project was the imminent collapse of the old barrage, but it was hoped at the time of the appraisal in 1962 that improved water supply would lead to improved cultivation practices.

52. The project construction has been under the aegis of the River Valley Projects Department of the State of Bihar and about 90 percent of the project area was covered by the Shahabad Intensive Agricultural District Program sponsored by the Governments of India and Bihar with assistance from the Ford Foundation. This extension program included soil and seed plant specialists but was cut off in 1966.

53. The Salandi Irrigation Project, for which IDA in 1961 made a credit of \$8 million, originally included the construction of a reservoir dam and a downstream barrage and canal system to irrigate an area of 250,000 acres. It was anticipated that the produce (mainly rice) in excess of the amount needed for subsistence would be sold on the Calcutta market. The project area is traversed by a highway which is among those which were improved under the 1961 IDA credit for road construction. The project had an additional locational advantage in being situated near the Central Rice Institute at Cuttack where agronomic research for the region is carried out. Following a supervision mission in 1963 which reported that the condition of the physical works of the project was unsatisfactory, disbursement was suspended and the project reappraised. Construction on the revised project of 1966, which included a revision of the acreage to be irrigated to about half the original total, is proceeding satisfactorily and is expected to be completed by June 1969.

54. Both of these projects (and indeed all Bank Group financed irrigation projects in India) have suffered from ineffective preparation for proper utilization of the water resources made available. In the case of Sone, lack of adequate water management was noted by two IDA supervision missions as the principal reason for the initially disappointing results. The most recent end-use mission in 1967 reported disappointing cropping patterns and yields.

D. Political Situation

55. The Eastern Region includes some of the most volatile political areas in India, especially West Bengal and Bihar. Both states are now under President's rule which was instituted by the Central Government after the collapse of popular governments which had been put together after the 1967 election out of a variegated group of anti-congress parties. Elections in these states are scheduled for next February but no reliable predictions

can now be made on the outcome. In the interim, many important decisions, especially among businessmen, are deferred, which partially explains the economic doldrums of the region. West Bengal still suffers heavily from the effects of partition. Not only did it lose many skilled Muslim workmen, but it also has been unable to incorporate into its life the refugee farmers from East Bengal. The flow of refugees from East Pakistan continues to this day and these people contribute heavily to the chronic economic and political agitations of the region.

South Asia Department
November 1, 1968

IBRD/IDA LENDING IN EASTERN REGION

TABLE 1

(As of September 30, 1968)

<u>PROJECT</u>	<u>No. OF LOANS/CREDITS</u>	<u>AMOUNT \$ MILLION EQUIVALENT ^{a/}</u>	
		<u>IBRD</u>	<u>IDA</u>
Calcutta Port	2	47.8	
Railways	12	133.0 <u>b/</u>	59.0 <u>b/</u>
Highways	1		50.0 <u>b/</u>
Power			
DVC	4	49.2	18.5
Transmission	1	8.2	
Telecommunications	2		25.0 <u>b/</u>
Iron and Steel			
IISCO <u>c/</u>	3	79.2	
TISCO	2	107.5	
Coal Mining	2	41.0 <u>b/</u>	
General Industry			
Industrial Imports	4		100.0 <u>b/</u>
ICICI	7	18.0 <u>b/</u>	
Agriculture	2		
Salandi			7.5
Sone			15.0
		<hr/>	<hr/>
Total in Eastern Region		483.9	275.0
Total in India		1007.2	886.9
Eastern Region Share		48 per cent	31 per cent

Memorandum Item

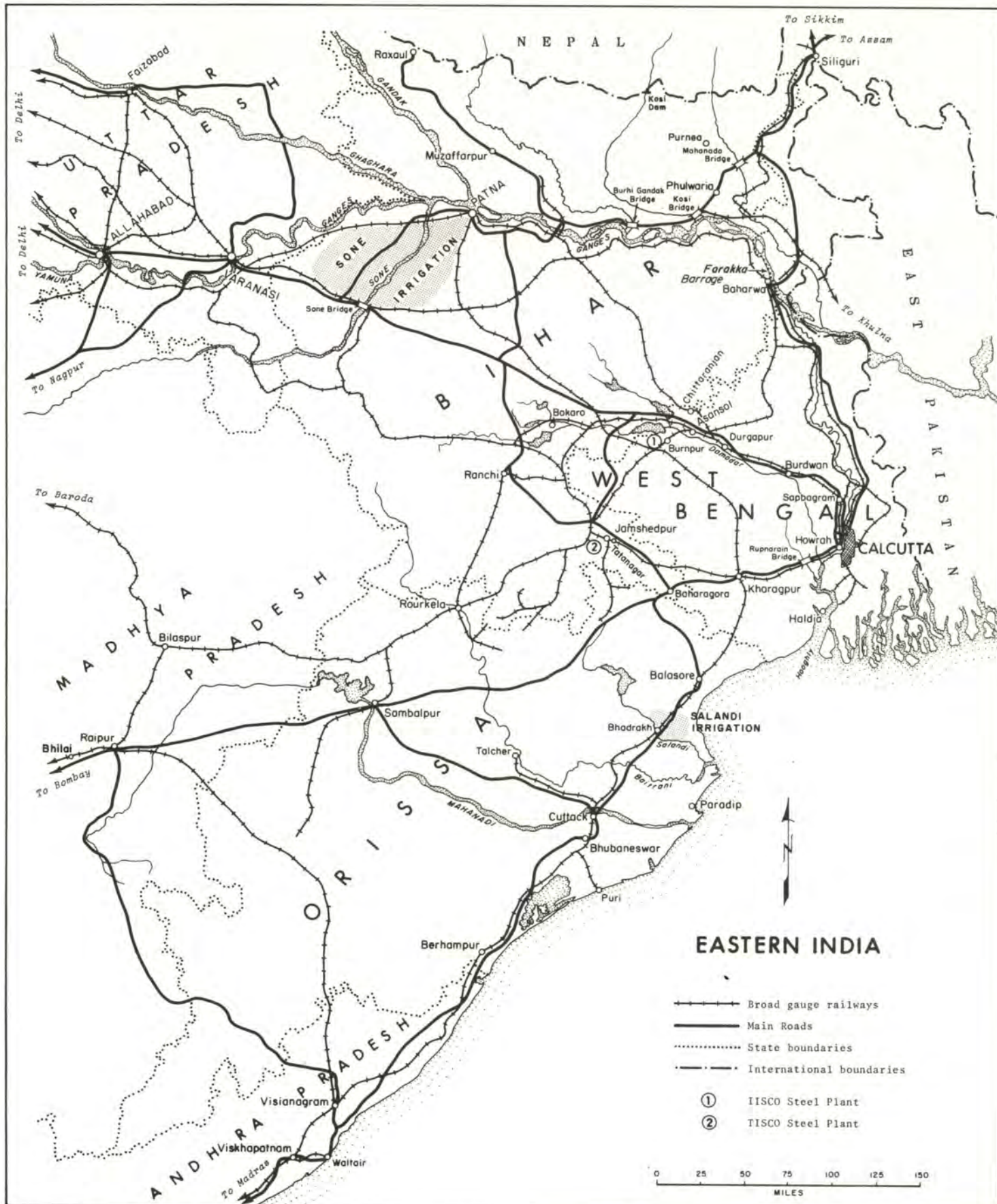
Grand total of Bank/IDA loans/credits in India	\$1894.1 million
Grand total of Bank/IDA loans/credits in E. Region	\$ 758.9 million
E. Region share	40 per cent

a/ Net of cancellation

b/ Eastern Region share estimated

c/ A fourth loan for IISCO for coal mining is included in the figure for coal mining

South Asia Department
November 1, 1968



October 13, 1968

Can India Survive Calcutta?

Calcutta is not one disaster, but many

By JOSEPH LELYVELD

CALCUTTA.

JUNE is a bad month for Calcutta. The heat lies heavily on the city like a foul-smelling blanket; decay seems to spread before your eyes. There are more flies, garbage, anger, cholera and death than in the other seasons but even less will to think about them. In the white glare of the tropical sun Calcutta is harder than ever on the gorge. The choking sensation comes earlier and you retreat: The tourist boards the next plane; the businessman sends his family to a resort in the Himalayan foothills and ensconces himself in theadiest, coolest corner of his club; would-be writers and politicians pass long hours gossiping under the fans of coffeehouses; laborers crouch on pavements thirstily gulping watery milk from green coconuts. Those with no retreat, not even the price of a coconut, try to sleep off, or at least sleep through, their hunger, exhaustion and despair.

But it is even worse in July when the monsoon blows off the Bay of Bengal, especially for the million or more persons who live in the unimproved mud hovels called *bustees* and the hundred thousand or so who live on the sidewalks. Then the decades of neglect that have made India's largest, most vital and culturally alert city the world's worst urban disaster are impossible to ignore.

In those sections where they exist at all, ancient sewers clog and overflow, turning whole streets into filthy, fetid canals. The *bustee* areas, which boast what may well be the worst urban density statistics known anywhere, become hopeless swamps. Any narrow lane in Calcutta's *bustees* in the monsoon season could make the River Styx look like a crystal mountain stream.

CALCUTTA is not one disaster but many, each breeding its own kind of despair, its own special nightmare. The city planner scans the decaying water, sanitation and transport systems and holds out the prospect of total failure, a breakdown so complete that people would flee as if running from war or plague. The sociologist talks of the frayed fabric of society coming apart altogether, the economist of a depression so deep there could never be any recovery. The political analyst resorts to words like "anarchy" and "nihilism" and asks whether Indian democracy can survive the erosion of faith that is taking place here.

These nightmares seem an inescapable part of the future demographers see for Calcutta. Twenty years from now, they say, there will be 12 million people living in the metropolitan area, as against 7.5 million in the stifling conditions of today. But the unthinkable is not just in the future; it is here and now. Calcutta is already the worst example of a malignancy of social purpose, organization and resources that can be found in a number of cities in the world's poorest countries (not to mention some that are not so poor). There is no relief in the fact that it has professional and entrepreneurial skills, political and literary sophistication that would be hard to match in any city in a remotely comparable predicament. That simply raises the question: Why haven't these good, earnest people made more of a difference?

Maybe Calcutta never had a chance. The city has been dying ever since it was founded 280 years ago by British merchants so eager to expand their trade with India's rich heartland that they established themselves in

the midst of a malarial swamp. A century later that swamp was the capital of British India, remaining "the second city" of the Empire—after London—till the Viceroy packed off to Delhi 56 years ago.

EVEN today—when the old British mansions have rotted like vegetables, their neo-Grecian facades turned green with mold, their insides converted into dense, dank warrens for the dispossessed—there is no place in India where the well-off, Indian or foreign, live more spaciouly. A family of four may not expect to retain 110 servants as some of the British nabobs did in the 18th century when Calcutta was divided between a "white town" and a "black town." But the clubs are as well secluded from the turmoil of the streets as they ever were; the swimming, polo, golf, tennis and horse racing haven't declined at all.

Bengali executives, who are just beginning to emerge in the top positions of the old British business houses, sometimes talk about civic responsibilities and the need to save Calcutta. But in practice the emergent Bengali and other Indian business types have been more preoccupied with knocking down the racial barriers at the old British clubs. The barriers having fallen, most of them seem to slip cozily into the office-to-club routine of the departed colonial officers. A Wall Street broker riding through Harlem on his train to Darien is no more insulated from the realities of New York than they are from Calcutta's.

The breath-taking contrasts between luxury and squalor may stun the newcomer, but then they always have. A long lifetime ago Kipling saw "poverty and pride, side by side" and recoiled. The pride can still be —not only in the vistas across the great open park called the Maidan to the ludicrous marble memorial to Queen Victoria (which the Indian authorities carefully, almost tenderly, preserve), to the fort, race track, cathedral or other now-haunted temples of British imperialism, but also in the bland new office buildings thrusting above them. Yet there is no need to rephrase the poet: "Above the packed and pestilential town/ Death looks down."

The proof is in the grisly stare of vultures hunched ominously on apartment house rooftops at the edge of the city. Or it is, quite simply, in the fact of starvation deaths. The Indian Government doesn't like to concede that there's starvation in the country, and so splits hairs by insisting that all grossly undernourished persons who die are actually carried off by identifiable diseases—thereby sidestepping the fact that it is precisely the lack of food that makes killers of what would otherwise be curable ailments.

Considering that the Government managed to avoid outright famine in the 21 years of independence, its sensitivity is at least understandable. But a habit of not seeing distasteful facts has more to do generally with callousness than sensitivity, especially in Calcutta where someone dies of hunger every day.

One evening I saw a beggar woman of indeterminate age drop dead in the middle of a milling crowd on Chowringhee, the busy main thoroughfare. (Most of the very poor in Calcutta are too ravaged to reflect the distinctions of the years. Young and old, they are equally wasted.) At first no one stopped to regard her rigid remains; prone bodies on sidewalks aren't, after all, very rare here. Then a meticulous middle-class woman in a fresh white sari happened to look down and halted, confused. I went to look for help and found a traffic policeman. "Was it a traffic accident?" he asked after I conveyed the information that a woman was lying dead on the pavement nearby. Told no, the policeman shrugged and turned his back. I turned away, too.

IN Calcutta you learn to avert your eyes from squalor, then not to see it at all. The outsider starts by being appalled by the professional beggars who pursue him on his walks—the paralytics moving like reptiles, the lepers with deformities so hideous they can hardly be believed, the naked boys whining, "No mama, no papa; Sahib, baksheesh." Then he hates them for being so downcast. Finally he is able to ignore them totally or, what may be worse, to respond with that absent-minded philanthropy of some Indians who can be seen complacently dropping a coin in a beggar's hand without registering any awareness of his existence other than as an object of their charity.

The outsider may even come to appreciate the skill of some of the con men he meets—the bright-eyed Sikh who hustles up to pin a paper Indian flag to his shirt and demand support for some unnamed patriotic cause; the well-spoken, desperate-looking Anglo-Indian who explains in English that he is a soldier in need of bus fare to return to his base. When you tell him, "That's what you said last week," he is unruffled. "Oh, so we've met," he replies. "Well, give me a rupee anyway for old time's sake."

The con men and professional beggars—of whom there are said to be a small army of 5,000 or 6,000, often deployed in gangs—are but the most startling and visible of vast legions that have no hope of regular employment and so, to survive, must invent livelihoods for themselves out of nothing. There is no place on earth where more people work so hard doing so little that is necessary or productive. Calcutta has more hawkers (or so one soon imagines) than most cities have people, each straining every day to sell one or two fountain pens, a pair of sunglasses, some old clothes, toys made out of tin cans—anything that will earn a rupee or two to keep going.

They are always desperate and sometimes their wares reflect a desperate, almost antic ingenuity. One hawker on Chowringhee peddles silhouettes of a jungle scene of elephants and palm trees he has managed to carve out of old 78 r.p.m. records, with the label of His Master's Voice in the center as a setting sun. I bought one that had been fashioned from the second movement of the Second Brandenburg Concerto with Leopold Stokowski conducting the Philadelphia Symphony Orchestra.

Or there is a kind of medieval guild of Gujarati hawkers who trade steel pots in the middle-class neighborhoods for old clothes, which they then sell for cash to purchase more steel pots and a bit of food. Hawkers who can't afford finished items like pots make do with what nature provides. Prostitution is rife; one survey of a Calcutta slum area concluded it was the most common occupation, after domestic service, among women who had any earnings at all.

OR there are those who deal in waste materials like coal dust and cow dung. Coal dust can be mixed with mud to produce a fuel called *gool*, which can then be bartered or sold in the form of patties. This is the poor people's fuel. Bepin Tikadar, who is 65, and his 29-year-old son, Ratan, manufacture patties of cow dung and sawdust, which is regarded as a higher-grade mixture. They have lived for more than 20 years in the Panchantala Road bustee area, which is, to be precise, one hell of a place—a narrow wedge of a couple of acres on the shoulder of a suburban rail line in which 5,000 persons are squeezed together. Just across the road the Government is building tall apartment houses for civil servants, who have to keep their curtains drawn if they don't want to see the *bustees* or the young children wandering out on the tracks where, every now and then, one of them fails to get out of the way of an onrushing express.

The Tikadars pay the man who owns a cowshed nearby 2 rupees a month per cow for all the dung his herd produces and a sawmill 1 rupee for every gunny sack of sawdust they use. One hundred patties made from this mixture sell for 36 pice, about 4½ cents. None of their neighbors in the bustee area can afford to buy the fuel, even at that low price, so they have to solicit customers in other, more comfortable, neighborhoods. The firm of Tikadar & Son nets about 4 rupees a day, the income on which the eight members of the family have to subsist.

LIKE most of Calcutta's poor, the Tikadars have never really been assimilated into the life of the city. Their bustee area is more like a village—one whose fields have been devoured by locusts—than a typical urban slum. Asked why he doesn't seek training for some industrial skill, Ratan Tikadar shrugs his knobby shoulders and replies, "How can I? Who'd feed my family while I was being trained?"

And yet he is comparatively lucky. Not everyone can invent a livelihood as secure as his. In the bottomless lower depths of Calcutta there must be several hundred thousand additional labor seekers who have no regular jobs and nothing to offer but their overstrained, undernourished bodies. Here men compete with cattle for labor, leaving the spavined, neglected animals to wander free in the streets, further snarling the traffic.

As you ride into the city from the airport on the desolate strip of cracked asphalt known as the Dum Dum Superhighway, you see men on the banks of the canals haul barges piled high with goods, like mules. As you turn into the crowded streets, you find them pulling and shoving carts laden with anything from iron rods and bricks to coal or foodstuffs, doing work only a bullock would do in most other Indian cities. Everywhere there are the rickshaw wallahs, expatriates from the overcrowded villages of the Gangeatic plain, who pad barefoot on the broiling hot pavement through the melting tar by day and sleep in colonies on the sidewalks by night so they can send home the equivalent of \$3 or \$4 a month. In this way, something like \$40-million are sent out of Calcutta to the countryside every year in the form of pitifully small postal remittances.

MORE staggering in its way than the squalor of Calcutta is its dislocation. The city is a great machine whose gears always grind, never mesh. Obviously there is no shortage of the manpower required to build new schools, lay new streets, dig the ditches for the missing water mains and sewers, or simply clear away the great mounds of garbage that accumulate in the streets. What is missing is the ability to relate the effort to the need.

The missing ability to relate seems even more basic to the city's predicament than any missing funds. It's easy to list Calcutta's problems and their manifold causes, harder but still not very hard to rattle off possible solutions. What is really difficult is to understand why all the listing and rattling have remained just that while conditions daily grew more intolerable. Greed and complacency have played their part, but worst of all has been the paralysis of resignation.

"We are living like rats," says Atulya Ghosh, the local Congress party boss. And that is as far as he goes; he doesn't consider this any kind of judgment on what his party did to improve conditions during the 20 years it was in power in Calcutta or the surrounding state of West Bengal. The left Communist leader, Jyoti Basu, hardly sounds more militant. Short of a revolution, he says, the only thing that could save Calcutta would be a tremendous investment of capital by the central Government in New Delhi; there isn't much that can be accomplished by local initiative, he believes.

Businessmen complain constantly of the low productivity that results from chronic labor unrest. But they are nonplussed when asked what could be done in Calcutta. An engineer whose firm has done sophisticated "feasibility studies" on development projects from Kenya to Korea can think of nothing more feasible than a campaign to persuade shopkeepers to clean the pavements in front of their shops.

Radical Bengali intellectuals, who make this the only

Indian city that one could even think of calling cosmopolitan, seem almost permanently out of phase. Nowhere in India is there more social consciousness, but nowhere does it seem so unfocused on its surroundings. Confronted with an overwhelming urban catastrophe, the intellectuals debate Maoist formulas for agrarian revolt. Understandably that seems easier than coming to terms with the city.

And yet the Bengali intellectual gives Calcutta a special character and even glory that endures alongside and in spite of everything in the city that wrenches the stomach and heart. As a stereotype, he is addicted to talk (and easily intoxicated by it), romantically self-indulgent, fussy, even effete and jealous to the point of paranoia. But he is also fiercely intelligent and determined to keep his horizons open and distant, however cramped and claustrophobic the conditions of his life. Other Indians dismiss him as a talker, not a doer. But his constantly frustrated, constantly renewed drive to self-expression has a value in a country where ideas about "modernization" often seem confined to matters of technology—the whys and wherefores of fertilizers and contraception.

It was the Bengali who first seized upon what was liberating in the culture the British brought to India—the rationalism, the modern literary forms, the talk of democracy, the sense of a larger world. "The awakening of India is a part of the awakening of the world," his greatest poet and sage, Rabindranath Tagore, insisted. Tagore was disputing Gandhi; his point was that India could not find its salvation by turning inward. More than other Indians, Bengalis still worry about the world. ("*Amar nam, tumar nam, Vietnam*," urges a popular slogan, which stripped of its Bengali rhyme means, "My name, your name, Vietnam.") But worrying about the world leaves little time for worrying about Calcutta. The painful paradox is that the decay of Calcutta makes worrying about the world an increasingly extravagant act of escapism.

Bengali sophistication often smacks of extravagance. A couple of months ago a group of Calcutta intellectuals was busy organizing a protest demonstration against, of all people, André Malraux. They had heard that Malraux, as Minister of Culture in France, had threatened the tenure of Henri Langlois as secretary general of *La Cinémathèque Française* in Paris, the world's largest archive of old movies.

Almost as a reflex, these Bengalis

hastened to express their solidarity with Jean-Luc Godard, Alain Resnais, François Truffaut and all the other luminous figures they had read about in *Cahiers du Cinéma*. From one point of view their unheard protest may have looked faintly ridiculous, even faintly pathetic—it was easy enough to pass a self-righteous judge that other things nearer to hand needed protesting more. From another, the protest against Malraux was also faintly magnificent.

FOR all his straining to be cosmopolitan, the Bengali intellectual is deeply rooted where he is. When he goes out to talk with friends in the evening, he doffs the Western clothes he normally wears to work and puts on a loose-fitting white muslin shirt with no collar, the kind that has caught on now with hippies everywhere. If the conversation turns to Ezra Pound or Gunnar Myrdal, it remains in Bengali; most other Indian intellectuals would find it more comfortable to lapse into English at this point, for then, or so the Bengali would snidely suggest, they can parrot something they have read in an article by an Englishman.

Nothing is scarcer than an opportunity for decent work. Only a handful of writers and movie people—the most outstanding of whom is the director Satyajit Ray—can pursue a creative vocation full-time. The typical Bengali intellectual teaches school or works as an underpaid clerk in an office. His “real work,” as he generally describes it, gets done in his spare time, or whatever time is left over from chatting with friends in coffeehouses. Perhaps he is writing a script for an avant-garde film that, chances are, will never get produced, or staging a play with one of scores of active drama groups. Perhaps he is translating Yeats into Bengali or bringing out one of the countless little magazines that regularly appear and almost as regularly disappear in the bookstalls on College Street.

Bhaskar Mukherjee, a low-level clerk in the Tata Iron and Steel Corporation, edits one of the few little magazines with any claim to longevity. *Lekha-O-Rekha* (Writings and Drawings) has been appearing now for 12 years. He naturally hopes it will make enough money one day for him to be able to quit his job, but so far it has yet to turn a rupee's profit. He does his clerk's job adequately and sincerely but saves his best efforts for his literary work, which has included the translation of some of Shakespeare's sonnets. And Bhaskar Mukherjee is by no means unique. “We've all divided our lives into two parts,” he says.

INDEED, duality here is a way of life. However much he aspires to flourish as an individual, the Bengali first must meet the demands of his family. Next to the interest of the family, the public interest does not exist. Bengali homes are immaculate, whatever the condition of the streets. In their parlors the only rebellions are theoretical—an indulgence in talk and passion at the end of a dull day, an innocent dream of release.

The outer dreariness of the Bengali intellectual's life sometimes embitters him but less often than one would imagine, for he has an inner security that is almost shockproof. “We talk about fashionable ideas we find in your journals and reviews, like ‘alienation,’” one professor remarked. “But we don't know what ‘alienation’ means. That is why we can say we love Calcutta. We never feel any alienation from the squalor around us. You might say that we are perfectly well adjusted here.”

AN outsider is hard put to decide whether the desperate state of Calcutta is a reflection of all that is romantic and despairing in the Bengali mind, or whether the often desperate state of the Bengali mind is a reflection of Calcutta. Bengalis tend to blame conditions in their city on everyone but themselves—unfeeling officials in New Delhi, Hindi-speaking refugees from the Ganges basin, who make up an increasingly large portion of its population, Western businessmen with their eyes only on their profit margins, or Mewari speculators from the deserts of Rajasthan in western India, who have put very little back into Calcutta for the fortunes they have made here.

Most of their grievances are unshakably real. The partition of India 21 years ago flooded the city with refugees from East Pakistan while depriving it of the greater part of its hinterland. Calcutta may still be India's largest city, her most important manufacturing center and port, but the truncated state of West Bengal is one of the smallest in the Indian union and, therefore, easy to ignore. Sixty years ago it was said: “What Bengal thinks today, India will think tomorrow.” But now that rings hollow.

Indeed, if Bengal is to be a model

again for the rest of India, it could only be by becoming a graveyard for the democratic institutions Bengalis helped to create. Nursing their grievances, almost seeming to cherish them, Bengalis have gotten used to a violent and disruptive style of politics that sometimes seems to have no ideology other than masochism. Last year the Congress party was voted out of power for the first time since independence and replaced by a loose absurdity of a coalition with 14 (count them!) constituent parties, the strongest of which were Communist.

The responsibility of power in a democratic framework further splintered the already divided Communist movement, leaving behind a group of dissidents loudly but ineffectually calling for immediate revolution in the name of Mao Tse-tung. After nine disastrous and delirious months of nongovernment, the coalition was finally maneuvered out of office by the central Government in New Delhi, an assault on Bengali pride that produced riots and demonstrations on Calcutta's streets and brawls and pandemonium on the floor of the state legislature. Finally, the legislature was unable to function at all. At last count there were 28 parties, embodying most known forms of political ideology and opportunism, preparing for a new election next month. “Fission,” one despairing Bengali observed, “is our middle name.”

The real question is not whether the Communists will win the coming election, though they might; it is whether any stable and effective government can ever be elected here again. At present that hardly seems likely. Already the civil servants who have been serving as caretakers in the state since the collapse of the last government of politicians are telling themselves they can run Calcutta better than the party hacks. Considering that none of the parties—left, right or center—has shown anything deeper than an oral commitment to doing something to arrest the festering of Calcutta, they may have a point. But if democracy is to be written off here, its devaluation elsewhere in the country could only be a matter of time. And even then the last word would not have been said, for whoever took over India would still have to cope with Calcutta.

Meantime, it is pointless today to look for even an oral commitment from the civil service on rescuing the city. The service's job is simply to keep it from becoming a greater nuisance than it is. “If you can keep order on the streets from seven in the morning till nine at night,” a member of the establishment said, defining the role of government here, “you've done everything that can be expected.”

THE deadly resignation about Calcutta that the politicians seem to share with the intellectuals and businessmen was reflected last year when the Calcutta Metropolitan Planning Organization, a body of professional optimists, presented a carefully drawn master plan for saving and developing the city. Not many people in Calcutta thought the plan had a chance of ever being implemented. One commentator went so far as to dismiss it as "a cruel and unseemly joke." This reaction may have said something for Calcutta's sophistication, but it also meant there was no substantial body of local opinion lending its active support to the plan. While the politicians in New Delhi pondered how to parcel out the nation's scanty resources, nobody was standing up for Calcutta.

The city's planners, who were guided by a team of Ford Foundation experts, calculated that more than \$25-million a year would be needed in the plan's first five years. They were promised only half that by the Central Government—only to receive less than half of what they were promised.

These promises are now being revived. The new Indian Five-Year Plan that is in the process of being drafted is said to aim at an expenditure of 720-million rupees (about \$96-million) here. That amount won't begin to meet the need, but the planners are convinced that a larger sum would be squandered. They have a point. The crisis of Calcutta not only has yet to become a national priority; it has yet to become a high priority in Calcutta itself: the city has the highest land values and lowest property taxes in India.

The first task the planners set is to halt the runaway deterioration of every public facility and save the port, which is silting up. They despair of getting rid of the *bustees* in this century but argue that these hovels could be made fit for habitation if they were provided with safe drinking water, underground sewerage and electric lighting. That would require taking the land on which they stand away from the real-estate speculators who now own it, something probably that only a strong Communist government in the state would be ready to do.

IT's amusing to think of an alliance between the Ford Foundation's planners and the Communists. But the chances of a strong Communist Government in a state that has most of the country's heavy industry would be nil even if the Communist movement were twice as strong as it is. New Delhi simply wouldn't tolerate it.

The planners talk, too, about a second bridge over the Hooghly River and, more theoretically, about a mass transit system. They even discuss the rationalization of the Calcutta area's administration, which is incoherently parceled out to 35 separate governing bodies, all essentially predatory.

A group of American and British urban experts came to Calcutta to study the city and plan. They concluded they had "not seen human degradation on a comparable scale in any other city in the world." The plan, they said, was "a realistic and humane statement of the minimum action required to avert a final breakdown." Nearly two years later, the plan remained on the shelf. The "minimum," it seemed, was too much.

But then it is easy to understand why pronouncements about a "final breakdown" fail to jolt anyone into action in Calcutta, for it takes a cruel and restless imagination to grasp the concept of a breakdown any more final than the one with which the city is already confronted.

Since independence, barely five miles of major new roadway have been added to relieve the congestion of the streets. The proposals for a mass transit system have been under discussion for nearly 20 years with absolutely no result. Meantime at least one-third of the city's buses and trams can be relied upon to be out of service at any given time. It is remarkable that any ever work, for almost nothing is done about maintenance and absolutely nothing about the replacement of aged vehicles that normally carry twice their prescribed passenger loads, with the more daring of the surplus passengers getting little more than a foot or hand inside.

Transportation being so near to hopeless, little can be done to relieve the overcrowding of the center of the city where approximately one-third of the population lives in *bustees*, and considerably more than half in conditions of extreme urban squalor. In any case, the very poor in Calcutta are too poor to ride the trams. Obviously, then, the relevance of the new public housing on the outskirts of the city to the problem of the *bustees* is zero—minus zero, in fact, for it falls short by 30,000 units a year of what would be required to keep pace with the rate of population growth.

The simplest way to describe conditions of sanitation in the *bustees* is to say there aren't any. Narrow lanes, often no more than a couple of yards wide, are half given over to open drains whose moldering, putrefying contents run past every doorstep. In the grimmest of the hovels a fully grown man can neither stand nor lie at his full length, but families of five or six can be found jammed together on the damp earth floors. Only in the best *bustees* are there solid walls between one such—apartment? domicile? pen? stall?—and the next. Usually there are just a few boards, a strip of corrugated iron or a curtain fashioned from an old gunny sack. Having seen the *bustees*, the visitor revises his snap judgment that the pavement dwellers must be the worst-off people in the world.

TO the squeamish onlooker, Calcutta's very poor are so depressed that they do not seem quite human. The question is always poised—*How can human beings live like that?*—as if they did so by choice. When the choice is between a *bustee* and a pavement, the answer is not so obvious, especially if all of one's friends live on

the pavement. It is striking how often the lives of the pavement dwellers reflect conventional virtues of stability, order and even cleanliness. Many bathe twice a day. If they do so standing in the gutter at the communal tap, that is only because there is no other place.

They rent a mail box, instead of a room, so they can have the address they need to qualify for a ration card, and sleep on the same patch of pavement every night in the midst of the same people, their community. It is even possible to find families that have lived on the pavements for several generations. Of course there are also drifters—not as many as might be expected but more than enough, for among them are packs of young boys.

With the incredible congestion, garbage collection should be daily at least. The problem is complicated by the need to remove human wastes from more than 40,000 fly-breeding open privies. But two-thirds of the city's sanitation trucks are normally out of commission, so collection is weekly, bimonthly or virtually unknown. To make matters worse, while New York last year was paralyzed by one garbage strike, Calcutta had 35.

EACH crisis opens onto another. With offal everywhere and the ancient pipes rotting, little can be done to insure the purity of the drinking water. The water system was excellent—in the last century; now, however, two-thirds of Calcutta's water comes unfiltered direct from the polluted Hooghly River. Only in recent years has the unfiltered water been chemically treated to reduce the constant menace of epidemic cholera, but it still is a sure source of a whole catalogue of other gastrointestinal infections.

"It should hardly be necessary at this period of our civilization," a team of international health experts reported nine years ago, "to point out the danger of an unfiltered water supply in an urban area, especially when direct connections from the main are made into dwelling houses, as in Calcutta." In nine years the situation has only worsened.

The neglect of the educational system is even more alarming. Since independence, the only new public school buildings erected in the city have replaced dilapidated old structures. In other words, not a single new public school has been added to the system for a generation, with the result that it now serves only one-fourth of the children of school age. A greater number go to private schools, but approximately one-third—an estimated quarter of a million children—go to no school at all. Nowhere else in India is the number of the unschooled swelling faster than the total of those who do get enrolled.

The condition of the schools guarantees that there will be no dwindling in the foreseeable future in the masses of the unskilled needing work. As the only major city in eastern India, Calcutta would remain in any case a catch-all for the countryside's surplus labor. With the glut of the unskilled, Calcutta's industrialists long ago became accustomed to paying the lowest industrial wages in India and reaping the highest profits. But in times of scarcity the price of rice in the city is the highest in the country.

Last year it went higher than at any time since the Bengal Famine of 1943. Labor unrest and what the industrialists call "indiscipline" then reached floodtide. No doubt, Communist agitators could claim some credit. But what made the agitators effective was the sheer desperation of the workers. Communist trade union leaders soon found they could ride the emotional wave, but couldn't be sure of their ability to control or channel it when it served their purpose to do so. "We know that we are not going to have a classless society or a revolution overnight,"

one of them remarked, almost in a whisper, in the privacy of his office. "But if I said that at a meeting I'd be thrown out. The truth is that we don't dare make the workers conscious of their obligations."

For months factories and offices were paralyzed by go-slow movements and wildcat strikes. Anyone traveling about the city on errands was almost certain to be delayed by processions of workers angrily chanting revolutionary slogans and waving red banners. Industrialists went to work not knowing whether their workers would allow them to return to their homes at the end of the day. Soon they stopped wearing ties and jackets. "The workers cannot stand to see you wearing good clothes or driving a good car," a shaken employer explained at the time. "They hate it!"

Of the 10 million so-called "man days" lost in the whole of India last year as a result of labor disputes, 6 million were lost in Calcutta alone—one of the few indices on which India's most important business center registered any gain over the rest of the country.

The industrialists have their jackets and ties back on now, but they don't imagine they've seen the end of anarchy here. They know as well as anyone that the mood of their workers is still on the far side of desperation. Rather than bend their minds to the problem of reversing the tide, they vow not to make any new investments here. Calcutta, they say, is as good as dead.

APPROPRIATELY, Calcutta's patron deity is Kali—the Hindu goddess of death who represents, according to one commentary, "the supreme night, which swallows all that exists." Kali is normally portrayed as a naked black figure laughing hideously as she dances on a corpse, a raised sword in one of her four hands and a severed head in another. Near her temple here is Kali Ghat, the riverside landing where Calcutta's funeral pyres burn and sputter to ash. Near there also is a new municipal crematorium, which methodically completes the process of disposal that begins on the city's streets.

Most of the crematorium's business comes from one institution in Calcutta that can be said to have confronted the city without blinking—the Home for Dying Destitutes run by Mother Teresa, an Albanian-born nun who dedicates her mission to "the poorest of the poor." The dying are picked up off the streets and taken to the home only after the hospitals refuse to accept them. Many are dazed and unable to give their names.

Their diseases vary; tuberculosis and dysentery are the most common. Hunger is a constant. Mother Teresa and the young Indians in her order bathe, feed and nurse them as best they can. Most important, they give them respect and a chance to end their days with a touch of dignity restored to them. "We have absolutely nothing to do," she says with a smile that is not always easily returned, "but allow ourselves to be used."

Saintliness may be the only really adequate response to Calcutta today, but it can never be commonplace. There are many in the city who manage, at least, to become theologians of a kind, devoting endless hours to abstruse debates over how the salvation of revolution can be achieved here. It is reasonable enough for a young man growing up here to conclude that the present Indian system—the uneven, often unseemly blend of parliamentary democracy and old-fashioned colonial administration—has been a failure.

That conclusion turns itself into bitter disdain for those who are running it. And that disdain calls itself revolutionary. But it is one thing to talk about a revolution and another thing to make one. When it comes to revolutionary talk, Calcutta probably ranks second only to Peking. When it comes to actual revolutionary happenings, Calcutta isn't worth mentioning.

ONE difference between the saint and the rebel is that the saint seeks to serve the poor, while the rebel tries to make the poor "conscious" of the revolution so they can serve it. In Calcutta the revolutionary vanguard is middle-class and lower-middle-class. Its leaders send their children to the best English-language private schools. When last November they called a general strike, the strongest response came from white-collar workers—only seven of 15,000 Government clerks were reported to have turned up at their offices—and skilled laborers in Communist unions. Few of the unskilled and dispossessed—the people who live in bustees and on the pavements—could either see the point of a strike or afford one. Most of them, indeed, had no one to strike against.

"They are the hardest people to organize," a Communist leader acknowledged. "They have the feeling something big and fundamental will not happen."

To tell the truth, most of the Communists have the same feeling and seem content to stay within the system so long as it allows them to shout, "Long live the revolution!" In Calcutta and West Bengal the left Communists organize to win elections. The coffeehouses are full of young ideologues who deplore this "revisionism." They study their Lenin and, especially, their Mao and talk in wooden

jargon of organizing the peasants. But except for a very few, the talk is only theoretical. Sometimes it is almost wistful. "We would like to be Indian Red Guards," says Saibal Mitra, a 25-year-old student leader who was expelled from the left Communist party as a "left-sectarian adventurer," "but we haven't yet reached that level."

In a dormitory of Presidency College—where Che Guevara beards are in fashion and the slogan "Two, Three, Many Vietnams" hangs in the hall—another student leader explained that he was finishing his studies rather than organizing the struggle in the villages as a favor to parents. "Do anything," they, buying time, implored, "but first get your degree." Was he sure now that once he had the degree in hand he would remain loyal to the revolution? His reply was remarkably unfervent. "Today I say yes," he said. "But tomorrow I may be untrue to my ideology. I don't know."

He may well continue to call himself a Maoist and please his parents by getting the best job he can, thus having it both ways. Arthur Koestler has written of the Indian "indifference to contradiction . . . the peaceful coexistence of logical opposites in the emotional sphere." The radicalism of Calcutta—a serious business, both emotionally and intellectually—provides a stunning example, for it doesn't insist on changing the city.

THERE are those who see it differently. Mihir Sen, a Bengali who made his reputation as a long-distance swimmer and now calls himself "the voice of the resurgent youth of India," promises that "the battle for Asia between Suez and the Mekong" will be decided in Calcutta. The suggestion is that he will be the one to lead the last stand against the Red hordes. Businessmen also talk of an approaching Armageddon; some have even taken the precaution of dispatching their wives' jewels to vaults in New Delhi and Bombay for safe-keeping.

But such high drama still seems unlikely, for the struggle in Calcutta is not only between people but *within* them. For any kind of revolution, even the quiet kind, the city needs a resolution—of the different groups that make it up and the contrary impulses of its people. It needs the kind of indignation that won't simply feed on itself, the kind of hope that isn't resigned to being denied. Rubbing treacle in Calcutta's wounds, a Government of India tourist brochure says "The city represents man's unfailing hope for a better life." Whatever that is supposed to mean, it's obvious that "unfailing hope" is no answer to a disaster. ■

EASTERN WATERS

October 31, 1968

Minutes of a Meeting with the Harvard University Center for
Population Studies to Discuss the Ganges-Brahmaputra Studies

October 29, 1968

Present for Harvard: Professors Revelle, Dorfman, Thomas, Rogers, Jacoby
and Gotsch.

for the Bank: Messrs. Chadenet, Cargill, Evans, Wapenhans, Iverson,
Sadove, Feldman, Kirpich, Vergin and Naylor.

Mr. Chadenet asked Professor Revelle to make an oral summary of the work done and problems encountered in the Harvard summer work. Professor Revelle stressed that the important objective of the work was to determine how to proceed with resource development in the basin as a whole over the next 10-20 years. This would require international cooperation but given present political realities it would be necessary to concentrate on East Pakistan for the time being. He said the summer work had produced no definite conclusions but opened out a lot of areas for further study. Of the work done, the substantive-descriptive studies had the most relevance to future planning. He then asked Professor Rogers to outline the main findings.

Professor Rogers commented briefly on the substantive-descriptive studies and the systems analysis models. As an example of the implications of the summer work Professor Revelle distributed a memorandum on possible lines of investigation for resolving the conflict over Farakka Barrage. The memorandum indicated that, because of the possibility of using groundwater, the need for surface water diversion from the Ganges is very much less than is presently claimed by Pakistan. Professor Revelle stressed that these results are only indicative of what the possibilities may be and that firmer conclusions would demand further work. The memorandum considers only Hooghly River diversions and not possible upstream developments which would make the future low-flow condition indeterminate. Also, the study thus far does not consider the implications of diversions for navigation or for the prevention of saline water intrusion in the lower reaches of the Ganges. Mr. Cargill thought this work could have particular relevance in helping the Pakistanis to have a clearer idea of their ultimate requirements for water.

This led on to a discussion of future work. Mr. Chadenet asked Professor Revelle to explain what he had in mind for the next year. Professor Revelle outlined what Harvard considered to be the nine next steps in the study. These were:

1. East Pakistan water demands (with special attention to the low-flow demand on the Ganges).

- Cropping patterns.
- Estuarine storage.
- Sequencing.
- Return flows from horizontal drainage.
- Navigation.
- Cost of tubewells and drains.

2. Flood simulation providing approach to flood-control strategies.
3. Insertion of low-lift pumps into the models.
4. Computer data bank for development data.
5. Sensitivity analysis of data to guide data collection.
6. Changes in cropping patterns.
 - Planting and harvesting data.
 - Interplanting.
 - Substitutions.
- 7.a. Intersectoral economics -- cost and benefits.
 - allocation of resources.
 - opportunity costs.
 - optimal rates of development.
- 7.b. Power and agricultural interactions.
 - Comparison of alternative modes of power development -- relations to savings, foreign exchange, prices, public vs. private sector, political constraints.
- 7.c. Transportation development as related to river management and agricultural development -- costs and benefits of transporting agricultural inputs and outputs -- demographic analysis.
8. Methodological Problems.
 - 8.a. Methodology of irrigation modelling.
 - Linear programming that takes account of uncertainty and risks of variations in:
 - rainfall
 - river flow
 - prices
 - availability of fertilizer
 - yields
 - evaporation coefficients
 - 8.b. Dynamic linear programming
 - Linear programs that take account of project phasing -- low-lift pumps to tubewells to canals to barrages and dams.
9. Regional and local water budgets that take account of water quality as well as quantity (e.g. in the Khulna area).

Professor Revelle indicated that, for Harvard to continue to be involved, financial support at a level sufficient to finance three or four full-time professionals and some part-time assistance from faculty members at Harvard, plus computer time, would be required. He suggested a figure of about \$200,000 for this first year.

Mr. Evans suggested that the Bank, through its East Pakistan Water & Agriculture Development Program, could assist in collecting the missing data which the Harvard studies showed to be critical and wanted to know what the Bank's program could do to complement them.

Mr. Chadenet said he was attracted by the idea of extending the Harvard studies, but did not wish to react to these proposals immediately and asked Professor Revelle to make a formal proposal to the Bank in writing with a more explicit description of the work to be undertaken. His feeling was that the list of studies proposed by Professor Revelle was too wide-ranging. He was also concerned about the institutional arrangements for carrying out the studies. The Bank's intervention should be made in such a way as not to affect its neutrality between Pakistan and India.

The meeting then adjourned.

11/7
 "National Approach" Program ^{300,000}
 Pakistan 200,000
 India 100,000
300,000

a) Includes 50,000 for support of their nationals - FF would probably support this. Ask Eisenhower about this.

Approach problem from inter-sectoral pt of view -
 Interest of Mahatma Gandhi rather than who is interested - Harvard would do -

PENaylor:bt
IBRD

Harvard Centre Has \$100 Billion Dream For Ganga Basin

From Our Special Representative

NEW DELHI, Oct. 25.—Harvard University's Centre of Population Studies has suggested massive investment for coordinated development of the Ganga-Brahmaputra basin comprising Bihar, West Bengal, Assam and East Pakistan. This suggestion is of particular interest in the context of the plea made both in India and abroad for co-operation between the two neighbours for joint management of the water resources in the eastern corner of the subcontinent.

The area will need an investment of over \$100 billion over the next 30 years to achieve a growth rate of 4.5%. Of this \$25 billion will have to be in foreign exchange, according to the Centre's calculations. The Centre has estimated that the population of this region will grow from 180 million now to 400 million by the year 2,000 A.D.

One-third of the population and investment projections relate to East Pakistan and the rest to India. But cooperation between the two countries is considered essential for the growth of the region.

The main hope of sustenance for this vast population lies in massive urbanization. This would mean planned growth of cities of various sizes. Prof. Roger Revelle, Director of the Centre, who was a member of India's Education Commission, feels that the new cities should be large enough to provide various civic, social and educational amenities to the people.

Prof. Revelle headed the 21-man expert team appointed by President Kennedy which in 1964 submitted the well-known Revelle Report on the Indus basin in Pakistan.

In two long interviews he gave me recently in his Harvard office, Prof. Revelle said that a massive operation will have to be organized to make the city of Calcutta worth living. Future cities in the region will have to be planned carefully to avoid the problems faced by Calcutta today. Urbanization is unavoidable because at least 200 million people will have to be supported by non-farming jobs.

STAGGERING INVESTMENT

The investment proposed is staggering, but the Centre of Population Studies feels that the enormous natural resources of the region, including the world's second largest river system, mineral wealth, underground water, hydro and coal power and facilities of transport by land, river and sea, will be helpful.

Agriculture will take up more than a third of total \$100-billion outlay. But more than half the share of agriculture will have to be utilized for new fertilizer plants, power grids to electrify the farms, rural transport system, storage godowns, farm machinery, markets and a host of other agricultural facilities. New Irrigation facilities are expected to irrigate 30 million acres suitable for growing three crops a year.

The remaining investment of \$65 billion will be divided between industrialization and urbanization. Building of houses, roads, water and power systems and schools and hospitals, according to Prof. Revelle, are not social welfare activities only. They too, generate their own economic momentum including direct employment.

Industrialization will involve, besides the capital industry base, a large number of factories to produce textiles, cement, leather, chemicals, machinery, drugs, vehicles of all kinds from bicycles to heavy trucks, food processing industries, dairy products, paper, tobacco, breweries and a host of other factories.

The hub of all this activity is expected to be the organized urban and rural market. Expansion of banking in the rural areas is another important point in the Centre's plan.

The whole philosophy of the Centre seems to be that industrialization cannot be divorced from rising demand for consumer

goods. Industrial activity at various levels would, in fact, have to be in direct proportion to the off-take of consumer goods thus setting in motion a chain activity of consumption and production. In the field of agriculture, consequently, cash crops acquire great significance.

According to the Centre's calculation, between 13% and 20% of the income of this region will have to be invested on development. Such a high rate of savings cannot be achieved in a democracy without a well-organized network of markets and banks.

Estimates of growth prepared by Prof. Revelle and his colleagues are based on an interesting but simple calculation. They have assessed the present income of this region, at a per capita income of \$60 a year, to be \$10.8 billion for a population of 180 million. They expect the per capita income in the year 2,000 A.D. to be twice the present level—\$120 a year—for a population of 400 million and have arrived at the total regional income of \$48 billion. Thus during the 30-year period an additional annual income of \$37 billion will have to be generated. Working on a capital-output ratio of 3:1 the Centre has come to the investment figure of \$110 billion, or roughly speaking around \$100 billion.

What about the very large foreign exchange component of the proposed investment? According to Prof. Revelle, \$25 billion will have to come by way of trade as well as aid.

SOCIAL ATTITUDES

Social and psychological attitudes in this region seemed to be causing the experts great anxiety as these could upset all their calculations. Putting it in plain words Prof. Revelle said: "India is the most regimented society I know of." India's caste system with the inhibitions of the higher castes and the disabilities of the low castes could seriously hamper proper manpower training and organization. A large-scale campaign of education would have to be launched to correct these attitudes.

Family planning would have to be given a high priority. This would require further reducing child mortality. Prof. Revelle felt that people in the region produced more children because they were not sure they would survive.

D R A F T

November 8, 1968

TO: Mr. Robert McNamara
FROM: Roger Revelle *RR*
SUBJECT: Conversation with Mr. Rao ^{and}
Indian Minister of Irrigation, Power

1. At the invitation of my old friend Ambassador Aly Yavar Jang, I had lunch on Wednesday with him and Mr. Rao, the Indian Minister of Irrigation ^{and} Power, to discuss the Eastern Waters problem. This was a rather painful experience, and I believe you should know something of what Mr. Rao said in preparation for your forthcoming trip to India. The following comments were written in haste in Mr. Sadove's office, and are, therefore, somewhat impressionistic.

2. Mr. Rao started off by asking me what was the purpose of our pro-^{and economists.} posed analytical projects involving Indian and Pakistani engineers. I started to say that I thought one of the principal purposes was to find ^{what} data ~~that~~ needed to be collected and the necessary accuracy of data. He interrupted by asking, "Nevermind the details, what is the basic purpose?" I then said that I thought our basic long-range purpose was to lay a factual basis, on which the two countries might agree, for possible ultimate cooperation in the development of the Ganges-Brahmaputra Basin.

3. Mr. Rao then unfolded a large map of India and Pakistan and pointed out that the Indus Basin and the Ganges-Brahmaputra Basin are quite different from the standpoint of the two countries. The former has about the same drainage area in both India and Pakistan; ⁱⁿ ~~and~~ the latter, nearly all the drainage area and arable land ^{are} in India, and Pakistan has only a minor interest. Moreover, the principal problem of East Pakistan is not to obtain extra water for

irrigation, but rather to drain off excess rainfall and river flows. Consequently, India sees no reason why any third parties should be involved in dealings between India and Pakistan on the Eastern Waters question.

4. India might be willing to have ^{us at Harvard} ~~Rao~~ teach and work with Indian economists and engineers in the analysis of water problems, ^{that} ~~but~~ do not involve the Eastern Waters. However, he was doubtful whether the necessary data existed about Indian ground water or surface hydrology to make such an analysis profitable at this time.

5. Coming specifically to the use of Ganges waters in East Pakistan, he claimed that Pakistan ~~should~~ irrigate only about five million acres on the right bank of the Ganges from the river. I pointed out to him that our understanding was that Pakistan also ^{contemplated irrigating} ~~completed~~ some areas on the left bank. He admitted ~~that~~ there might possibly be a few small areas, but nothing substantial.

6. The Farakka Barrage is in Mr. Rao's mind ~~as~~ a secondary issue, only a small part of the problems between India and Pakistan related to the Eastern Waters. The Barrage is not a new project, it was first proposed ^{about a} ~~one~~ hundred years ago by an English engineer named Cotton, who was not permitted to carry it through by the British higher officials in India.

7. There will be plenty of water in the Ganges for Pakistan during ten or eleven months of each year. Only during about six weeks in March and April would Pakistan have any problem from the contemplated diversion of 40,000 cusecs into the Hoogly at Farakka. ^{I gathered that this is} ~~This is apparently~~ denied by the Pakistanis, who now claim that the thirty-year record of flow measurements of the Ganges at the Hardinge Bridge is seriously in error; apparently because these measurements were carried out by the wrong technique.

8. The proposed Pakistani Barrage on the Ganges near the Hardinge

Bridge would back up the river waters and flood large areas of India.

Pakistan should not be allowed to build this barrage.

9. On the other hand, ^athe barrage on the Tista River in Pakistan would be a good project, at least from the Pakistani point of view.

10. It would not be possible to divert any water from the Brahama-putra into a canal system which could be used to irrigate parts of West Bengal, because of the very flat character of the land west of the Brahama-putra, and possibly (though I am not sure about this) because the contours run the wrong way between the Brahmaputra and West Bengal.

11. Mr. Rao had carefully studied Peter Rogers' paper on the possible benefits for both India and Pakistan ^{of}through cooperation in development of the river system. He had misunderstood the purpose of this paper, which we had thought of as a teaching exercise, simply to show the nature of the studies that might be necessary to lay the basis for cooperation. We had hypothesized that there might be a series of storage sites on the tributaries of the Ganges and on the Meghna which would be used to regulate the rivers. We did not claim that such storage sites actually ^sexisted, but simply that either surface or underground storage would have to be developed and that in either case, cooperation between India and Pakistan might be beneficial to both countries. Mr. Rao claims that there are no adequate storage sites on ~~either~~ either the Ganges tributaries or the Meghna, and that, therefore, our basic premises are wrong. When I said that it might be possible to spread the tributary waters, either through canals or by other means, to ensure re^scharge of the underground aquifer he said that this could not be done because it would displace ^sprosperous farmers.

12. ^{According to Mr Rao,} This problem of displacement of farmers is also one of the major

difficulties in the use of the Farakka-Barrage.

13. Mr. Rao pointed out, and quite rightly, that according to Dr. Rogers' analysis, India would not receive any benefits by cooperating with Pakistan unless Pakistan helped pay for some projects in India. He evidently thought this was an unlikely prospect.

14. I gave Mr. Rao ^a ~~the~~ "sanitized" copy of the report of our summer's work. This version omits all reference to the participation of the Bank in the studies.



OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: May 14, 1968

FROM: I. P. M. Cargill

SUBJECT: PAKISTAN: Eastern Waters

1. Although the program of studies which the Bank is carrying out for the development of the agriculture and water resources of East Pakistan was first discussed during meetings about the study of the Indus, there is no similarity between these two programs. In every other respect - and for our present purposes climate and geography are the most relevant - the two wings are quite different. The only things that East Pakistan and West Pakistan have in common are religion and the problem that each is the downstream riparian on rivers that run through India.
2. There is no doubt that if India were to proceed with works designed to benefit Indian territory it would do considerable damage to East Pakistan. For example, any diversion works on the Ganges could seriously affect agriculture in East Pakistan at the time of low water flow; less seriously, embankments for flood control on the Brahmaputra would increase the floods downstream. It is, therefore, very much in the interests of Pakistan to reach agreement with India about a coordinated development of the basins of all rivers they have in common. While the benefits to India that can be foreseen at present do not appear to be substantial, there is no reason to suppose that coordinated development would have adverse effects in India.
3. The studies which the Bank is now carrying out in East Pakistan differ in two important respects from the studies of the Indus Basin. First, the studies of the Indus Basin were undertaken only after agreement had been reached between the two countries on the division of the waters of the tributaries. The work could therefore be carried out on assumptions that were perfectly clear. Second, the technical solution which made an agreement between the two countries possible was one that was designed to avoid the need for continuing cooperation between them. It was probably not the most economical solution but was justified in order to eliminate the great political risks raised by the dispute over the use of river waters.
4. In East Pakistan such a solution is not possible. From an economic and technical point of view, the only proper procedure is to develop the river basins as a whole. Diversion of the waters in India is bound to deprive East Pakistan of supplies. The possibility that existed in West Pakistan of using waters which would otherwise have not been used to make good a shortfall does not exist in East Pakistan. The time has now been reached when the Bank must decide what limitations this imposes on the studies it is financing. India is at present constructing a diversion dam (Farakka) on the Ganges which will be completed by 1970-71 and which could immediately have seriously adverse effects on East Pakistan unless agreement is reached on a mutually suitable operating regime. In the future

President has seen

other diversion works and flood control programs on the Ganges and other rivers could have similar far reaching effects downstream. The Pakistan fourth Five Year Plan will begin in 1970 and in normal circumstances the Bank team would be evaluating a number of projects on the mainstream of the principal rivers which Pakistan proposes to include in the plan. We understand that Rs. 3 billion is allocated in the Plan for development of water resources including mainstream project expenditures. Major projects for which Pakistan would like to start construction during the next Plan include the Ganges/Kobadak-Jessore unit and the Teesta Project. However, in the absence of an agreement between India and Pakistan on the use and control of these river waters it is feared that building these projects might result in extremely wasteful investment.

5. For these reasons the need to reach agreement on cooperation between the two countries is now being brought into sharp focus. However, the existence of the problem has been obvious from the very start of our discussions about the program of studies. Indeed, it was the principal issue that caused difficulties in the negotiations of the so-called Chadenet Agreements which ended in a sense with an agreement to disagree on this issue. The relevant passage of the March 1, 1966 Agreed Statement reads as follows:-

"International Waters

The Province is extremely susceptible to any action taken upstream by India. The mission stated that without some international agreement or understanding the sound programming of some major projects in the Ganges and Brahmaputra basins is impossible, particularly those dependent upon the Ganges-Padma system. To make intelligent planning possible and for the benefit of both countries, an agreement should be reached to co-ordinate river basin planning between Pakistan and India.

The representatives of the Government of East Pakistan stated that this cannot in any way qualify their right to an equitable share of the waters of the Ganges and Brahmaputra river systems and that to protect their interests they must proceed with the implementation of their water development Projects."

The disinclination of the Bank to proceed further with the mainstream projects is matched by the determination of Pakistan to carry them out without delay in order to establish their prior rights to the use of the quantity of water that would be needed to justify economically the very large investments.

6. In another way, too, this problem has led to serious disagreements between Pakistan and the Bank on strategy of agricultural development in East Pakistan. One of the most striking differences between East and West Pakistan

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is in the traditional mode of agriculture. The land in West Pakistan is basically arid or semi-arid desert. On the other hand, East Pakistan is in a humid zone of one of the major river deltas in the world. Over the centuries East Pakistan has had an assured monsoon crop without water control. The heavy natural rainfall and flooding from the rivers resulted in a basic cropping pattern of deep water (aman) rice; whereas agriculture in West Pakistan has over the centuries required the artificial distribution of water through irrigation. As a result of the relatively favorable conditions in East Pakistan in times past including highly fertile alluvial soils, a rural population with one of the highest densities in the world grew up. This one crop method of cultivation can no longer support the population. To improve agricultural production a second crop must be grown during the dry season and improvement in yields during the monsoon period through flood control and changes in growing methods must be introduced. These conditions differ materially from those in West Pakistan and it is quite natural that the solution differs too. It is the view of experts in the Bank that in these circumstances, it would be unwise and unfeasible to introduce initially a system of irrigation by canals (as was done on the Indus) which would involve for each farmer, a radical change in his methods of cultivation within a short time. Consequently, the Bank has been urging the view on Pakistan that a system of agriculture based on a controlled supply of water should be introduced gradually by the maximum use of low-lift pumps and the gradual elimination of flooding. The heavy investment in major irrigation dams and canals should be delayed until the farmer has become accustomed to this new method of cultivation. I could not say with assurance that this approach has yet been fully accepted by East Pakistan. There are many reasons for East Pakistan's disappointment with the Bank's approach and their reluctance to accept it; but undeniably one of the principal reasons is the postponement for many years of the mainstream projects whereby Pakistan hopes to establish rights to the waters in question vis a vis India.

7. The issue of cooperation over the use of the waters of the eastern rivers was one covered by the Tashkent Agreement of January 1966. For some time thereafter we hoped that the two countries would reach a solution to this problem in the implementation of that agreement. However, with the passage of time, it has become clear that the Tashkent Agreement has not had the desired effect with regard to the eastern rivers; neither country has been willing to make a move. In the Bank we have been casting around for some time to find some way of breaking this deadlock and in September 1967 Mr. Chadenet made a proposal that the Bank should finance a computer study which would be a beginning in the development and analysis of the information needed to reach a conclusion on the optimum use of the eastern river basins. Mr. Woods, who had been deeply interested in this problem for some time agreed that the proposal should be put to the two countries, although he was disinclined to have the Bank finance it. The cost, in any event, would not have been great and the failure of the proposal to find any ready acceptance was certainly not due to considerations of expense.

8. I took the matter up first with officials of the two governments and had a reception from both that would best be described as irrational and illustrating only the deep suspicions each side had of the other. I asked

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these officials to brief their Ministers and subsequently asked Mr. Woods to speak to the Ministers. The reaction of Morarji Desai was as might be expected - pragmatic and candid. He recognized the problem that existed and the difficulties that could be caused to East Pakistan by increasing the use of the river waters on the Indian side of the border but he pointed out that these difficulties would be cause for concern by Pakistan, not India, and that therefore, if any initiative had to be taken in the matter it should be taken by Pakistan. He acknowledged that the Bank's proposal was a purely technical study which would be carried out without any commitment on India's part to accept conclusions to which these studies might point. But it seemed to him quite possible that the results of these investigations would suggest a plan of development that would be to the advantage of East Pakistan at the expense of India. Once the conclusions of the investigations became known, if India refused to accept them it would come under criticism internationally and consequently under great pressure to adopt them without any political or economic advantage commensurate with the sacrifice India might have to make. He argued that in order to facilitate an agreement on the Indus, India, to obtain the use of waters running through its own territories, had had to contribute nearly \$200 million to the Indus Fund, forego the development of the use of these waters for 10 years and had received very little help in the construction of the irrigation system necessary in India. If India now agreed to cooperate over the eastern rivers there was no reason to suppose that Pakistan would be willing to negotiate about the other difficult problems between the two countries, and any concessions India might be called upon to make as a result of such cooperation would be politically unacceptable inside the country. However, if Pakistan would take the initiative in proposing the investigations suggested by the Bank, he would take the matter up with the Prime Minister and urge her to have it considered seriously in the Cabinet.

9. Subsequently, Mr. Woods took up the subject with Uquaili and told him that India felt any initiative in this matter should come from Pakistan. Uquaili undertook to take this question up with the President on his return to Pakistan. This he did and I was told at the end of November when I visited Pakistan that the President had agreed to make an approach. Meantime, for some months, Professor Revelle of Harvard had been making a similar proposal to the one suggested by Mr. Chadenet. He had been engaged to do some demographic studies in East Pakistan and had quickly seen the importance of inducing cooperation between India and Pakistan over the eastern rivers. Despite the reported support of the President for a high level approach to India, senior Pakistani officials remained wholly opposed to the idea and seized, in my opinion, on Professor Revelle's initiative as a way to delay the action the Bank was recommending. Instead they worked out an agreement with Professor Revelle, a copy of which they promised to give us but which we have not yet received. They also left it to Professor Revelle to make the approach to India through the chairman of the Indian Atomic Energy Commission who happened to be a friend of his. Not unexpectedly, this has led to nothing. I told the senior officials involved that I found this course of action unsatisfactory. I visited India and Pakistan again in the beginning of February of this year and took the matter up with the Permanent Secretaries of the two foreign offices and other officials. In

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Pakistan I pointed out again the increasing futility of continuing with the studies in East Pakistan started with the Chadenet Agreements, which were costly in terms of money and manpower, without some possibility of a sensible and meaningful discussion between the two countries on this problem.

10. Perhaps as a result of these representations contact between the two Governments was renewed. Before the hostilities of September 1965 there had been arrangements whereby technical information about the river flows through Bengal and into East Pakistan had been exchanged and these arrangements are being revived. After two postponements, officials of the two Governments were scheduled to meet on May 13 to resume the exchange of information. However, this is a far cry from the kind of comprehensive research which would be needed to carry out an exercise of the kind suggested by Mr. Chadenet and Professor Revelle.

11. In the Steering Committee we have now come to the conclusion that there is further work which can usefully be done by the Bank team whether or not the two Governments agree to the Bank proposal, but clearly the future program of work will be much more limited if we have to work on the assumption that no cooperation between the two Governments is possible. It is impossible for the Bank to advise on or consider the financing of mainstream projects in East Pakistan unless agreement is reached at least with regard to Farakka. The Pakistan Consortium meeting will start on May 21 and the Pakistan delegation headed by the Deputy Chairman of the Planning Commission will be here on May 17. I would recommend that he be informed that unless his Government is prepared to make a high level approach to India for the purpose of getting substantive discussions about the eastern river problems started, the Bank will not be prepared to do more than complete the work begun so far and this work would exclude evaluation of the mainstream projects. If they agree to make this approach we shall at least know where we stand. If India makes a positive response then the Bank should be prepared, in my opinion, to provide the technical support which will be needed and I believe that there will be advantages in having the Bank pay for, or to be responsible for, the studies to be carried out. If India rejects the Pakistan request then at least we shall know where the pressure has to be applied.

Eastern Rivers Dispute (Updating Information)

The talks on Farakka held in May in New Delhi were the fifth held on this subject in a series which started in June 1960, and the first since 1965. The major issues in the Eastern Rivers dispute are the construction of the Farakka barrage by India; Pakistan's Ganges-Kobadak project; and, Indian and Pakistani development plans for the Tista, Brahmaputra and Meghna river system of Tripura.

The meetings in New Delhi beginning on May 13 produced no fruitful results, with the exception of an agreement to permit technical representatives of Pakistan to visit Farakka, and technical representatives of India to visit Ganges-Kobadak.

The Pakistan delegation suggested the enlisting of the good offices of a third party, like the Bank, to arbitrate the dispute and failing agreement on that, Ministerial discussions. The Indian reaction was that technical discussions between Pakistani and Indian experts were not yet exhausted and should be resolved by technical rather than political discussions. In this regard, there were significant technical disagreements about the water requirements of Pakistan; India's position being that Farakka does not interfere with the "legitimate" water requirements of East Pakistan (the Farakka project is expected to be completed in 1970-71).

Cooperation over the use of the Eastern Rivers was agreed in the Tashkent Agreement of January 1966. In July 1968 Mr. Kosygin wrote to Mrs. Gandhi suggesting a settlement of the Eastern Rivers dispute along the lines of the Indus Treaty. In rejecting this proposal, India replied that the dispute was bilateral, and should not be internationalized as was the case with the Indus.

On September 25, GOI suggested in a note to GOP that a Secretary level meeting be held to discuss the Farakka dispute. No word has been received whether Pakistan has replied, but it is most likely that they will agree as India appears to have gone half way to meet Pakistan's insistence on political discussions of the issue.

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DEBT RELIEF

DEBT RELIEF

1. The Bank first became involved in India's debt servicing problem at the request of the Government of India in 1964; since that time, at the continued request of the Government of India and also at the urging of several consortium members, the Bank has produced a number of papers dealing with the size of India's external debt, the problems that debt service poses to India's balance of payments position and thus her development prospects, and the need for action to ease the problems. After the subject had been discussed in the consortium on several occasions, the staff of the Bank produced a working paper on debt and future terms of aid, dated July 13, 1967. This paper presented tentative proposals for a debt relief exercise.
2. With the agreement of the consortium, and with the July 13 paper as a basis of discussion, Mr. Guillaume Guindey, a former Director General of the Bank for International Settlements and now Chairman of the Board of Directors of the French Caisse Centrale pour la Cooperation Economique, visited each member of the consortium in the fall of 1967 to help prepare the way for a concerted debt relief action. In January 1968 Mr. Guindey submitted his report to Mr. Woods. This report became the basis for further discussion within the consortium, and for the actions which the Bank took regarding its own loans within the framework of the consortium agreement (which was finally reached at a meeting on May 23 and 24, 1968).
3. Attached are paragraphs 14 - 19 and Annex V of India consortium document IND 68-18 ("Chairman's Report of Proceedings of the Meeting of the India Consortium Held in Washington on May 23 and 24, 1968"). These paragraphs deal with the final agreement for debt relief for this Indian fiscal year, and the contributions pledged by each member country. They also indicate the two principal difficulties which hinder a successful continuation of the exercise. First, several countries may be unwilling to continue their efforts at the present level and terms if the terms of Italian and Japanese debt relief do not improve. Second, several members feel that India must make stronger efforts to seek parallel relief from non-consortium members and to restrict the amount of credit contracted on "hard" terms. At this writing it is not at all clear how energetically the Government of India has worked to find a solution to these difficulties.
4. The following documents relating to this problem are included in the Reference Materials:
 - a) - President's Memorandum on "India's Debt Servicing Problem", of February 1, 1968. To this paper are attached as Tab 1 and Tab 2 the July 13, 1967 Working Paper and Mr. Guindey's Report of January 18, 1968. I would particularly like to draw your attention to Section II-D of the Guindey Report which deals with the importance of the terms of relief (especially the interest rate).

- b) - President's Memorandum on "Participation in Indian Debt Relief Action", of March 8, 1968.
- c) - India consortium document IND 68-11, the "Chairman's Report of Proceedings of the Meeting of the Indian Consortium Held in Paris on March 4 and 5, 1968", which discussed the Guindey Report.

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IBRD SPECIAL DEPOSITS WITH RESERVE BANK OF INDIA

1. In July 1967 the Executive Directors approved a resolution that the Bank make temporary special deposits with the Reserve Bank of India pending further discussion of India's debt service problem. The purpose of the special deposits was to offset part of the balance of payments effect on India of debt service payments during consortium discussions to find a solution to the long-term debt service problem.
2. The arrangement was for the Bank to deposit in special accounts with the Reserve Bank of India amounts equivalent to the principal payments received by the Bank for its own account during the period April 1, 1967 - March 31, 1968. A ceiling of US \$50 million equivalent was set on the arrangement. The deposits were made in the major currencies payable on loans to India, namely, U.S. dollar, pound sterling, Deutsche mark, and Japanese yen.
3. The special accounts were to mature and be repayable not later than March 31, 1968, but at the time of maturity, debt relief measures were still under consideration. It was therefore agreed that the deposit arrangement be continued and withdrawals be made at the discretion of the President of the Bank. The amounts in the special accounts were transferred to demand deposit accounts.
4. From the equivalent of US \$45.1 million transferred to the demand deposits on March 31, 1968, US \$15 million was withdrawn on June 28, 1968 and US \$7.5 million equivalent on August 14, 1968. It is intended to withdraw a further US \$7.6 million on February 19, 1969, leaving a balance outstanding of US \$15 million.
5. The actual and proposed drawings have been phased in relation to those amortization payments which have been rescheduled for future payment (payments on loans to India falling due during the Indian fiscal years ending March 31, 1968 and March 31, 1969).

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Debt Relief and Terms of Aid

14. Dr. Patel, in his opening statement, stressed that India regarded debt relief as an essential ingredient in development aid, made necessary partly by the need to make debt payments in free foreign exchange, while receiving mainly tied aid. The Chairman noted that all members of the Consortium (based on a long-standing request from the Government of India) had agreed to take concerted action to grant debt relief totalling \$100 million for the Indian fiscal year 1968/69. During the Heads of Delegations meeting as well as in the general discussion, members of the Consortium indicated or affirmed the debt relief offers they had made for 1968/69, as listed in Annex V. Some are subject to governmental or parliamentary approval, and the Chairman urged that any remaining formalities be completed as soon as possible. Although debt relief was initially contemplated as a three-year action, most offers at the meeting were for one year only. Some lenders expressed dissatisfaction with debt relief terms being offered by other lenders; disappointment was also expressed at India's position on reducing the debt burden by, for example, rescheduling non-Consortium debt and by limiting the amount of new suppliers' credits. Several Consortium members indicated that later this year they would have to reconsider the amount and terms of any future debt relief, i.e., for 1969/70 and 1970/71, in the light of these factors.

15. On the question of debt relief terms, delegates from Canada, Germany, the United Kingdom and the United States in particular expressed very great regret that the action proposed by Italy and Japan fell so far short of the Guindeg recommendations. The United Kingdom particularly disagreed with the principle that a country need not offer better terms than the most backward terms being offered. The representative of Italy noted that the terms offered were the best ever granted to anyone and no better terms can be offered this year. Several members of the Consortium said that they would feel obliged to reconsider the amount and terms of their participating in 1969/70 or 1970/71 unless the terms offered by Italy and Japan improved. The Chairman said that he thought the offers for 1968/69 should be accepted; he agreed that during the year he would take up the question of improving the terms offered by Italy in particular.

16. Canada inquired whether in fact the debt relief exercise implied a hardening of terms of aid. This he felt might be the case, particularly where debt relief was not additional to the normal aid level. If it were regarded as new aid and part of the current pledge, the terms insofar as maturities were concerned were less favorable than in the past. The Chairman, and Mr. Goodman, pointed out that one principal advantage of debt relief was that it offered free foreign exchange and that in this sense the provision of debt relief thus represented a step forward even if it did not add to the total pledge. The United States pointed out, and the Chairman agreed, that

certainly the Consortium would not discourage debt relief as an addition to the "normal" or previous level of aid, but it was made clear from the start that any debt relief action taken by members of the Consortium would be counted towards each country's total aid. The debt relief exercise also represented a step in the direction of harmonization of terms of aid.

17. On the question of India's policy regarding non-Consortium debt, the representative from the United Kingdom said he felt that it would be appropriate for India to negotiate with non-Consortium creditors for a relaxation of their debt service burden. Dr. Patel said that India had already taken the matter up with the countries concerned in Eastern Europe, but so far the latter had argued that the problem did not arise because India was not facing difficulties in balancing her bilateral trade accounts with these countries. The United States delegate expressed dissatisfaction with this view, saying that the participation of the United States was on the basis that there would be an effort to obtain a comparable adjustment from non-Consortium countries. He hoped the Government of India would try further for such relief, and said it would become increasingly difficult for the United States to continue debt relief unless parallel action was taken by non-Consortium countries. Dr. Patel replied that he would be happy to discuss, with anyone concerned about this problem, their specific suggestions for further action by the Government of India in these circumstances.

18. Regarding suppliers' credits and the terms of aid, Dr. Patel emphasized the dilemma which he faced, when having to finance particular projects if aid on appropriate terms was not available. In such circumstances, and the various fertilizer projects are a case in point, the Government is faced with the dilemma of deciding whether to go ahead with certain priority projects using available suppliers' credits or to postpone these projects indefinitely. He hoped that this kind of difficult choice could be avoided by the resumption within the Consortium of project aid on appropriate terms. He said that from 1958 onwards, despite the scarcity of concessional aid, India had exercised the maximum possible restraint in incurring suppliers' credits and that to date they represented only 6 to 7% of total debt. The United Kingdom nevertheless hoped that the Government of India would use the utmost restraint in incurring further commercial credits and inquired whether the Government would contemplate setting up some upper limit. Dr. Patel said that this would impose a very difficult choice because often the projects involved had the highest priority. He stressed that the Government of India was already exercising great restraint and hoped that a solution could be found through increasing project aid on good terms.

19. Mr. Cargill said that from the discussion on debt relief it was clear that the Bank will have to take a new look at the entire debt situation, including the questions raised about external debt on non-concessional terms, and about non-Consortium debt. This will serve to bring up to date the information needed to form judgements about future Consortium aid and other points raised at the meeting.

STATUS OF DEBT RELIEF OFFERS^{1/} FOR 1968/69, AS OF MAY 24, 1968
(US \$ Million Equivalent)

	<u>AMOUNT</u>	<u>TERMS</u>
<u>AUSTRIA</u> ^{2/}	1.4	0.5 grant (by reduction of interest) 0.9 ^{2/} 20 years maturity, including 7 years grace, at 3%
<u>BELGIUM</u>	0.9 ^{3/}	25 years maturity, including 7 years grace, at 3%
<u>CANADA</u>	1.2	0.37 grant (at one-third of total grant of \$1.10 million) 0.83 postponement for 10 years at 6%
<u>FRANCE</u>	5.0	12 years, including 3 years grace, with interest at 3-1/2%
<u>GERMANY</u>	27.5	4.9 grant (by reduction of interest) 8.0 25 years maturity, including 7 years grace, at 3% 14.6 10 years maturity, including 3 years grace, at 3%
<u>ITALY</u>	5.5	12 years maturity, including 3 years grace, at 4%
<u>JAPAN</u>	16.8	12 years maturity, including 3 years grace, at 4%
<u>NETHERLANDS</u>	0.6	grant (by reduction of interest)
<u>UNITED KINGDOM</u>	18.0	25 years maturity, including 7 years grace, zero interest
<u>UNITED STATES</u>	8.7	postponement for 10 years, zero interest
<u>IBRD</u>	15.0	postponement for 10 years, with interest at the rate specified in applicable loan agree- ments
 <u>TOTAL</u>	 <u>100.6</u>	

^{1/} Subject to Governmental approval in some cases.

^{2/} Of which, \$0.44 million, being a principal repayment falling due on July 1, 1968, was pledged during 1967/68.

^{3/} Actually \$933,333 or one-third of \$2.8 million offered for three years.

SPECIAL DEPOSITS

KARNALI

KARNALI RIVER PROJECT

Background

1. The Karnali River is one of the three major rivers in the western part of Nepal. Rising in the Himalayas it drains an area of about 43,000 square kilometers before joining the Ganges in India. It has long been recognized as of enormous potential for hydroelectric power.

2. The Government of Nepal requested assistance from the United Nations Development Programme/Special Fund (UNDP/SF) in 1960 for a survey of the hydroelectric resources of the Karnali River Basin. The UNDP/SF in 1962 decided to sponsor the survey, and the Japanese engineering firm of Nippon Koei (Tokyo) was awarded the contract. Their final report was issued in mid-1966. The Government of Nepal again requested UNDP/SF assistance in evaluating the Report, and this analysis indicated the need for a detailed study of power markets in the period after 1975.

The Project

3. The Nippon Koei Report identified ten technically feasible hydroelectric projects in the Karnali River Basin with a total generating capacity of 6,800 MW and awarded first priority to a high dam project at Chisapani. The Chisapani High Dam would be situated about 30 miles north of the Indian border and would produce power mainly for Indian markets in the states of Uttar Pradesh and Bihar. The power station would have an installed capacity of 1,800 MW (6 x 300 MW generating units) and a firm capacity of 990 MW. The construction period envisaged is 15 years with the first two units coming on stream after ten years and the remaining four after a further five years. Total project costs were estimated at about \$250 million, of which about 50 percent would be in foreign exchange.

4. Besides the staggering cost of the project there are a number of sensitive issues which have resulted in a lengthy pre-appraisal period and which would need careful assessment before the project can be implemented:

- (a) Market for power. The market for the Karnali power is essentially in India; a detailed market survey would be necessary and long-term delivery contracts would have to be agreed upon.
- (b) Alternative sources of power. The cost/benefit ratio of the Karnali project would have to be weighed against that of alternative sources of power in the neighboring Indian states; the alternatives would include coal-fired thermal stations and possibly a nuclear station.

- (c) Rate of return. The internal rate of return of the project was estimated at about 9 - 10 percent on different price assumptions and on Nippon Koei cost estimates (before devaluation). No attempt was made to assess the economic rate of return.
- (d) Debt service. Even though Nepal will have to service heavy foreign exchange borrowing, its earnings from the sale of power to India will presumably be in rupees and some arrangement for conversion would have to be included in intergovernmental sales contracts.

5. All these issues require a clear understanding between Nepal and India and the Bank has therefore advised Nepal that it cannot in any way consider the project until the GOI clarifies its attitude towards the project.

South Asia Department
November 5, 1968

OFFICE MEMORANDUM

TO: Records

DATE: October 15, 1968

FROM: Gregory B. Votaw *gv*SUBJECT: INDIA - Delegation Meeting with Mr. Robert S. McNamara,
October 4, 1968

1. Mr. Morarji Desai (Governor, IBRD/IMF, and Deputy Prime Minister and Finance Minister of India), accompanied by Mr. L. K. Jha (Alternate Governor, IMF, and Governor, Reserve Bank of India), Dr. I.G. Patel (Alternate Governor, IBRD, and Special Secretary, Ministry of Finance), Ambassador S. Jagannathan (Executive Director, IBRD), Mr. S. Guhan (Alternate Executive Director, IBRD) and Mr. C. S. Swaminathan (Joint Secretary, Ministry of Finance) met with Messrs. McNamara and Knapp at 5:00 p.m., October 4. Messrs. Cargill and Votaw were also present.
2. IDA Replenishment - Mr. McNamara reviewed the present bleak prospects for action by the U.S. Congress during its current session. He reported that he had not yet had an opportunity to study the language of the Symington amendment, which called for a transfer of IBRD profits in an annual amount equal to the annual U.S. contribution to IDA. Mr. McNamara himself saw no objection to a large transfer of Bank income to IDA but feared that such a qualification on the U.S. contribution would lead others to say that the U.S. was not fulfilling their pledge and thereby lead to a collapse of the agreement reached by Part I countries in February. Even before the possibility of conditional approval was known, it seemed unlikely that either house would be prepared to vote before the Congress adjourned. Therefore, it seems impossible to predict just when replenishment will become effective and most unlikely that this will occur before the middle of 1969.
3. Canada has proposed that Part I countries consider making their contributions effective without waiting for action by the U.S. Congress. Some countries have responded favorably to this suggestion, and some positive result may come of it before the end of the year. However, the amount of such contributions might not be very large, since the German legislation regarding replenishment explicitly precludes such unilateral action and the Federal Republic would, therefore, have to pass new legislation next year as part of the 1969 budget action. The United Kingdom is unlikely to make its contribution effective unless Germany does so. France does not seem at all sympathetic to the idea of unilateral action in connection with the replenishment.
4. Industrial Imports Financing - In response to a question Mr. McNamara noted that any IDA financing for India would give first priority to industrial imports. He went on to say that he considered IDA firmly committed to the \$125 million credit, discussed by Executive Directors in June, and that in his own planning an additional \$125 million credit would be appropriate before the end of IDA's 1968/69 fiscal year (June 30, 1969). Although in his own mind such commitments should be given the first priority, he could at present see no source of financing likely to provide the full \$250 million by June 30.

5. The Deputy Prime Minister asked why IBRD could not make up for the shortfall in industrial imports financing from IDA. He reminded the President of a long-standing policy that project criteria were the same for the Bank and IDA irrespective of the soft terms on which IDA money was lent and asked why the Bank could not get over its allergy to industrial imports financing of the type which IDA had provided so usefully. Mr. McNamara responded by saying that he had scheduled discussions with Executive Directors to clarify the Bank/IDA position on "program" lending, but emphasized that the opposition was particularly strong to such lending on Bank terms. Dr. Patel asked which members of the Board opposed program lending, stating that India would like to approach governments bilaterally in an effort to "create good will" for a change in Bank policy. The President replied that, so far as he could tell, every one of the capital-exporting countries (except possibly two) and even some of the less developing countries were opposed to "industrial imports" type lending on hard terms. He had found an almost theological conviction on this matter, which would have to be broken down by extended debate, taking each argument and patiently probing its weaknesses. As the conversation continued, it was indicated that the only two major countries which would not oppose "program" financing on Bank terms were the United Kingdom and possibly Canada. The U.S. supported IDA credits to India for industrial imports but only as an exception; they were cool to lending on Bank terms for this purpose but, if necessary, might be persuaded to change their minds. By way of conclusion it was suggested that the question of Bank financing for industrial imports might be taken up again in a few months time after the amount of funds available to IDA this fiscal year had been determined and the Executive Directors had discussed the general question of program lending.

6. Shares - Mr. McNamara pointed out that one misconception which affects the conduct of many aid-givers was one myth that India and Pakistan have received a disproportionate share of aid, and particularly IDA financing, in recent years. The Deputy Prime Minister agreed that this myth was a problem and suggested that India and the Bank work together to get the facts across. In his view this was not a question of justice, but simply the fact that there were needs and opportunities in India which could only be adequately financed with foreign assistance. The Deputy Prime Minister was at pains to say that in his view no one owed India anything. On the other hand India's very small per capita share of international aid should be more widely known. Even the President of the United States seemed to misunderstand the position, since only that afternoon he had stated to Mr. Desai that India was receiving more aid than Pakistan and also too much when compared to the rest of the world. Dr. Patel added that India was most anxious for the Bank and IDA to lend adequate amounts to other developing countries; the Government of India would continue to look forward to a replenishment on a scale which would permit such lending without requiring IDA to miss opportunities for development financing in India.

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7. The Deputy Prime Minister returned to the question of using Bank profits (and reserves) to supplement the funds available to IDA. Mr. McNamara observed that one of his problems was to persuade otherwise knowledgeable men in positions of great leadership that the Bank's \$1.2 billion in reserves was not piled up in the basement but had, in fact, been relent. Both the President and the Deputy Prime Minister agreed that it was correct to argue that the Bank could declare a dividend from its earnings and that larger contributions to IDA from the Bank would be appropriate in future years. Dr. Patel urged that the Bank consider some immediate action along these lines if the United States insisted on the Symington amendment as a condition of activating the replenishment of IDA.

8. Mr. McNamara's Trip to India - The Deputy Prime Minister noted that November was a good time for the McNamara's to visit India and that his Government was most happy to learn that they were planning to spend at least a week in India around the middle of next month. The only complication was a by-election in West Bengal, which had recently been fixed for November 17; if Mr. McNamara wished to visit Calcutta, he should plan to do so after the 17th, since a visit during the election campaign might be deliberately misunderstood by one political faction or another. Mr. McNamara asked if it would not be more convenient for India to postpone his trip until early in 1969. The delegation vigorously opposed such a postponement, pointing out that in January the budget would have to be prepared; furthermore, not one but three by-elections were scheduled for January as well as an annual meeting of the Congress party. Mr. McNamara said he would decide during the coming week on the best dates in November from his point of view.

9. Procurement for Bank-Financed Projects - Reference was made to discussions the delegation had with Mr. Cargill earlier in the week. The delegation repeated India's proposal that items which could be supplied from Indian sources be reserved exclusively for local procurement. Government might be prepared to modify this proposal if the Bank would agree to a level of preference for Indian industries at the prevailing tariff rate up to a limit of 27.5 percent. The Deputy Prime Minister noted that he saw no need to go to world tender for items which could be made completely in India; however, he went on to say that, despite this feeling, the Government would consider using international competitive bidding procedures in projects financed by the Bank Group. The strongest case for global bidding was in connection with items which could only be provided partially from within India (i.e., items of which India was a net importer or for which substantial imports of materials and components were required). The delegation also explained India's concern to develop efficient large-scale production of a wide variety of capital goods, which would require better utilization of capacity than in the past. This could be done only if installed capacity was utilized as fully as possible. This industrialization process would result in an increasing availability of types of goods never before manufactured in India. The delegation also

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noted a strong preference among both private businessmen and Government buyers for items of foreign manufacture; this preference could only be overcome with assistance and prodding from the Central Government. The delegation urged that the Bank consider not only present costs but also the need to establish capacity which would become fully competitive only after some years. Finally, having said all this, the delegation recognized the very great advantages of international competitive bidding and the Bank Group's special responsibility to see that all member countries had a fair chance to bid on equipment and services required for projects financed by the Bank Group.

10. The Bank's representatives explained that, subject to approval by the Executive Directors, they believed the following guidelines would be appropriate:

(a) Procurement for projects to be financed by Bank/IDA in future would be largely on the basis of international competitive bidding; however, the Bank would consider occasional exceptions for individual items proposed by India, and it would also expect in the course of project appraisals to find that some goods and (contracting) services could best be provided on the basis of competition among local contractors and suppliers without going to the expense and trouble of canvassing overseas sources as well.

(b) At the time of negotiating any specific agreement, the method of procurement to be used for each group of items required in the project would be agreed, and there would generally be no further review or adjustment during the implementation of the project. (The Deputy Prime Minister said he recognized that in many cases in recent years such reconsideration had caused substantial and costly delay.)

(c) In the evaluation of bids put to global tender domestic suppliers would be given a preference equal to the prevailing tariff up to a limit of 27.5 percent. It is hoped that over the years as Indian industry became more fully competitive, lower preferences would be acceptable. (The Deputy Prime Minister stated that he would not favor preferences "indefinitely" but saw the need for some protection on the order of 27.5 percent for the next 10 years.)

11. There was no agreement on the procurement question, but India's representatives undertook to discuss the Bank's proposed guidelines with interested parties in New Delhi in order to obtain clarification of the Government's position by the end of October. It was expected that negotiations for the Punjab/Haryana and Tarai projects could go forward, probably before the end of 1968, once the Bank's new thinking had been reviewed by the Government, and that the appraisal for the proposed Mormugao Port project could also be

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started in late November, if the Government's willingness to proceed under the Bank's guidelines was confirmed to the Bank promptly.*

12. Population Control - The delegation asked what Mr. McNamara had in mind for Bank Group financing in the population field and urged that priority be given to financing research. Mr. McNamara replied that he had no very precise program in mind as yet. He agreed that much further scientific work was necessary, especially in the field of reproductive biology, but could not at this time say whether Bank Group financing would be available for such research. The effect of Bank activities in this field would in any case be seen only after five or ten years.

13. Conclusion - It was agreed that many other topics merited discussion and would be taken up during Mr. McNamara's visit in November. The Deputy Prime Minister said he was disturbed by evidences of a widespread belief that India was failing, that there had been no progress and that aid was not used properly. He hoped such negative ideas could be overcome with the help of the Bank under Mr. McNamara's inspired leadership. He then referred to certain parts of Mr. Wood's speech to UNCTAD in February which had seemed to reflect a negative feeling about India and an inadequate appreciation of her democratic institutions. Mr. McNamara replied that the Bank would, of course, continue to help India present its record to the world. He thought there was general agreement that neither the Bank nor the developed world could afford a "failure" in India. The recent success of the agricultural revolution is widely appreciated; moreover, there was much respect for India among informed observers because of her success in peacefully evolving a free, multi-party political system.

cc: Mr. McNamara, Mr. Knapp, Mr. Friedman, Mr. Cargill, New Delhi Office
Mr. S. Jagannathan (Executive Director), Mr. S. Guhan (Alt. Executive Director)

Mr. Goodson, Mr. Street

Messrs. H. Cash, W. Diamond (LFC)

Mr. Cherniavsky (Secretary's)

Wapshans/Demell/Rowe (note esp. paras. 9-11) (Ag. Proj. Dept)

Hedkins/Zaidan (para 12) (Ec. Dept)

Kirk (o/r)

Op. Files

~~GH/otas/rms~~

* These minutes have been delayed in order to compare notes with members of the Indian delegation regarding paragraphs 9-11 and the extent to which there was a real meeting of the minds on the procurement issue. Certain comments which Indian officials had made to staff members earlier during Annual Meeting week suggested that the Minister was prepared to accept the Bank's main point about international competitive bidding; however, the discussion was not at all clear on this point and India's representatives now say the Minister intended to reject the Bank's proposals, pending further discussion when Mr. McNamara visits India in November.

OFFICE MEMORANDUM

TO: Records

DATE: October 30, 1968
(Revised from October 4, 1968)FROM: David A. Dunn SUBJECT: INDIA - Delegation Meeting with Mr. I.P.M. Cargill, October 3, 1968

1. Dr. I. G. Patel (Alternate Governor, IBRD, and Special Secretary, Ministry of Finance) accompanied by Ambassador S. Jagannathan (Executive Director, IBRD), Mr. S. Guhan (Alternate Executive Director, IBRD) and Mr. C. S. Swaminathan (Joint Secretary, Ministry of Finance) met with Mr. I.P.M. Cargill at 11:00 A.M. October 3. Messrs. Goodman, Street, Votaw, Waide and Dunn were also present.

2. McNamara Visit: The meeting began with a brief discussion of Mr. McNamara's proposed visit to India. It was noted by the delegation of India that elections in West Bengal on November 17 might disturb any plans of a visit to Calcutta before that date. Mr. Cargill stated that he would ascertain exact dates for the visit and present Mr. McNamara with some ideas on the itinerary.

3. Industrial Imports Financing: Dr. Patel said that the question of immediate importance for India was its need for financing for industrial imports. Mr. Cargill said that Mr. McNamara had stated that the proposed fifth industrial imports credit was at the top of his list of priorities and would be presented as soon as IDA funds were available. Mr. McNamara also hoped to have a discussion by the Executive Directors, before his visit to India, on the general issue of non-project lending; he felt strongly that non-project lending was an appropriate means of providing development finance for countries such as India and should continue to constitute a significant portion, although preferably not more than half, of the Bank Group's lending to India. Mr. Cargill also said that Mr. McNamara believed that recent discussions by the Executive Directors did not fix 40 percent as an inflexible ceiling for the share of total IDA funds which might go to India.

4. Dr. Patel stated that India was not in a good position to wait until replenishment was effective, unless the United States acted very shortly. On the assumptions that full IDA replenishment would not be accomplished immediately but that the initiative for "accelerated contribution" (being considered by some countries) would give IDA some additional funds for interim operations, India felt a need to receive some industrial imports financing from each of the following three sources:

- a) the "\$130 million" mentioned by Mr. McNamara to Executive Directors in his plan for interim action;
- b) whatever funds were available from "accelerated contributions";

- c) the \$85 million which the Bank had apparently decided was the margin available within its ceiling for lending to India on Bank terms

5. Mr. Cargill replied that there was no possibility of any of the "\$130 million" going to India for Industrial Imports, as those funds were already over-allocated. As for some Bank lending being for non-project uses, he noted that the Bank staff had suggested this as a possibility, but that it had not been accepted by Mr. McNamara.

6. Dr. Patel said that India had to view the situation as being very serious, since the "accelerated contribution" scheme, even if it materialized, was unlikely to do so quickly. Moreover, India finds it difficult to understand why some Bank lending cannot be for industrial imports, since the Bank's "project criteria" are the same as IDA's, and IDA had decided that industrial imports lending had high priority. The position would be even more hard to accept in the context of Mr. McNamara's statements about expanding the Bank's total lending operations throughout the world. Mr. Cargill said he thought the Finance Minister should place this argument before Mr. McNamara during their meeting on October 4.

7. Procurement: Mr. Cargill said further that he thought the procurement issue was another question which should be given emphasis in Mr. McNamara's meeting with Mr. Desai. The Bank was very reluctant to allow domestic reservation, which could protect inefficient industries, but we were prepared to be more lenient than in the past about the degree of preference to be accorded to domestic suppliers. Specifically in the case of India, the Bank would probably accept a level of preference equal to existing tariff rates up to a maximum of 27.5 percent. The Bank already had indicated to India that it would not object to a procedure whereby the GOI would offer indigenous suppliers some or all of the benefits and incentives available to exporters, as is done in a number of other borrowing countries. If an Indian supplier won a contract submitted to international competitive bidding, then the Bank would of course still be willing to finance in foreign exchange the resulting local currency expenditures.

8. A question was raised about future prospects for financing projects such as railways (where the Bank financed the foreign exchange components of time sections of a continuous program) and telecommunications (where the Bank had accepted local procurement and financed the foreign exchange component). It was noted that there was a distinction between procurement in such projects, and procurement for more "normal" projects like a port or a power station. Mr. Cargill said that the Bank would continue to accept procurement restricted to local suppliers when international competitive bidding was impractical or inappropriate, and to finance such procurement as it had in the past. The problem was with contracts which feasibly could be placed either domestically or internationally; for such contracts the

Bank would find it difficult to accept local reservation, but might be persuaded to do so as an exception in certain cases. In cases where the Bank accepted local reserved procurement, even though it felt this was not in the best interests of the project, the Bank would nevertheless not finance the items involved - and when the Bank felt local reservation would jeopardize the success of the project or was otherwise unacceptable, and India insisted on reservation, then the Bank would not be able to finance any part of the project. Mr. Cargill further noted that in future it would be necessary to agree on procurement procedures for all items in advance, and not to allow reconsideration after signature of a loan or credit.

9. Fertilizer: Mr. Cargill reported that recent Bank and IFC staff studies of the Indian fertilizer industry indicated that domestic capacity would be inadequate to meet demand for at least another four years, and that as a result \$200 - \$300 million equivalent in foreign exchange would be required annually to meet import requirements.

10. IISCO: Dr. Patel and Mr. Cargill discussed the problem of IISCO's financial situation and debt servicing problem. Mr. Cargill said he had told Sir Biren Mookerjee that the Bank could consider rescheduling the IISCO loans, but only if GOI had also agreed to reschedule its loans to IISCO. Dr. Patel reported that, after some delay, IISCO had approached the government regarding a rescheduling. As far as GOI is concerned, the problem is complicated by the fact that it had already rescheduled IISCO's debts, that this would be the second rescheduling, and that there might be pressure to convert the government's loan to equity if a rescheduling proposal came before parliament. Moreover, the GOI doubted that rescheduling could solve IISCO's financial difficulties. It was agreed that the IISCO question should be discussed further in New Delhi when the Bank/IFC team visited later this year.

11. Management: Dr. Patel indicated that GOI experienced some problems with regard to the Bank's requirements regarding management for its projects, and also with regard to the Bank's frequent recommendations for the employment of foreign consultants. Mr. Cargill replied that while the Bank could not relax its standards for management and technical services, the Bank was well aware of difficulties this could cause in India. At the same time it was important for finance officials to make clear to their colleagues in other branches of government that the Bank had not sought and would not in future seek to name particular men to posts or to second-guess decisions of responsible Indian managers and their consultants. Mr. Cargill felt that the Bank's desire to be assured on these matters could in future be phrased so as to accommodate India's feelings. Mr. Votaw added that if the Bank were not satisfied regarding arrangements for management, it could not lend to a project; our willingness to lend was in part an expression of confidence in project management and it was precisely for this reason that we had to be kept informed of important changes.

Mr. McNamara - to see please.
7/20

OFFICE MEMORANDUM

TO: Records

DATE: August 20, 1968

FROM: Raymond J. Goodman *RJG*SUBJECT: Visit of Mr. G. D. Birla

Mr. Birla called yesterday on Mr. McNamara, accompanied by Mr. Lloyd Cutler, his Washington attorney. Mr. Knapp and I were also present.

The talk was entirely on the economic and political situation in India, and Mr. Birla did not raise any matters concerning Bank or IFC operations. He was full of gloom about the weakness of the Central Government and its inability to take decisions, and about the spread of corruption in high places. However, he commented favorably on the political stability in the country at large, and said that he thought the forthcoming elections in the three States now under President's Rule would turn out right. He said that the recent attack on the Deputy Prime Minister in the Indian Parliament over the business relations of his son had severely damaged Morarji Desai's standing, but that the latter's political support was still strong enough to prevent any attempt to oust him from the Cabinet.

On the economic situation, Mr. Birla confirmed the encouraging developments in agriculture and said that the food problem was well on the way to being solved. On the other hand, he seemed undecided as to whether the expected upturn in other sectors of the economy had yet taken place. In general, he thought that the private sector was in good shape, although he kept referring to the difficulty in getting decisions out of Government, particularly in the matter of industrial licenses.

He said he had advised the Government to let Tata go ahead with their fertilizer project.

cc: Mr. McNamara
Mr. Cargill
Mr. Hassan

OFFICE MEMORANDUM

George
x/51.1.
x/IDA Rep
cc. J. W. ...
J. d. ...

TO: Files

DATE: May 29, 1968

FROM: Gregory B. Votaw *GV*CONFIDENTIALSUBJECT: INDIA - Meeting of Dr. I.G. Patel with Mr. McNamara, May 22, 1968

1. Dr. I. G. Patel, Special Secretary to Government of India in the Ministry of Finance, called on Mr. McNamara on May 22. He was accompanied by Messrs. L. K. Jha, Governor of the Reserve Bank of India, C. S. Swaminathan, Joint Secretary in the Ministry of Finance, S. Jagannathan, Executive Director, and S. Guhan, Alternate Executive Director. Dr. Patel and his colleagues (with the exception of Jha) constituted India's delegation to the consortium meeting May 23 and 24. Messrs. Knapp, Cargill, and Votaw also attended the meeting.

2. Dr. Patel opened the meeting by conveying the gratitude of his minister, Mr. Morarji Desai, for Mr. McNamara's proposal in connection with the proposed fifth industrial imports credit (letter of May 2, 1968). Mr. McNamara responded by saying that he well understood the need for continuity in support of India's development program and was quite prepared to recommend this unusual action to the Directors of IDA in view of the exceptional circumstances. He went on to say that the replenishment itself is a terrible problem, particularly in view of the present mood in the United States Congress. Dr. Patel said that on the way to Washington he had stopped in Bonn and London, and that Mr. Jha had spoken with Mr. Rene Larre in Paris; from these discussions India had the impression that at least those three major contributors to IDA were prepared to support a recommendation from IDA's President regarding retroactive disbursement under the proposed new credit.

51.1.
cc. J. d. ...

3. IDA Shares. It was explained that India's share under the second replenishment would have to be less than in the past, when India alone received roughly 50 percent and the subcontinent as a whole about 70 percent of all IDA commitments. In discussions preceding the replenishment agreement many Part I countries had insisted on this redistribution of shares. Similarly, many countries would support large transfer of Bank profits to IDA only on the condition that India's share of IDA lending be reduced. This year prospects for a substantial transfer from the Bank were good, but this would not be known for certain until the Annual Meeting in September. Dr. Patel noted that the Government of India understood the reasons for these limitations but could not plan its own affairs properly if it was obliged to stand at the end of the queue or to move in parallel with the slowest of IDA's other borrowers. India, of course, would support a substantial transfer of Bank profits to IDA in recognition of the fact that many developing countries require finance on IDA terms.

4. Eastern Waters. Mr. McNamara described the Bank's very serious concern regarding the proper exploitation of waters in the eastern part of the sub-continent, which were shared by India and Pakistan. Investments proposed on both sides of the border would affect both countries and

would therefore require cooperation between India and Pakistan. The Bank is of the view that technicians could not be expected to make much headway in so highly a political matter without proper guidance from national leaders. He felt that efforts toward cooperation would succeed only if given effective leadership by Mrs. Gandhi and President Ayub. He asked Dr. Patel to mention this concern to the Prime Minister when he returned to India. Mr. McNamara went on to say that the Bank Group would be prepared to participate in discussions and in financing of developments on both sides when and if the concerned Governments requested such assistance. Dr. Patel reported that technical discussions had begun on May 13. Mr. McNamara asked that the results of these discussions be communicated to the Bank as soon as possible.

5. Dr. Patel outlined India's broad approach toward improving relations with Pakistan. He noted that his Government wishes economic cooperation with Pakistan not only for its own sake but also as a step toward understanding and good-will on the larger issues. It is for this reason that India prefers bilateral talks, believing that these are the most promising way to build good will. India feels that, if there is a third party in such discussions, one of the principals may appeal to the outsider and, in the end, ill-will may be greater than when talks proceed, however slowly, on a bilateral basis. A stage may come when it would be useful for the Bank or some other outside party to join talks concerning the use of Eastern rivers, but this stage has not been reached as yet. India's experience since Tashkent suggests that Pakistan will talk seriously only when she wants some particular concession (e.g. the right to overfly India) or when such talks can be used to stop or delay an important development on the Indian side of the frontier.

6. Mr. McNamara noted that some of these economic problems have to be solved constructively (and fairly quickly) if the subcontinent is to continue to receive large scale financing and other development resources from the outside world. The Bank Group simply cannot invest in irrigation facilities for East Pakistan if India is in a position to cut off the water on which these facilities depend. From the Bank's point of view the most urgent need is a technical study, undertaken by a competent outside party, which would not take sides as between India and Pakistan, but would suggest the most economic means of developing water resources for the entire region. If India and Pakistan could agree that such a technical study is needed, then we could all start time working in favor of a satisfactory solution. Dr. Patel indicated that this is precisely the objective India had in mind for the technical talks, which had just started. Mr. McNamara then observed that friends of both India and Pakistan would be very pleased if the technical talks made progress, but he repeated the view that such talks could not be expected to succeed unless they were supported at the highest levels in both governments. The Bank management had no doubt about India's need for external resources or its ability to make good use of them, but aid-giving governments had made it clear that they would not continue to provide capital in the amount required on the subcontinent unless cooperation between the two governments increased.

7. L. K. Jha recollected India's experience immediately following the Tashkent Agreement. At Tashkent it was understood that the two governments would work together on a number of technical and economic issues, but subsequently, every effort India made to initiate such a dialogue had been frustrated by Pakistan. The Government of India then tried a unilateral approach by restoring trade and releasing captured property; there had been no response by Pakistan. Mr. Jha also emphasized the present attitude of the Indian public toward foreign aid; in his view, the Bank should bear in mind the fact that any minister who was thought to have taken a political decision simply to ensure a continued inflow of aid would be criticized severely by all parties. He noted that it would be most damaging domestically if it were known that the continuation of aid (or even the hope for a higher level of aid) was somehow linked to a settlement with Pakistan. Nothing could be more damaging to the chances of such a settlement within India than linking it in any way to aid. In the Congress Party, and in most other political parties, there was much good-will for Pakistan. Nevertheless, if moves toward the settlement of various issues were attributed to third party pressure or "begging for aid," such good-will might well go underground. India ministers and officials understood the concern for such a settlement among her friends abroad, but if this concern ever showed itself as outside pressure, the chances of settlement would be reduced, and perhaps lost. An agreement, to be effective, had to emerge in Pindi or Delhi, not in Washington. Particularly, on so vital an issue as the Eastern Waters, a viable settlement required, inter alia, strong popular support; the means chosen by India's friends to encourage such a settlement should not in any way risk prejudicing public opinion against the settlement itself.

8. Mr. McNamara said he understood the political dimension of these problems all too clearly. The interest of the Bank, and of all other friends of India and Pakistan, was the welfare of 175 million people living in the region, not aid. No one in the Bank, certainly not Mr. McNamara, would believe that India would settle an issue with Pakistan, or any other kind of issue, just to obtain aid. Dr. Patel said he was grateful for the Bank's understanding and had reviewed India's point of view frankly and candidly so as to be doubly sure that there would be no misunderstanding. He also observed that the chances for settlement of the Eastern Waters question were particularly promising, because of the popular desire in India to help the people of East Pakistan; there was much sympathy across the Eastern border which had so far been spared the hatred and bitterness found elsewhere as a result of the partition experience and the Kashmir issue.

9. Mr. McNamara asked if there had been any report yet on the technical discussions which started ten days earlier. The Indian delegation had no specific news of progress but understood that agreement had been reached to allow technical teams to examine work going forward on either side. Mr. McNamara observed that, approached at this modest pace, it seemed unlikely that a problem of such magnitude could be solved.

10. Future Activities of the Bank Group. The Indian delegation asked Mr. McNamara what plans he had for the World Bank group. Mr. McNamara said it was too early to have any very specific proposals in mind. He was anxious to look at least five years ahead. In this connection the Bank staff had undertaken an exercise to estimate the needs of the less developed nations; and on the basis of these estimates, the Bank would then have to consider how to adjust its staffing pattern, policies, and fund-raising activities so as to best serve those needs. He believes that the Bank had been wise to begin investing in agriculture and education a few years back but that the rates of such investment were far too low. There seemed to be a far higher ratio of technical-review-per-dollar-lent in those fields than in some others. It seemed that there would be satisfactory returns on some higher level of expenditure in education, but just what that level was, no one yet knows. Perhaps new technologies (e.g. the use of satellites and television) would offer new opportunities, but this was still to be determined.

11. Dr. Patel noted that his government was considering how new media might be important in India's agricultural program. The experience of recent years offered clear proof that many Indian farmers were interested in raising their incomes; as inputs became more abundantly available, the use of mass channels of communication might be necessary to reach farmers in more remote villages. Dr. Patel also noted the importance of proper communications in the family planning field and reviewed briefly the progress of that program in recent years. (A similar report of these developments was included in Dr. Patel's statement to the consortium the following day.)

12. Visit to India. In concluding the meeting, Dr. Patel conveyed the Deputy Prime Minister's invitation to Mr. and Mrs. McNamara to visit India as soon as possible. Mr. McNamara said that he was very anxious to do this and very grateful for the minister's invitation, but he could not at this time suggest a date. He assured Dr. Patel that he wanted to go soon and that he would rearrange other commitments to come immediately if India and Pakistan were to report progress toward a settlement of the Eastern Waters question; but in any case, he was looking forward to an early visit to India, because he knew that only by visiting the country could he hope to understand the Bank's largest client.

cc: Mr. R. S. McNamara (2)
Mr. Cargill
Delhi office

GVotaw:sao
IBRD/IDA