INDIAN PL 480 TITLE II
PROGRAM ASSESSMENT

STRATEGY REVIEW

November 1984

INDIAN PL 480 PROGRAM ASSESSMENT

TABLE OF CONTENTS

FOREWARD

The Review Team approached its tasks following the guidance contained in State cable 311611. The primary purpose was to define options for the USAID which the USAID could then use in preparing its CDSS for 1986 through 1990.

The Team's arrival followed the tragic assassination of Prime Minister Indira Gandhi and preceded the parliamentary election to be completed on December 24th. At this time during which internal adjustments were taking place, the Team was advised that proposals affecting the total levels of USAID PL 480 programming would be inappropriate. Under the circumstances, the Team adopted a neutral position with respect to the size and composition of the program in India.

The Team reviewed a number of programmatic and evaluative documents and interviewed key officials and administrators within the Embassy, the USAID, the Indian central and state governments, U.S. Voluntary Agencies, International Organizations and recipients of services.

The report is organized to present specific options for operational programs within each recipient organization. These options in most instances address the following issues:

- The rate at which Title II programs could be reduced
- The alternative resources capable of compensating for reductions.
- The impact of reductions or substitutions on the institutions involved.
- The substitutability of commodities within each operational program.

SUMMARY REPORT

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GENERAL

The programming of PL 480 and Title II resources within India is uncertain. The most immediate reason is the high and increasing demand placed on available resources to meet the famines in Africa. The case of Ethiopia is the most obvious example, although other nations are also being affected.

A second reason that introduces uncertainty is the recognized need within the leadership of the U.S. - both Executive as well as Congressional - to reduce the federal deficit. A major effort is underway to cut federal expenditures and, while the political impact on PL 480 is not known, it would appear that the USDA budget in general will be reduced.

A third reason is the success of Indian agriculture in meeting its internal needs for food grain and establishing a level of stocks to cover in part the risks of lower production levels of future harvests. In actual fact, a shortage of storage capacity has developed in the face of this year's favorable harvest. As a result, India has sought to relieve the pressure on storage capacity by entertaining grain sales to the Soviet Union. The current surplus is also allowing India to offer to contribute wheat to meet Ethiopian needs.

The generally favorable picture for India on agriculture is not, however, carried through in two important commodities, namely pulses and sources of vegetable oil. The former is probably the main source of protein in the Indian diet, particularly of the poor. The latter contributes substantially to the caloric requirements of the diet, especially in nutrition programs. In combination (food grain and pulses) a net reduction in food availability per capita is reflected in the data.

The volume of food commodity assistance extended to meet India's needs disappears in significance given the size and magnitude of India's population and its developmental needs. Nevertheless, with suitable concentration and selectivity, significant influence can be obtained to affect aspects of India's development plan. With this objective in mind, the USAID has worked successfully to convert the character of its PL 480 program from one addressing short-term emergency needs to longer term development objectives. The rationale for the current program in MCH, FFW and SF stress the developmental impact of food with varying degrees of success. Through advocacy and demonstration, the current PL 480 program has influenced and supported efforts by the central and state governments to meet the requirements for health, nutrition and income of targeted groups within India. Evidence of this achievement is clearly seen through the receptivity and ease of access that most voluntary agencies have acquired at all levels of government through their long presence in India administering human service programs. This institutional presence of U.S. voluntary agencies in country represents a significant achievement and resource that should be weighed in reviewing decisions relative to PL 480.

Clearly, the visible and extensive evidence of PL 480 resouces throughout India also results on a symbolic presence out of proportion to its relative weight in the Indian economy. PL 480 programs, particularly in South India, are visible and useful contributions to official relations with the central and state governments as well as the public.

PRIORITIES

On the assumption that Title II levels of assistance were to be reduced, the priorities at the USAID would follow those contained in AID guidance. Essentially, reductions would occur in School Feeding (SF), Food for Work (FFW) and Maternal and Child Health programs (MCH) in that order of priority.*

Faced with reduced budgets, CARE priority reductions would probably parallel those of the USAID. Essentially, CARE would trim back school feeding and concentrate funding on the ICDS/MCH programs.

The response of CRS to potential cuts would likely be different from those of the USAID or CARE if choices were available to them. It would be to CRS' interests to retain school feeding and reduce Food for Work. This choice responds to the interests of the various Dioceses in which CRS operates. The Bishops would want to continue the popular noonday feeding of students in order to remain at a par with the public sector where noonday meals are continuing to be supported by public funds. (In part, this preference also responds to the fact that SF is very small in comparison to FFW.) This choice would be made despite the remarkable success that food for work programs are having in the CRS program. As in the case of CARE, MCH activity would not be reduced if at all practicable.

ALTERNATIVE FUNDING SOURCES

Should the availability of PL 480 Title II resources be reduced, a strategy for maintaining assistance levels through alternative

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* The project characteristics and funding commitments implicit in the CLUSA cooperative development program call for continued funding up to planned levels. As a result, it does not lend itself to prioritization so long as its complementation is satisfactory.

programming sources needs to be explored. These alternatives include Title III, Section 416 as well as DA funding. A discussion of these alternatives in each existing program is presented in subsequent sections of this report. In general, however a number of considerations arise.

Title III

The transference of PL 480 assistance from Title II to Title III changes the relationship of programs from aid through the VolAgs. to aid through Government. Under these conditions, the role of VolAgscomes under question. The commodity control and distribution under current Title II uses could shift from the VolAgs to the Government of India. The residual role of VolAgs would have to be evaluated to determine its continuing need. If warranted, dollar resources to cover volag operations would probably have to be provided.

A second consideration in such a shift to Title III is the agreement of the Government of India to such a change. Soundings taken by the Team indicate a disinclination to such a change on one end to a virtual rejection of Title III on the other.

A third consideration is the response of the VolAgs to such a shift. While there is no firm position taken by VolAgs should such an event occur, clearly the viability of VolAg operations would be tested.

Section 416

The use of Section 416 as an alternative to Title II is clearly possible. Approximately 30 percent of current Title II could be substituted by butter oil and, under certain conditions, an additional 40 percent could be covered by the funding of wheat and wheat based products.

In order, however, for Section 416 to be seriously considered in out year programming, it is important that its access and reliability in terms of time and specific commodities be worked out in Washington. If pressure on Title II availabilities require the USAID to reduce its use of Title II resources, Section 416 would be the most practicable alternative source of support, provided it was forthcoming on a multi-year basis. Its utility is further enhanced by the fact that it could be channeled through VolAgs as is Title II, thus requiring no change in existing institutional relationships.

D.A. Resources

D.A. resources are currently being used to support operations of CLUSA through Operational Program Grants (OPGs). If programs drawing on PL 480 are reduced or removed from VolAg direct management in India, D.A. funds could be used with Government approval to maintain the presence of VolAgs and to undertake residual or newly emerging requirements of programs. Management, monitoring, technical assistance and training may continue to be priority requirements. AID funding support may well be warranted. Alternatively AID/W grants to central VolAg programs could allow VolAgs to support its India organization on its own.

From a programmatic perspective, the D.A. substitution for PL 480 resources may compare favorably with other D.A. funded operations. For example, the CLUSA oilseed project currently supported by PL 480 may be competitive as a developmental activity and draw on D.A. funds. While both USAID and NDDB have expressed reservations on devoting and accepting large amounts of resources, respectively, for this activity, there may be aspects of the program where programming D.A. may permit better mission leverage over the project.

Rates of Reduction

Assuming a hypothetical requirement to reduce programs, the question over the speed of such reductions arises. Reduction rates over 5, 10 and 20 years were considered.

School Feeding

A general reduction of school feeding has already been undertaken. The CARE-supported program will have been reduced by 50 percent in dollar terms by the end of FY 1986. This rate represents a phase out in about 10 years. If this rate of reduction were continued, the existing program would be completely phased out within 5 years.

Food for Work

The food for work programs have the characteristic of being the most collapsible of the PL 480 programs. In general, the small projects undertaken by this USAID program are completed within a year. The critical factor affecting the total reduction is the impact on the institutional structure set up to administer the FFW program, or to handle disaster relief should such conditions arise in the future. A phaseout pattern within a 5 year framework or sooner appears practicable.

Maternal and Child Health

This activity appears to be the one that is most resistant to reduction both in operational terms as well as in priority. A

Note: In any phaseout pattern, the validity of the residual program comes into question. Phase out may occur prior to the last year because the size of the residual program no longer justifies its continuance.

substantial amount of institutional commitment by all parties concerned appears to be evident. Nevertheless, if faced with the need to program a phase out, the USAID could consider a 10 to 20 year period to allow for an orderly transition.

Changes in Commodity Composition

A number of commodity changes can be incorporated in the current activities pursued under PL 480:

- If butter oil were made available under Section 416, the vegetable oil currently provided under Title II could be substituted.

- If wheat and/or wheat-based products were made available under Section 416, Title II bulgur and wheat could be substituted.

- A substitution of Fortified Bulgur Wheat for a portion of the CSM could be considered in Child Feeding programs. However, this substitution does not fully address the nutritional requirements of the 0 to 36 month infants. Such change would require that domestically produced alternatives be developed or used.

Beneficiary Levels

With any resource reductions, beneficiary levels would be reduced if all program factors were held constant. When presented with this problem, the VolAgs raised a number of options that they would consider in order to maintain beneficiary levels;

- PL 480 daily rations could be reduced in those programs that receive support from other sources, e.g. central and/or state budgetary support. The reductions would hopefully be assumed by these alternative funding and domestic supply sources. It is also possible that the incentive of a mid-day meal for attendance might be maintained with a lower daily ration.

- Under the same operating circumstances cited above, the number of feeding days supported by PL 480 could be reduced. Such a change would place a larger call on Government or VolAg resources to cover actual PL 480 reductions.

- Improved targeting and resource utilization could be obtained within MCH programs. The incentive of supplementary food as a mechanism for attracting mothers to the clinics could be met with reduced levels of assistance through a scheduled "graduation" of recipients as well as villages. Indications are that substantial savings can be obtained according to unpublished findings of the MCH program currently funded by the World Bank.

Program Support from Indian Sources

In discussions with Indian Government officials, the general impression was that while PL 480 assistance was useful and appreciated, should reductions in support levels occur, domestic resources would continue to be forthcoming. Given the high priority to the MCH/ICDS program by both central and state governments as well as constituency pressures to sustain and expand health and educational nutritional services, efforts to compensate for reduced external support would be likely. An extract from the Report of the High Level Committee on Social Infrastructure and Services prepared by the State Planning Board of Kerala for consideration by the State Government is instructive:

> "The basic weakness of the nutrition programmes in the State is that they are essentially food supplementation schemes. As reiterated by the Planning Commission from time to time mere supply of free or subsidised food without increasing food production and income levels will not make a perceptible dent on the nutrition status of the vulnerable groups. Further, a programme dependent on food aids from outside does not seem to be a viable or desirable option. The manner of implementation of these programmes through a multiplicity of Government departments, overlapping of target groups also leaves very much to be desired."

This view is not official policy of either Kerala or the Government of India. Differing positions would be taken from the perspective of each Agency involved. It does, however, define a position that comes into play in the formulation of policies for operating programs.

At the private level, CRS has encouraged recipients to make a nominal contribution for services received by the people participating in their integrated health nutrition and community development program. This contribution of about 1 to 2 rupees currently covers approximately 10 to 15 percent of operating costs. Approximately $150,000 a year is currently being raised by this mechanism. While small in size, it nevertheless indicates a willingness of the people of even humble means to contribute to the services they consider worthwhile. On the other hand, it appears to be GOI policy in implementing its nutrition programs not to consider recipient contributions.

SUMMARY

Clearly, options to reduce Title II and substitute such reductions from other sources are present. It is also possible to phase down current programs being supported by PL 480 Title II. It is also possible to shift the use of PL 480 resources to other developmental activity drawing on resources made available through program reductions or through requests for additional resources under Title III.

The combination of changes, shifts or substitutions require the programmatic judgments of the USAID. Such an exercise will be undertaken as part of the 1986-1990 CDSS exercise. The USAID will need specific guidance from Washington on the magnitude of resources it can reasonably expect in the coming years. While informal signals have been received indicating a need to reduce Title II to levels equivalent to $75.0 million by 1990 with possible substitutions by Title III, no formal guidance has been forthcoming.

Barring such formal guidance, the USAID may be best served by maximizing the reductions of Title II conditioned where practicable on the availability of reliable alternative sources of continuing support. The results of the Team's review indicates that such shifts are practicable with the support and agreement of the agencies jointly approving and allocating PL 480 and related resources.

EXECUTIVE SUMMARY

Purpose

This section (a) provides information on the objectives and design of the CARE-assisted, Title II-supported Maternal and Child Health (MCH) and School Feeding (SF) programs; (b) sets forth the rationales for these programs; (c) identifies alternative programming options (including the substitution of Title II, Section 416, Development Assistance (D.A.) and other Title II resources) if reductions were required in Title II levels; and (d) analyzes the advantages and disadvantages of each option.

U.S. Assistance for FY 85, A.I.D. will provide approximately $40.4 million and 110554.3 MT commodities to 441.2 beneficiaries of the CARE-assisted Maternal and Child Health program. The commodities are bulgar, corn/soy/milk (CSM), and vegoil. Also for FY 85, A.I.D. will provide approximately $25.5 million and 85015.4 MT of commodities to 5858.0 recipients of the CARE-assisted School Feeding. The commodities are: CSM, bulgar, rice and vegoil.

Findings

The major findings of this review are summarized below. These findings should be taken into consideration when deciding upon the options presented in this section.

1. The Government of India (GOI) and state governments have, over the past 3-4 years, increased substantially their financial support to the Integrated Child Development Services (ICDS) program. These outlays are to more than double during the 7th Five Year Plan (1986-1990) to $1.25 billion with the addition of 2,000 new blocks or 200,000 ICDS centers.

2. The GOI schedule for upgrading the Special Nutrition Program (SNP) to the ICDS during the 1985-1990 period has been set forth in the 7th Five Year Plan. Based on GOI and state government performance during the 6th Five Year Plan, (1981-1985), the schedule appears feasible and achievable. During the 6th Five Year Plan, state governments, using their own resources, exceeded the program target of 1,000 blocks by setting up ICDS programs in an additional 100 blocks.

3. The Government of India and state governments have, over the past 3-4 years, also considerably increased their support to the Mid-Day Meal (MDM) Program in the areas of food costs, operations and personnel.

4. The Mid-Day Meal Program has a very high priority in several states. Specifically, the governments of Gujarat, Tamil Nadu, Andra Pradesh, Bihar and Assam have already undertaken such programs on their own or have announced their intention to do so and, in the case of Tamil Nadu, the State Government is running the MDM program with limited Title II-assistance from CARE.

5. Given strong central and state government commitment to ICDs and SF, U.S. Title II resources are being used in ways which contribute to institution-building and human resource development in India.

6. The expertise of CARE, especially in the areas of infrastructure development and management, but also in other areas, is highly valued by the GOI and state governments. Over the past decade, CARE and state governments have made major improvements in program infrastructure, warehouse, day care center, and food processing plant construction at the provision of material for nutrition education.

Proposed Policy Modifications

The original Scope of Work for the India food aid assessment, prepared in October, 1984, included a directive that the team examine the possibility of substituting Section 416 resources for Title II. After the assessment was completed, the United States Department of Agriculture, on December 27, 1984, circulated new proposed guidelines governing the use of wheat under Section 416. The proposed guidelines state, "All approvals of program requests for wheat will depend upon assurances that furnishing wheat will be additional to and not in lieu of, other programs of bilateral or multilateral assistance." If approved, these new guidelines might nullify the Section 416 wheat and bulgar wheat options discussed in the following pages. Nevertheless, since these guidelines have not yet been approved, the team did not modify the original analysis of these options.

Recommendations

Whatever programming options are selected, it is recommended that USAID work with the 601 and other donors to develop a long-term strategy for the ICAS program. The objective would be to set forth ways to use Title II and other resources to achieve program self-sufficiency over a specified time frame, possibly 10-15 years. A framework for the strategy might be outlined during 1985 CDSS reviews and program week. The 1985 ICDS evaluation might provide an additional opportunity to examine potential elements of the strategy.

Potential elements of the strategy might include:

- the use of Title III local currency proceeds or D.A. to establish a national weaning and ready-to-eat food processing capability;

- A plan for phasing indigenous commodities into Title II commodities out of an increasingly indigenous weaning food, as is being done with Thriposha in Sri Lanka;

- The development of home and village capacities to produce weaning foods based on products available in local markets;

- Additional assistance for increasing oil seed, soybean and maize production, important elements in weaning foods;

- Monitoring the results of ten food-intensive approaches to nutrition intervention and applying these results on a pilot basis if potentially useful.

SCHOOL FEEDING AND MATERNAL AND CHILD HEALTH OPTIONS

M. NORTON, C. SYKES, D. NELSON

INTRODUCTION

In the following pages, the GOI Maternal and Child Health and School Feeding programs assisted by CARE are examined. Programming options are presented and analyzed. Before discussing these programs in greater detail and presenting programming options, however, the rationale for U.S. support to these programs is presented briefly below, as specified in the scope of work for this assessment.

Humanitarian Rationale. The question is frequently asked, what is the rationale for food assistance to India, given that food grain production in 1983/84 reached 150.6 million tons? This exceeded the government target of 142 million tons and contributed to the establishment of a food reserve of 22 million tons.

Citing overall production figures fails to take into account India's population growth. Wheat is the only grain for which per capita availability increased between 1961 and 1983. For all other grains such as rice, pulses, and coarse grains, production declined and thus per capita availability decreased as shown below. These grains are less expensive than wheat and therefore have traditionally been consumed by the poor. Thus, overall foodgrain availability per capita declined over the past twenty years from 171.1 to 158.5 kg per year.

Per Capita Availability (in kgs. per year)

	Wheat	Rice	Pulses	Coarse Grains	Total
1961	28.9	73.4	25.2	43.6	171.1
1983	52.5	61.0	14.6	30.4	158.5

Second, and equally important, despite the progress in wheat production, about 45 percent of the population is below the poverty line and therefore cannot afford to buy wheat as a regular part of their diet. (The per capita GNP is 248 dollars. In urban areas this means an income below 132 dollars and in rural areas below 114 dollars.)

Finally, analyses conducted by the National Institute of Nutrition (NIN) of various surveys from 1955 through 1980 clearly indicate that there has been very little change in nutritional status of low income groups in India during this time period. Most importantly, there has been no significant improvement in the overall nutritional status of children ages 1-5. In 1976, 49 percent of this age group were moderately or severely malnourished, and in 1979, 43 percent.

Thus, the humanitarian rationale is this: about 300 million people (30 percent of the population of the 34 lowest income countries of the world)[1] subsist on diets 12-22 and over 40 percent of children are moderately to severely malnourished.

Development Rationale. The GOI and the state governments are highly committed to building strong and effective MCH and school feeding programs which address the nutrition, health and educational needs of infants, children and mothers. The GOI budgetary outlays for these programs have increased dramatically in recent years. These trends are expected to continue during the seventh Five Year Plan. More detailed information is presented in the pages that follow. This provides clear evidence that U.S. Title II food assistance is contributing to the growth of viable institutions and the development of India's human resources.

Economic Rationale. Economic analyses undertaken for the design of the ICDS project conclude that a minimum return of 10 percent on the project investment can be achieved. Given the cost per malnutrition case averted through 1989 at $202, those who avoid malnutrition would have to demonstrate a productivity increase of 15-33 percent, depending on the assumptions used, to achieve a 10 percent return on the investment. The existing literature does demonstrate a synergism between health, nutrition, and educational performance and attainment. It suggests that increases in lifetime earnings as a function of less malnutrition and more education are of a magnitude well within the human productivity increase required to return 10 percent on the investment for the ICDS project at its proposed cost.[2]

In considering options and programming choices, the Mission may wish to think in terms of a longer-term food aid strategy for contributing to the self-sufficiency and sustainability of the ICDS program. The development of such a strategy would help ensure that U.S. food assistance continues to be used in a way which contributes to: (a) an increasingly self-sufficient nutrition intervention which could be sustained as U.S. assistance is withdrawn; and (b) institution building and human resource development in the areas of nutrition and health. (This is discussed in greater detail under options 4 and 5.) With respect to making the most effective use of both Title II and D.A. resources, the Mission might consider closely monitoring the results of the World Bank Tamil Nadu Nutrition Project, the DANIDA Project in Tamil Nadu and Madya Pradesh, and its own AID-assisted ICDS Project to determine if less food intensive approaches (discussed in more detail below) can be employed to meet

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1 World Development Report, The World Bank, 1984

2/ India, Integrated Child Development Services Project Paper, USAID/India, June, 1983, Economic Analysis, pp 70-71 and Annex 15.

the overall nutritional and health objectives of the program. Discreet application of D.A. resources to promote village and regional level processing of nutritionally appropriate locally produced foods was raised by the team in discussions with both Indian government officials and external aid agency representatives. In this regard, it may be useful to review the original World Bank Nutrition Project Proposal for Tamil Nadu It is our understanding that this original proposal had a strong, well researched food processing component which may deserve reconsideration.

The ICDS Program. This section provides background material on and proposes programming options for the GOI MCH program. This program is supported by CARE with PL 480 Title II commodities. The overall GOI MCH program has been the process of being upgraded since 1974-1975. The Five Year Plan GOI MCH program, called the Special Nutrition Program (SNP), emphasized feeding only. The upgraded program is called the Integrated Child Development Services (ICDS) program. It is an integrated program of health, nutrition and education services provided to children and lactating and pregnant mothers. The program, growing out of the GOI's National Policy for children adopted in 1974, is a significant departure from the SNP which emphasize supplementary feeding only and health impact. The ICDS program incorporates a variety of design features which evaluations have shown contribute to improved nutrition and health status. These features include: growth monitoring, immunizations, nutrition education, and supplementary feeding with an adequate ration. The ICDS program has the following objectives:

- reduction of low birth weight and severe malnutrition among children;
- reduction of the mortality and morbidity rates among children 0-4 years old;
- reduction of school drops-out rates through pre-school programs for children 3-6 years;
- provision of the environmental conditions necessary for the mental, physical and social development of children;
- provision of nutrition and health education to mothers;
- achievement of effective coordination among government departments to promote child development.

The ICDS program draws on the resources of the central, state and local governments, international and bilateral assistance, as well as academic institutions and non-governmental organizations. The program was launched on an experimental basis in 33 blocks in 1975. Between 1975 and 1985, the program expanded to meet the central government target of ICDS programs in 1,000 blocks. States, using their own resources, exceeded that target by setting up programs in an additional 100 blocks. As a result of strong central and state government commitment, ICDS has already become a national program. By 1985 the program will provide:

- immunizations and health check-ups for 10.4 million children;
- supplementary nutrition for 6.1 million children and 1.2 million pregnant and nursing mothers;
- non-formal means of education for 3 million children.

According to the 7th Five Year Plan, this coverage will double by 1990.

Evaluation Results

Evaluations of the ICDS program reported by UNICEF[3/], have found that the program has had a positive impact on nutritional status, immunization coverage and infant mortality rates in project areas.

Nevertheless, the assessment team neither examined the methodology used in these studies nor confirmed the accuracy of these results. Discussions with representatives of various organizations indicated that, in some quarters, there is skepticism regarding the positive results stated here. For this reason, A.I.D. may wish to move up the evaluation of ICDS, originally planned for late FY 86, to the 3rd or 4th quarter of FY 85. An objective and professional evaluation ideally could assess the nature and extent of upgradation from SNP to ICDS, document overall progress since the last Title II MCH program evaluation conducted in 1979 and make recommendations on data collection and analysis of key variables such as nutrition status, infant morbidity and mortality. The evaluation might compare the design and potential effectiveness of the two A.I.D.-supported ICDS programs: (1) the D.A. and Title II-supported ICDS program implemented in Gujarat and Maharashtra states which has stricter targeting criteria and greater emphasis on training, supervision and monitoring and evaluation; and (2) the larger Title II-supported (CARE-assisted) ICDS program which does not receive any dollar support from A.I.D.

GOI & STATE GOVERNMENT SUPPORT TO ICDS - SIXTH FIVE YEAR PLAN 1980-85

The second question in the scope of work for this assessment is the following:

3/ ICDS, Integrated Child Development Services in India, UNICEF, Regional Office for South Central Asia, New Delhi, 1984, pp. 24-31.

What is the outlook for increasing GOI and state government support for CARE-assisted ICDS programs from 1985 through 1990 (presumably while also taking over larger amounts of the School Feeding budget)?

An important dimension in any analysis of Title II-assisted programs is the extent to which the host government considers such programs a high priority and its willingness to commit indigenous resources to them. Clearly, significant counterpart support suggests a high degree of political will to build a strong national program. Most importantly, Title II assistance to such programs, rather than to programs which have minimal host government support, increase the likelihood that U.S. food assistance is contributing to a potentially self-sustaining effort and long-term institutional and human resource development.

GOI commitment to the ICDS program has increased dramatically in recent years and at a time when they have also increased their support to the School Feeding Program.

Attachments I-IX (included at the end of this section) illustrate the level of increased GOI commitment to the ICDS and School Feeding programs. These graphs reveal the following:

- In CARE-supported pre-school programs*, GOI support for food costs rose from approximately 70 million rupees in 1982 to 400 million rupees in 1983; to date approximately 100 million rupees have been provided in 1984;

- In CARE-supported pre-school programs, GOI support for personnel & operations increased from approximately 80 million rupees in 1980 to 200 million rupees in 1984 to date;

- In non-CARE pre-school programs, the food cost supplied by the GOI increased from approximately 120 million rupees in 1980 to approximately 600 million rupees in 1984;

- In non-CARE pre-school programs, GOI support for personnel and operations rose from approximately 80 million rupees in 1980 to 240 million rupees in 1984 to date.

- The number of beneficiaries in non-CARE supported pre-school feeding programs rose from less than 100,000 in 1981 to approximately 6 million in 1984.

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* Pre-school programs refer to both SNP and ICDS.

- Finally, state governments have exceeded the targets set for the establishment of ICDS programs. The original target was to establish the ICDS program with central government support in 1,000 blocks by 1985. States, using their own resources, exceeded that target by setting up additional programs in 100 blocks.

At the same time, GOI and State governments' support for School Feeding programs has also increased. The attachments reveal:

- The number of beneficiaries in non-CARE School Feeding Programs has increased from less than 1 million in 1981 to approximately 14 million in 1984;

- GOI and State support for non-CARE School Feeding programs in the areas of personnel and operations has risen from approximately 5 million rupees in 1981 to 300 million rupees in 1984;

- GOI and State support for food costs for non-CARE School Feeding programs has increased from approximately 150 million rupees in 1981 to 1.2 billion rupees in 1984;

- GOI and State government support for CARE-assisted School Feeding programs in the areas of personnel and operations has increased from about 80 million rupees in 1981 to 120 million rupees in 1984;

- GOI and State government support for CARE-assisted School Feeding programs in the areas of food costs has increased from approximately 30 million rupees in 1981 to 425 million rupees in 1983.

<u>7th Five Year Plan Financial Outlay Projections by the GOI And State Governments</u> (see Table 1). The very substantial continuing commitment to ICDS is evident in the 7th Five Year Plan's (1986-1990) projected outlays given below. At the current rate of ICDS expansion, it is expected that the entire country will be covered by the Integrated Child Development Services before the year 2000. It should be noted that the value of Title II CARE food is not included in these budget projections. However, the costs associated with internal distribution and CARE administration are borne by the benefiting state governments from their Non-Plan Budgets. Also, state budgets are almost entirely for food inputs.

By contrast to the 6th Five Year Plan's outlays for the ICDS, projected expenditures for the ICDS in the 7th Five Year Plan have more than doubled. It is significant to note that the Financial Commission, which reviews and decides on the magnitude of central plan outlays and center/state funding equations (revenue sharing) by

Table 1

GOI - STATE GOVERNMENT's 7th Five Year Plan
ICDS Budget Projection And Planned
Expansion by Block

Year	Blocks	GOI Plan Budget	STATES Plan	STATES Non-Plan	Totals
IFY 86	400 (Incl. of 200 Advanced Sanctioned Blocks)	Rs.1.2 Billion ($100 million)	Rs.900 million ($ 75 million)	Rs.900 million ($ 75 million)	Rs. 3 Billion ($250 million)
IFY 87	400	Rs.1.2 Billion ($100 million)	Rs.900 million ($ 75 million)	Rs.900 million ($ 75 million)	Rs. 3 Billion ($250 million)
IFY 88	400	Rs.1.2 Billion ($100 million)	Rs.900 million ($ 75 million)	Rs.900 million ($ 75 million)	Rs. 3 Billion ($250 million)
IFY 89	400	Rs.1.2 Billion ($100 million)	Rs.900 million ($ 75 million)	Rs.900 million ($ 75 million)	Rs. 3 Billion ($250 million)
IFY 90	400	Rs.1.2 Billion ($100 million)	Rs.900 million ($ 75 million)	Rs.900 million ($ 75 million)	Rs. 3 Billion ($250 million)
Totals	2000	Rs.6 Billion ($500 million)	Rs.4.5 billion ($375 million)	Rs.4.5 billion ($375 million)	Rs.15 Billion ($1.25 billion)
6th Plan Blocks	1000				
All Blocks	3000				

Total No. Blocks In India = 5,000

sector prior to each Plan Period, has strongly endorsed the very substantial increase in the Center's Plan budget for ICDS for the next five years. In the past, other such centrally sponsored schemes have faltered once the Center's Plan budget has been reduced or withdrawn.

By way of contrast, the proposed CARE Title II input to ICDS in FY 86 is valued at $ 43 million (assuming a 5% increase in commodity prices) compared to proposed GOI/State outlays of $250 million; the Title II nutrition supplementation therefore plays a significant, but not dominant role in the rate of ICDS program expansion.

The question has been asked whether the central and state governments can afford the ICDS program as it is set forth in the 7th Five Year Plan. It is true that the program does commit state governments to additional social overhead programs, a commitment they may not be able to meet, especially when accompanied by substantial recurring costs. According to one analysis, however, the ICDS program represents only a very small percent of GDP. A recent evaluation of the ICDS program indicates that the maintenance of 1,000 projects (the 1985 program level) absorbs 0.13 percent of India's gross domestic product. In other words, all areas of India could have these services at a total administrative cost of about 0.65 of the GDP[4/]. If this analysis is correct, it suggests that the overall costs of the program are not particularly high.

Potential Title II Modifications

Option 1: Allow the CARE-assisted ICDS MCH Title II dollar level to increase from 43.7 in FY 85 to 63.3 in FY 90. Larger reductions and/or substitutions would have to be made in other Title II programs to allow for an ICDS increase.

This option ensures that the CARE-assisted MCH ICDS program will have the required level and type of resources (CSM) through 1990. An increasing level of resources is required over the next five years to meet the project's original design requirements for an increased ration size and a higher number of feeding days to ensure nutritional impact. Title II CSM is required (rather than other types of commodities) because this is a weaning food especially developed to provide the vitamins, proteins and calories needed by infants. Other types of commodities will not contribute so effectively as CSM to nutritional impact. This option eliminates the possibility of major Title II reductions for this program and/or the substitution of other less expensive resources such as bulgur,

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4/ An Analysis of the Situation of Children in India, UNICEF, 1984, p. 61.

which is not recommended for infants. A sharp reduction of Title II, along with the substitution of other resources such as Title III, may result in a situation say, by the end of the decade, in which neither additional substitution nor Title II resources are available to support the program. The program will even have been compressed, possibly to the point of non-viability. Thus, option 1 provides a reliable source of support over the long-term to a program which has very strong central and state government support. On the negative side, this option may require an expanded Title II budget and/or substantial reductions in other important programs (such as CARE School Feeding or CRS programs). There is also the danger of over-dependence in the long run on Title II resources and the failure to develop a food aid strategy for the ICDS program which would eventually lead to program self-sufficiency. Option 1 is the preferred option.

Option 1A: Allow School Feeding commodities to be shifted to ICDS as the School Feeding Program is phased over to state governments. This option is also preferrable to other options discussed below. It is discussed in greater detail in the School Feeding section.

Option 2: Straightline the CARE MCH program at the 1985 Title II dollar level of 43.7 through 1990.

With no substitution of resources made available (such as Title III, D.A. or Section 416 commodities), this option may result in a reduction of beneficiaries and program coverage. Inflation exacerbates the problem since, at 5% per year, it eats away at the fixed level. Thus in 5 years in 1984 dollars there would be a 25% reduction in PL 480 program support. This represents an 11% reduction at the total India program in 5 years, assuming no funds are made available to compensate for reductions. Higher infant morbidity, malnutrition and mortality may result if the GOI is unable to fill the gap left by Title II reductions. The ICDS program is strongly preventive in orientation. It represents an important investment in health and lessens the need for curative health services thereby freeing resources for other investments while creating a strong human resource base. With no substitutability, a greater need for investments by GOI in curative health services can be expected. A negative political impact can also be anticipated as the GOI perceives a diminished U.S. commitment to a program which both have designated a very high priority. Moreover, a reduction of U.S. assistance would hinder GOI and state efforts to reach targets set in the 7th Five Year Plan and would slow the positive movement toward widespread dissemination of minimum health, nutrition and social services.

Substitution of Other Resources if Option 2 were Selected

1. Section 416

Option 2A: Substitution of Section 416 butteroil for Title II soybean salad oil used in the CARE MCH and School Feeding Programs.

CARE - FY 86 edible oil requirement: 16,217 mt for 9 to 10 million MCH and SF beneficiaries.

Cost Comparison

Commodity	Cost Per MT5/	Value
Soybean Salad Oil (Title II)	875.00	$13,933,500
Butteroil (Section 416)	705.24 6/	$11,230,240

By shifting CARE vegoil requirements from Title II over to Section 416, pressure on the India Title II budget could be relieved by approximately $14 to 16 million in FY 86. The major problem, of course, is that Section 416 commodities are not available on a multiyear basis.

2. Title II Commodity Variations

Soy fortified bulgur (SFB), a less expensive Title II commodity, could be substituted for CSM. At current prices CSM is approximately 35% more expensive than SFB (at current prices, SFB is $230 per MT and CSM is $311 per MT). The problem with this proposal is that infants 6-36 months have difficulty digesting and consuming enough calories from bulgur and, due to bulkiness, it is less nutritious for them. It is also not vitamin-mineral fortified at the level of CSM. Thus, it is inappropriate as a weaning food. For older children and for pregnant and lactating women it is an appropriate and highly acceptable food. For these reasons, supplying Soy Fortified Bulgur only to the ICDS program without taking steps to insure that a weaning food is provided for 6-36 month-old infants would be totally unacceptable. Two sub-options are proposed.

5/ Cost does not include ocean transportation which would be an additional 40 percent, in each case.

6/ Includes base price at $110.00 per mt for butter plus $0.27 per lb. for packaging.

Option 2A: Supply both soy fortified bulgur and CSM to the program. A suggested ratio of soy fortified bulgur to CSM might be 70/30 or 80/20. Under this approach, the bulgur would be given to the older children and women and CSM to infants 6-36 months of age. Whatever ratio is developed would have to reflect the ratio of under-threes to over-threes in the program to ensure that sufficient CSM (or eventually SFB processed into a weaning food) is available for the under-threes. There are administrative problems with this approach. Anganwadi workers are already over-burdened and the requirement to prepare two separate types of food and assure that the right beneficiaries receive each type would represent an additional drain on their time. ICDS administrators might object. Nevertheless, if this option were pursued, for FY 86, the savings would be roughly as follows. For FY 86, CSM and oil are to be the commodities supplied to ICDS. 94 thousand MT of CSM will be required. Based on current prices, in dollar terms this is approximately $28 million. If instead, 80 percent of the commodities were SFB, and 20 percent CSM the dollar level of the program (excluding oil) would decline to 22.9 -- a saving of 5.1 million in FY 86. If the oil requirement were provided in drums rather than the containers currently used, an additional savings of $800,000 could be realized. This would bring the total savings in FY 86 to $5.9 million. Over five years the savings could be approximately $39 to $43 million.

Option 2B: Supply soy fortified bulgur exclusively and finance in-country processing of a portion to convert it into a suitable weaning food. This approach may have the administrative difficulties described above. Title II savings would be estimated at approximately $70 million over five years; there would be additional costs for processing which would have to be supported through D.A. (possibly for capital costs) and GOI/state government resources for recurring costs.

Option 3: Reduce CARE-assisted ICDS by approximately 50%. ICDS program would receive additional support through Title III.

For comprehensive analysis of this option see the full discussion of Title III. Several points may be worth mentioning briefly. On the positive side, and depending upon how the Title III agreement were negotiated, this option might allow for the development of a broader strategy for self-sufficiency in the ICDS program. At present, ICDS is dependent upon considerable international and bilateral assistance. The GOI and donors should be developing a plan for ICDS self-sufficiency, sustainability and eventual phased withdrawal of external assistance. The Title III agreement might include conditions leading to greater self-sufficiency in the ICDS program. Currency generated by the sale of Title III commodities, for example, might be used for developing local processing capabilities for weaning and other foods to be supplied to the ICDS program. Interest in expanding capability in this area was expressed at the highest GOI levels, as well as in the states visited. The capability to process, package and distribute local foods would free ICDS from dependence on externally supplied food commodities. Even more importantly, local processing might prove to be a considerable stimulus to agricultural production. For example, Sri Lanka has been producing a weaning food called Thriposha which is used in its MCH program. This product is composed of Title II CSM and locally produced soy and corn. The plan is to phase CSM out by 1990. At that point, Thriposha will be composed of indigenously produced corn, soy and milk. This program, along with government price supports, has proved to be an important stimulus to agricultural production in Sri Lanka and might do the same in India[7]. Maize production increased from 34 thousand MT in 79/80 to 51 thousand MT in 81/82. Soy production increased from 1 thousand MT in 79/80 to 7 thousand MT in 81/82. Small Sri Lankan farmers have clearly benefitted from this program.

The potential negative ramifications of a Title III program were pointed out under Option 1 but will be restated briefly here. Making a major reduction in the Title II-assisted ICDS program and substituting Title III may eventually lead to a total Title II phase out for this program. That is, if and when a Title III agreement comes to an end, there may be no additional Title III, Title II or Section 416 commodities available to support this program. The previous reductions in Title II levels may have compressed the program to the point of non-viability.

Option 4: Straightline the CARE-assisted ICDS program at the 1985 Title II level. Support the ICDS program with Development Assistance.

One advantage to this approach is that Title II costs do not increase over the five year period. Assuming inflation at 5 percent annually, the program is actually reduced over a five year period and some Title II savings are realized. If commodity costs increase, the reductions would be commensurately greater.

A problem with this option, however, is that a Title II dollar is not equal in value to a D.A. dollar. Title II food commodities can be worth 1-2 times more on the local market (especially the FFW ration) when purchased in the U.S.A. The level of D.A. that might be provided (say, a $25 million project) would not begin to make up for the loss of the food commodities. The D.A. would become a modest and almost symbolic compensation for the loss of a highly valuable resource. In almost every quarter, when the question of D.A. as a substitute for food was raised, the answer was, "The food

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7/ An Evaluation of the Sri Lanka MCH and School Feeding Programs, Dr. William Drake et.al., Community Systems Foundation, 1982.

is much more valuable than dollars. We would much prefer the food." Thus, there is the question of GOI acceptance of dollars for food.

Nevertheless, assuming the GOI did accept Development Assistance as a substitute for Title II, D.A. support might also be a means for initiating a strategy for greater self-sufficiency in the ICDS program. U.S. economic assistance might be used, for example, for a Food Processing Project.

The project might have two major components. First, a more "traditional" emphasis on support for the establishment or expansion of regional food processing plants for the production of nutritious weaning and ready-to-eat foods for children. These plants would aim to serve the food supplementation needs of a given region. It has been noted that India has much experience with food processing and there probably is not much technology to be transferred. Nevertheless, they do not possess a national capacity. Thus, D.A. funds might support construction, equipment and training. The central and state governments did appear to be quite interested in expanding their capacity in this area.

Second, an equally needed and more innovative component might support village and/or home production of weaning foods. This component would attempt to address at least two questions:

(1) What types of weaning foods can be developed which are acceptable to local tastes and which are based on nutritious foods available in the local market (foods such as peanuts, bengal grain, lentils, sesame seeds, banana, etc.) and

(2) How can families/villages be trained to prepare these weaning foods in their homes and villages?

This component might support equipment, training, research and/or setting up a research institute. <u>This is an area in which there is not a great deal of experience in India</u> and yet some would argue that it is a very critical step in addressing the nutrition gap in India and widespread malnutrition for several reasons: a) It is an activity directed at solving the nutrition problems of the most vulnerable age group, 6-36 months; b) it may be lower in cost. Research on the village food processing component of the Danida project indicated that the cost of village processing was about 1/2 the cost of large scale processing[8/]; c) widespread application of this approach would lessen the need for externally supplied food. Ideally, such a component would involve developing an <u>institutional</u>

8/ Personal Communication, P. Subramaniyam, Former Project Director, Danida Project capacity to conduct and apply research on acceptable weaning foods and means of home/community production using locally available foods.9/

Title III local currency proceeds could also be allocated to the development of village/home processing methods and institutional development in this area.

Less Food Intensive Approaches to Nutritional Improvement

Two major nutrition projects in India have used less food intensive approaches to improve the nutritional status of infants and young children: the World Bank-supported Tamil Nadu Nutrition Project and the Danida project implemented in Tamil Nadu and Madya Pradesh.

Because the design features and assumptions in both projects are somewhat similar, the discussion below will focus on the World Bank-assisted project.

The World Bank-assisted project used 40 percent less food (than used in other nutrition interventions in India like ICDS) to bring about nutritional improvements in 1st, 2nd and 3rd degree malnourished children. This approach is based on findings in the general nutrition literature that nutritional rehabilitation can be achieved after supplementary feeding for 90 days only, instead of 180-300 days of feeding given in most other nutrition projects like ICDS. In addition, only 2nd and 3rd degree malnourished children were fed. First degree malnourished children who were gaining weight (as shown by monthly weighings) were not provided supplementary feeding. The assumption was that this type of child was in the process of becoming normal and that good communication between the nutrition worker and the mother concerning the type of foods the child needed would, in most cases, result in adequate weight gain.

The emphasis in the project was not on the provision of food but rather on the nutrition education component. In fact, the budget for the nutrition education component was increased by 500 percent in comparison with earlier projects. The goal was to achieve a behavioral change among the parents by altering the home food distribution habits. It is well known in India that the father in the household eats first and consumes the most food. The primary objective of the nutrition education component was to get families to reduce the male member's intake. The message was that even if

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9/ For further background see Workshop on Weaning Foods, A Report UNICEF, 1983, and Sarbottam Pitho, a Home Processed Weaning Food for Nepal, UNICEF and A.I.D., 1983.

the father has a slight nutritional gap, this is better than having the children suffer a nutritional gap. Those familiar with the project felt that when families understood this message, they were able to alter their food distribution habits so that their child received more food.

How effective is this type of project in bringing about nutritional improvement? There are no published evaluation results and there are differing points of view regarding its efficacy.10/ According to some observers familiar with a recent evaluation, the results are generally positive.11/ If it is true that improvements in nutrition status can be obtained by using 40 percent less of food by: (a) emphasizing nutrition education; (b) providing supplementary feeding for 90-120 days rather than 300; and (c) targeting the feeding to the 2nd and 3rd degree malnourished, this would be an important finding for the development community, since the food is the most expensive component of nutrition interventions. It is anticipated that the results of the AID-assisted ICDS Project, the World Bank Tamil Nadu Project and the Danida Project will yield data and conclusions which could significantly impact on ICDS policy, particularly in the area of food supplementation (type, quantity and duration of feeding). The findings of these projects are not likely to be available before 1987-88 and their translation into possible policy change may not be realized until the 8th Five Year Plan.

The USAID Mission, UNICEF, the World Bank, Danida and Cooperating Sponsors, like CARE, should periodically and systematically review these findings with the GOI and state governments so as to insure the best and most effective utilization of the resources available to the ICDS program.

10/ A.I.D. has funded studies in Thailand and the Philippines which also show that improvement in nutrition status can be obtained when the emphasis is on nutrition education rather than on supplementary feeding.

11/ See Bulletin of the Nutrition Foundation of India, Vol. 5, Number 4, October, 1984 (attached).

CARE Title II Assisted Mid-Day Meals Program (School Feeding)

Background: CARE's Title II assistance to the School Mid-day Meals Program in India started in 1962-63 (with 4.2 million children) and was extended in subsequent years to reach approximately 13.2 million children in 14 States and 2 Union Territories. The program currently reaches approximately 5.8 million lower primary school children (grades 1-4) in 12 States and 2 Union Territories. Due to P.L. 480 budget constraints and competing priorities, the Mid-Day Meal Program has been substantially reduced over the past several years. As the program has contracted, it has more sharply focussed on those areas of higher than normal concentrations of poverty, viz., tribal and poor rural areas, etc. During this period of Title II program reductions, some states, most notably Tamil Nadu and Gujarat have either sustained or expanded the Mid-Day Meals Program with their own resources.

Brief review of Program Objectives:

- to boost enrollment and attendance levels at lower primary schools, particularly amongst girls and the overall level of functional literacy. This objective is directly linked to the more ambitious objective of free and compulsory education for all children under 15 years of age (Ref. Constitution of India-1950 and Childrens' Charter-1968)

- a second objective of the program is to raise the activity and participation levels of undernourished children (Ref. The Behavioral Consequences of Malnutrition: CARE-West Bengal and the Department of Human Physiology, Calcutta University-1973-74 and Report # 6 of the Nutrition Foundation of India: C. Gopalan Elal. 1984-85)

- although it is still unclear precisely how education affects and is affected by other strands in the web of growth, it is nevertheless certain that, in countries where education has been easily accessible, it has made the participants politically and socially conscious, economically more productive, and culturally more active in the nation building process. Experience and research show that educated farmers are more productive than the uneducated, particularly in modernizing agricultural environments. In India, surveys have indicated that 4 years of school education results in about an 8% increase in the earnings of the small farmers. The rate of return on investment in primary education has usually been higher for the individual than the return on any other investment, including other levels of schooling (Ref: Education Lending for the Poor - Finance and Development June 1979 Volume 16/November 2 IMF/World Bank)

- many Population Analysts in India believe that low literacy rates help explain why only 11 to 13% of eligible couples currently use contraception in states like U.P., Bihar, Rajasthan where female literacy rates are at 11 to 21% (Ref: Population Bulletin: India's Population: Second and Growing Vol. 36, No. 4, October 81, Reference Bureau, Inc.)

Evaluation of the Objectives: Although the program has been in operation for close to 20 years in some states, its objectives, until recently, have eluded rigorous and conclusive evaluation. In 1969-72, an AID funded three state evaluation was initiated but never concluded. The weakest state evaluation (Orissa) was conducted, but the A.P. and Tamil Nadu segments of the evaluation were never conducted. The Orissa study failed to produce any statistically significant differences between fed and non-fed schools in relation to enrollment and attendance.

The more recent AID funded NCERT evaluation of the program clearly indicated that participating schools had significantly higher attendance and enrollment levels than non-MDM schools, particularly amongst girls. It was understood by all parties concerned with the evaluation including the Ministry of Education, that further reductions in the MDM program would await the results of the Evaluation. It was also recommended that the validity of the findings be tested at the school level. The follow-up study would shed substantial light on an area that needs illumination and could significantly influence future food resource allocation by India, the U.S., UNICEF, World Bank and other donors.

Phasing down and over: CARE's proposed MDM program levels through 1990 have been presented to the USAID Mission and reflect a beneficiary decline of more than 1 million lower primary school students from FY 86 to FY 90 with final reductions by FY 94. In the process of trying to determine where further Title II could be made while still maintaining CARE's projected phase down/phase out plan, the following options were explored:

Option I - The Title III Oil Option: If all the MDM oil requirement was purchased under a Title III agreement, the 5 year savings to Title II would be approximately $23 million (based on a 5% per annum commodity cost increase). If oil was provided for all CARE assisted programs (MDM & ICDS) under a Title III Agreement, the 5 year savings to the Title II would be approximately $ 99 million (again based on 5% per annum increase in prices).

Pros and Cons of the Title III Oil Option:

Pros

- provides for multi-year agreement

- addresses legislative objectives of health, nutrition and population assistance to the rural poor; although it is less attractive Title III option (from a legislative view point) than the CLUSA oil seed project

- offers opportunity to use both commodity and additional development budget in same program

- provides deficit commodity essential to improved nutrition.

Pro-Con - increased Government involvement - decreased PVO involvement.

Cons

- AID Mission must overcome negative Title I legacy.

- AID Mission must overcome problems related to explaining different mechanism

- AID Mission must weigh disadvantages of reduced monitoring of resource use.

Option II The Section 416 Option: If all the MDM oil requirements for FY 86 and 87 were met with butter oil under Section 416, the net savings to the Title II budget would be $ 9.2 million. If butter oil was provided under Section 416 for all CARE assisted Programs (MDM and ICDS) for the same years, the net savings to Title II would be approximately $ 36 million.

Pros and Cons of the 416 option:

Pros

- meets legislative objectives

- provides for limited multi year agreement

- Butter oil was previously programmed under Title II in India and is very acceptable

- keeps PVO in co-management role with the state governments.

Cons

- 416 currently paralized by bureaucratic gridlock

- no long term guarantee of availability - avoid use in ICDS unless last resort.

N.B. Further savings to Title II could be realized if bulgur wheat were made available under Section 416, but current 416 applications by CARE and CRS for FY 85 have never been acted on.

Table II below spells out the options, by year, in terms of funding.

TABLE II

Title III - Section 416 Oil Options
(at 5% per annum increase)

Year	MDM BENS (000)	ICDS BENS (000)	Title III ($ Millions)		Section 416 ($ Millions)	
			MDM	MDM&ICDS	MDM	MDM&ICDS
FY 86	4,753	3,919	4.7	17.5	4.7	17.5
FY 87	4,500	3,776	4.5	18.2	4.5	18.2
FY 88	4,500	3,900	4.7	19.3		
FY 89	4,500	4,000	5.0	20.9		
FY 90	3,600	4,500	4.2	23.0		
			$23.1	$98.9	$9.2	$35.7

When reviewing the MDM and ICDS options, it is recommended that the USAID Mission and Bureau of Food and Voluntary Assistance carefully review pages 24-27 of CARE/India FY 1985 Operational Plan (attached) which outline multiple variations in approaching phaseover, Title II reductions and the idea of "beneficiary equivalency". The alternatives available to the cooperating sponsors and their counterparts in applying Title II reductions and seeking substitutions are pivotal and sensitive issues and a crucial feature of effective phaseover. The choice of methodologies in implementing reductions and proposing substitution should be left to the discretion of the cooperating sponsor and counterparts.

The CRS Program

Catholic Relief Services (CRS) implements three major programs, Maternal and Child Health, School Feeding and Food for Work. It also supports two smaller feeding programs, Individual Health Cases and Other Child Feeding. For 1985, the overall program level will be 28.7 million. Because of the modest size of the program, relative to CARE in India, the entire CRS program will be analyzed as a whole. Options will be discussed after presenting the major features of these programs.

Maternal and Child Health Program CRS is in the process of upgrading its MCH program. The upgraded MCH program is called the Targeted Maternal and Child Health Program (TMCHEP). In many respects, TMCHEP is a model integrated nutrition intervention. It incorporates many of the design features that evaluations worldwide have concluded are essential for achieving impact: provision of an adequate sized ration; targeting to younger children 6-36 months, to all second and third degree malnourished children and to pregnant and lactating mothers; growth monitoring, nutrition education and health services. Most importantly, the program may have the potential to become self-sustaining. It is one of the few nutrition interventions in India in which beneficiaries make a small contribution for services. Between April, 1983 and October 1984, approximately $180,000.00 has been generated by recipient contributions for health and nutrition education services and used to defray the administrative costs of upgrading MCH programs to the TMCHEP level.

Recipients contribute approximately 1-2 rupees a month. For this they receive approximately 11-12 rupees worth of food plus other services. At an average personal income level of $ 85 dollars per year, 1-2 rupees are about $ 2 per year or 2 1/2 percent of recipients' income. On the whole, the idea of contributions has not been resisted by CRS beneficiaries. It gives them a sense of dignity and enhances the value of the program.

CRS has embarked on an effort to upgrade all MCH nutrition centers to the level of TMCHEP. The implementation of this initiative will require three years to complete resulting in the upgrading of all 2,446 CRS nutrition centers.

The schedule for up-grading is as follows:

Implementation of TMCHEP

ZONE	YEAR	NO. OF CENTERS	%
MADRAS	1984	700	28.6
COCHIN	1985	1,037	42.3
BOMBAY & CALCUTTA	1986	709	29.0
	TOTAL	2,446	99.9

Upgradation is occurring at a faster pace than originally projected. According to the FY 84 program plan, upgradation of all centers was to be completed in FY 87. According to current plans, upgradation of all 2,446 centers will now be completed in FY 86.

CRS resources are channelled through the private sector, usually the developmental organizations of the Indian Catholic Church Diocesan structure. Contact with the Central Government is not frequent but, nevertheless, this has both positive and negative features. Relations with the GOI are sometimes hindered because CRS is mistakenly perceived as a missionary organization. On the other hand, independence from the GOI gives CRS greater flexibility in the design of their program.

For FY 85, the CRS MCH program will provide 34,243 metric tons of CSM, bulgur and oil to 654,000 beneficiaries. The commodities are valued at approximately $ 12.9 million.

School Feeding

In 1985, the CRS School Feeding (SF) program will provide $ 3.244 million worth of Title II bulgur and oil and Section 416 milk to 197,000 recipients. The CRS School Feeding program is intended to provide an incentive to attract children to enroll and remain in private schools. In 1982, there were 285,000 beneficiaries in the program. In 1983, the beneficiary level dropped to 197,000 and has remained at that level into 1985. The School Feeding program represents a very high priority of CRS consignees who believe that education is a fundamental element in the process of socioeconomic development. Reduction in the SF program would be strongly opposed by this group.

Food for Work

The CRS Food for Work program provides Title II food in exchange for labor. Its objectives are to: (1) provide employment to workers who otherwise would have remained unemployed; and (2) to create durable assets which can yield longlasting economic and social benefits. There were approximately 3,460 projects undertaken in this program in FY 84. Of these, 57% are in the area of agriculture and economic development, 34 percent represent community development projects, 6 percent are educational development projects and 7 percent are health and sanitation projects. CRS has initiated an extensive evaluation of the FFW program and is upgrading the program by developing a built-in monitoring and evaluation system to evaluate impact. As part of this effort, cost-benefit analyses of FFW projects were undertaken. These analyses revealed cost/benefit ratios averaging from 5.99 to 33.61. This means that, for each rupee invested, the FFW projects generated between 5.99 and 33.61 rupees.

Potential Title II Modifications

Option 1: Straightline the MCH and SF programs at '85 level. Substitute FFW requirements with Section 416 commodities.

Under this option, MCH and SF would be maintained at FY 85 levels. These two programs represent CRS's priority programs. Major reductions in these programs would not generate substantial savings and would result in a diminution of the CRS administrative budget (50-60 percent of the entire CRS budget is provided through the sale of Title II or, if available, Section 416 containers). Major reductions in these programs would make it extremely difficult for CRS to maintain a presence in India and would probably result in the closing of its program in one or two zones. In addition, maintenance of the CRS MCH program might prove useful because of its innovative design feature requiring recipient contributions. The GOI has, to date, firmly resisted the concept of contributions for ICDS nutrition services. Continuation and success of the TMCHEP program may eventually encourage the GOI to consider such contributions on a pilot basis as a way to achieve greater cost-effectiveness in the ICDS program. The adoption of this modification would be an important step toward greater self-sufficiency in the ICDS program.

Substitution of Resources

Development Assistance Development assistance is not a viable option to support the CRS program. It was originally assumed that, in addition to FFW, small reductions in MCH and SF might be made if an Operational Program Grant were made available to support CRS's administrative costs. These costs would come about because of the loss of Title II container sales caused by a reduction of overall Title II levels. The bottom line is that approval of an OPG would, in all likelihood, require an unacceptably long period of time. Approval of CRS's current OPG proposal has been pending since it was first submitted on January 4, 1982. The approval of five central ministries is required. In May of this year, partial approval was received for 2 states.

Title III Title III, a government to government agreement, is not a viable option for CRS. CRS is a private sector organization and the GOI is not involved in implementing CRS programs in any way.

Section 416

An advantage of using 416 resources is that the containers can be sold to support CRS's administrative costs. Because of its unavailability on a multiyear basis, Section 416 is most appropriate as a substitute resource for the FFW program which can expand and contract depending upon resource availability. There is no infrastructure or complex administrative structure which must be in place before the FFW commodities can be programmed as is required for MCH and SF. Assuming that wheat (in bulk) would be available under Section 416, the CRS Food for Work Program's wheat requirement could be programmed under this option beginning in FY 1986.

Option 1 Substitute FY 86 Title II Wheat Requirement with Section 416 Wheat

CRS FY '86 Wheat Requirement: 47,132 MT for 24.5 Thousand FFW Beneficiaries

Commodity	Cost Per MT 1/	Value 2/
Wheat	158	$ 7,446,856

Under this option pressure on the India Title II budget would be reduced by an estimated $7.45 million, although "real" savings to the USG would be nil. This is the preferred option for CRS.

Option 2 Substitute CRS's FY 86 Title II Bulgur Requirement with Section 416 Bulgur: FY 86 Bulgur Requirement is 23,058 MT for 1.018 million MCH, SF, IHC and OCF beneficiaries.

Commodity	Cost Per MT 1/	Value 2/
Bulgur	211	$ 4,865,238

Assuming the transfer of CRS bulgur requirements to Section 416 is a viable option, the advantage of this approach is that pressure on the Title II budget is reduced by $4.865 million. However as the cost per MT of Title II and 416 bulgur would be the same, the "real" savings to the USG would be nil.

The major problem with this approach is the following. To date, Section 416 commodities have not been available on a multiyear basis. Planning is thus made difficult because the availability of these commodities from one year to the next is unknown. Also if the entire Title II bulgur requirement for MCH, SF, IHC and OCF were substituted with Section 416 bulgur, the Title II level would then be reduced significantly. While this in itself would not have immediate negative repercussions on the CRS administrative budget (since Section 416 containers can be sold and the proceeds used to support administrative costs), over the long term the priority MCH and SF programs might be jeopardized if Section 416 commodities were suddenly unavailable. Title II levels would then have been significantly reduced and additional Title II commodities might not be available to support the program. The Title II program may have been compressed to the point of non-viability.

1/ May 1984 CCC Prices (latest available)

2/ Does not include O/T

CARE Operational Plan FY85

I. Direction and Focus

1. Refocussing

School feeding has been reduced in priority by USAID and accordingly significant reductions in Title II allocations have been mandated by AID/Washington. CARE-India has also been instructed, as a result of Audit Report 5-386-82-7, to refocus the Title II assisted program to the poorest areas where enrollment is lowest in those states currently implementing the program. Thus, the State Governments, and the GOI, are not only being informed of reductions in levels of Title II commodities for their school feeding programs, but are also being requested to refocus the program at the same time. While CARE-India and the GOI accept in principle the legitimacy of refocussing to areas of greatest poverty and lowest enrollment, to expect the state governments to do so concurrent with increasing their program allocations to meet Title II reductions without being provided a firm assurance concerning the future of the program seems impracticable. CARE-India will attempt to ensure that, while implementing Title II reductions, the respective state governments assume responsibility for those portions of the feeding program currently located in more economically advanced areas and will thus achieve refocussing by attrition. But as the attrition in the number of beneficiaries takes place, the actual number of centres, due to the fact that they were chosen because of their low enrolment rates, may actually increase.

2. Phase Down

USAID has mandated that by the end of US FY 86 a 50% reduction in Title II allocations to the school feeding program should have been reached. In US FY 85, CARE-India will be effecting the fourth of the five annual cuts. At the same time however, the Government of India is desirous of increasing the school feeding program above the pre 1982 level. During FY 83, the GOI granted approximately Rs.60,000,000/$6,000,000 to the concerned states to offset the loss of Title II commodities. During FY-84 & 85, the concerned state governments themselves were/are expected to offset the loss of Title II commodities. For some states, this has proven to be a tremendous financial burden.

3. Phase Over

Certain states have opted to totally indigenize their school feeding programs within 3 years by using local commodities as well as expanding their coverage. Tamil Nadu has, since November 15, 1982, instituted such a program. To assist the Government of Tamil Nadu in this effort, CARE will provide Title II commodities as follows:

a) Annually, 9,600 metric tons of rice, the grain most acceptable to the GOTN for domestic reasons and therefore necessary for a smooth transition to the GOTN's assumption of the entire program, will be imported through the Port of Tuticorin.

b) For a three year period, this Title II rice will be fed to 800,000 primary school children in the first five classes in primary schools located in the Districts of Tirunelveli, Ramanathapuram, Pudukottai, Kanyakumari and selected areas of Madurai District.

c) Title II rice and veg oil will be fed for 120 school working days over a 10 month school year at the rate of 100 gm of rice and 7 gms of oil per beneficiary per day. These rates are the same as those used by the GOTN on the balance 245 days, and on all days condiments will be provided by the GOTN.

However, AID/W has informed CARE via USAID/India that provision of Title II rice in the out years i.e. US FYs 1985 and 1986 cannot be guaranteed, but because of the fact that the provision of Title II rice is an integral component of the phaseout plan, it will be given priority to the extent possible in future allocations.

Other states are willing to consider accelerating the phase-down in the school program if those commodities could be converted to their preschool programs. CARE's & USAID's proposal essentially to convert commodities on the AER from one program category to another of greater priority has been forwarded to AID/Washington, reference New Delhi # 01628, dated January 24, 1983. We are still awaiting AID/W's response.

The phase over of commodity support to the state government counterparts from CARE for the MDM program involves a number of practical problems concerning the term "beneficiary". State governments are subject to tremendous political pressures to treat all constituencies equally, this is also true for distribution of state provided and non-state provided assistance. For example, if a state government receives Title II commodities to support an MDM program and they provide indigenous inputs as well, they are not able to target Title II commodities for one area and indigenous inputs for another. They must co-mingle them so that all areas receive the same mix.

There are a number of options available to the state governments to effect this co-mingling, some are as follows:

a) The state provided indigenous commodities are mixed with Title II commodities daily, and thus the Title II ration (but not the total ration) per beneficiary is reduced, allowing the total number of beneficiaries covered to be increased within a set Title II tonnage limit.

b) The state government provides indigenous inputs on alternate days, thus allowing the Title II tonnage limit to be spread to twice as many beneficiaries.

c) The state governments might employ a mixture of the two systems described above.

In either case, although the Title II tonnage does not increase, the number of beneficiaries reached will vary depending upon the system used and the magnitude of the state input. For example, if we have a tonnage limit of 500 metric tons, a daily ration of 80 gms. and 180 targeted feeding days, that alone could feed 34,700 beneficiaries regularly. The three situations described above would provide the following beneficiary coverage:

a) If the state government was to provide 20 gms. of indigenous food daily, the Title II ration would become 60 gms. and the number of beneficiaries that could be covered with the fixed tonnage of 500 mts. would be 46,300 beneficiaries.

b) If the state government decided to provide indigenous commodities on alternative days, then the Title II tonnage limit for the fixed number of feeding days would be the same, allowing twice as many beneficiaries, i.e. 69,440 beneficiaries.

c) If the state government decided to provide indigenous inputs every third day and provided 10 gms to the daily ration, then the Title II ration would become 70 gms. for 120 days, with a beneficiary coverage of 59,523.

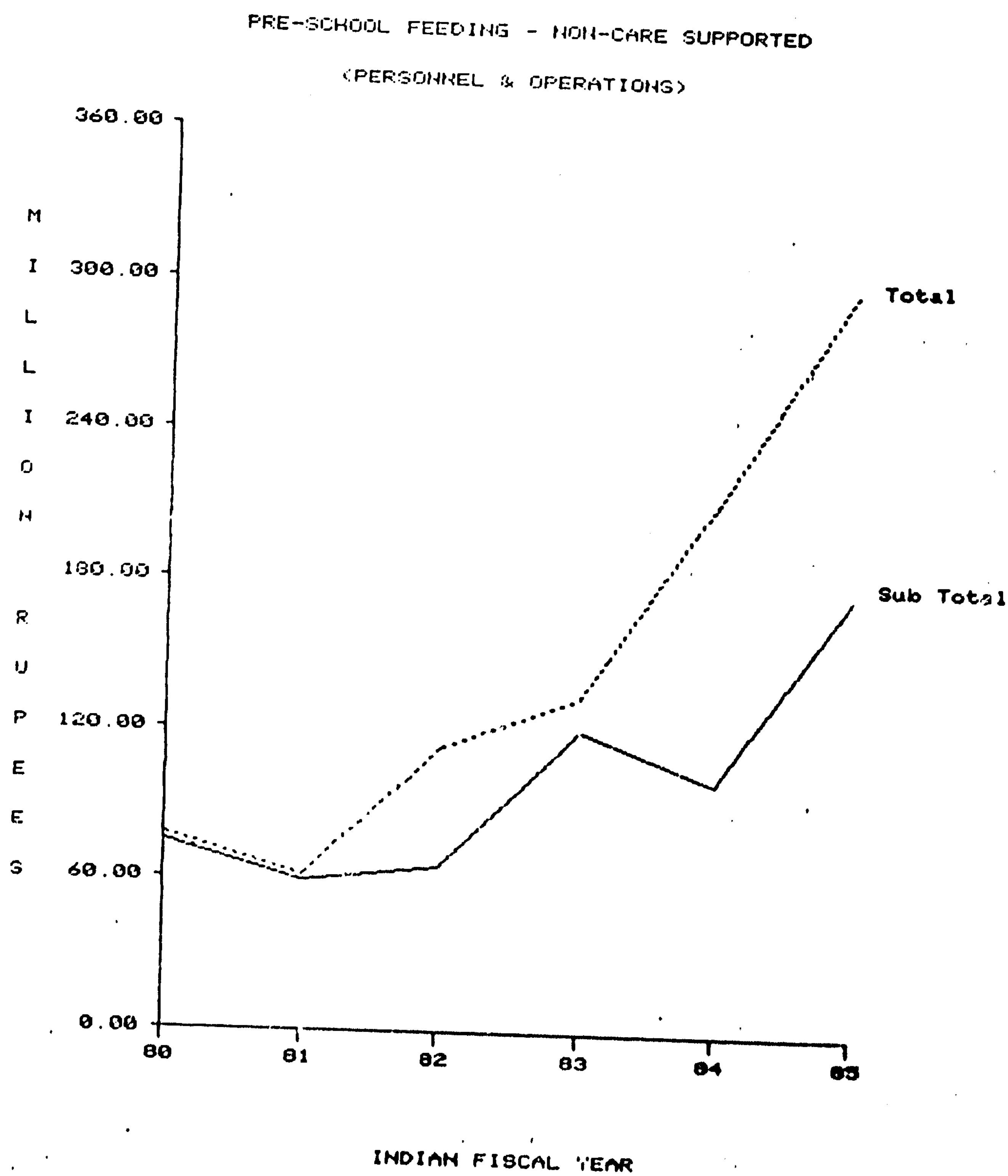
Since AID's policy, as given in Chapter 3, Section 3D.4, is to eventually transfer full support of the Title II program to the recipient country, CARE supports the idea of "beneficiary equivalency" within a fixed tonnage limit, as demonstrated above. Such types of programming have already been instituted in the States of Andhra Pradesh, Tamil Nadu and the Union Territory of Pondicherry.

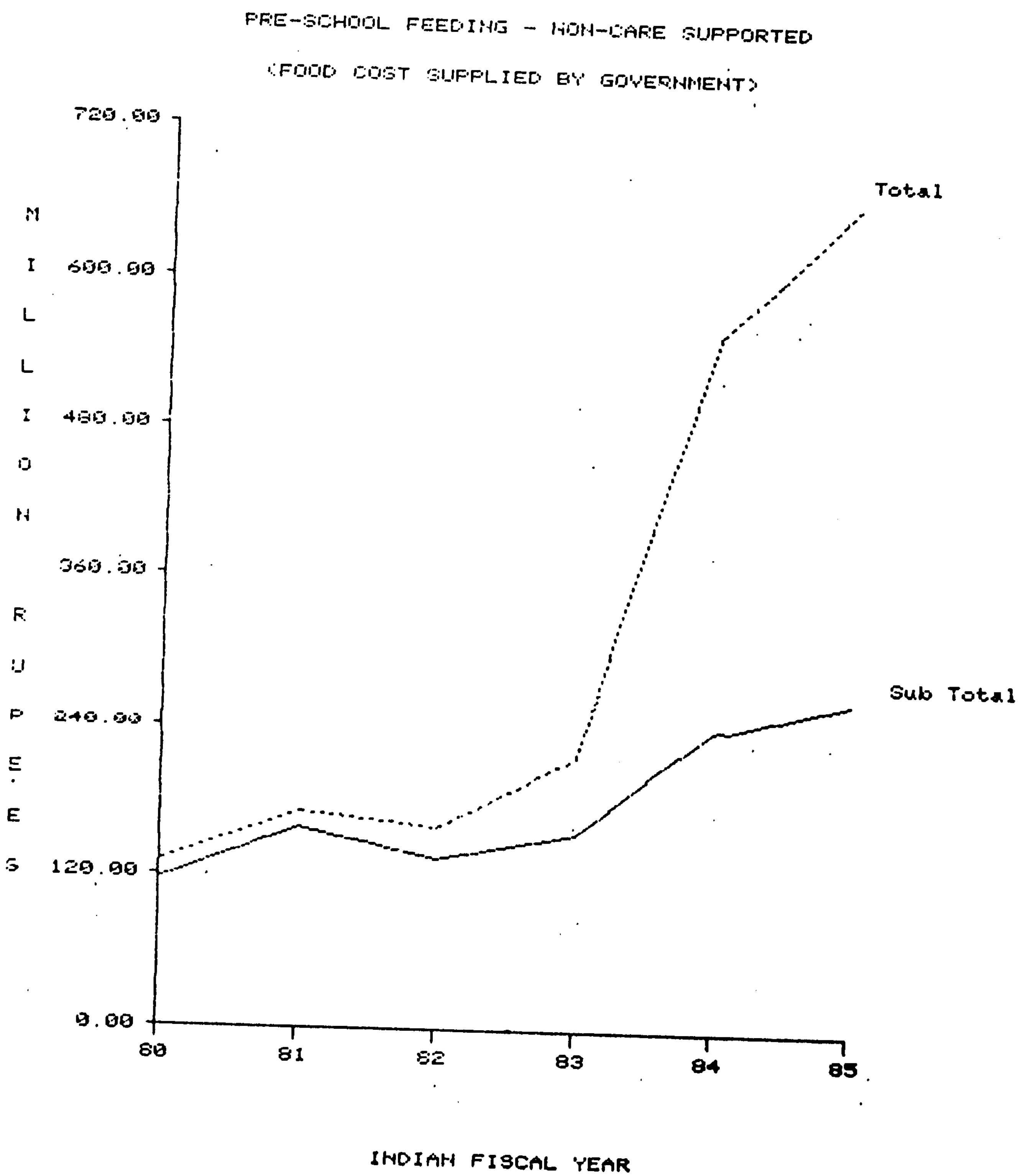
4. Upgradation

CARE's upgradation efforts have already been discussed in detail in Section B. Area-Scope-Conditions of Operations, B.2 Maternal and Child Health, pages 6-16. The current status of this upgradation is given in Attachment # 4. As and when the existing Maternal Child Health programs reach the upgraded level, their yearly allocation of Title II commodities must be increased to meet the enhanced rations being provided. Under the current program beneficiary/tonnage guidelines provided by AID/Washington, this required that we reduce the number of beneficiaries covered in order to stay within the dollar ceiling provided.

Considering the tremendous amounts of inputs; personnel, transportation, training, storage, health and other related materials that the GOI is putting into ugradation of the MCH program, CARE will seek to maximize the upgraded beneficiary level during the coming years, and if necessary, will request additional Title II commodities for that purpose.

In addition to trying to maximize the beneficiary level, CARE will also seek additional funding for upgradation activities and investments through OPGs and if possible, sales of Title II commodities under Section 202 or 416, if the necessary legislation is passed allowing this. Recent information provided by USAID/India indicates that possible monetization of NFDM provided under Section 416 could prove difficult because of the age of the commodity. By way of efforts expected to be initiated during FY 85 and other past efforts, 3.1 million beneficiaries, or 71% of the total CARE preschool program, will have been targeted for upgradation (ATTACHMENT # 4).


PRE-SCHOOL FEEDING - NON-CARE SUPPORTED
(PERSONNEL & OPERATIONS)
MILLION RUPEES
360.00
300.00
240.00
180.00
120.00
60.00
0.00
80
81
82
83
84
85
Total
Sub Total
INDIAN FISCAL YEAR


PRE-SCHOOL FEEDING - NON-CARE SUPPORTED
(FOOD COST SUPPLIED BY GOVERNMENT)
MILLION RUPEES
720.00
600.00
480.00
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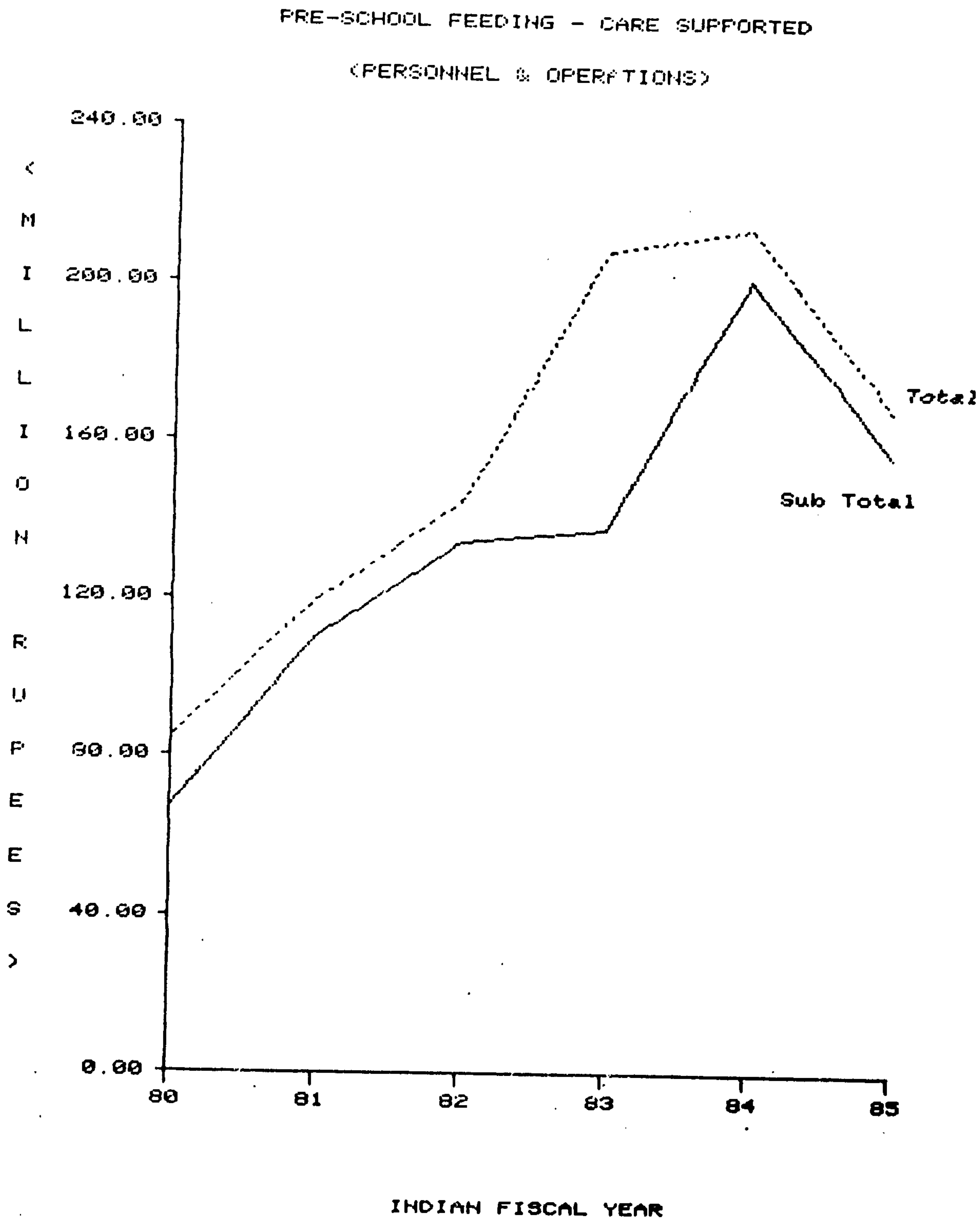
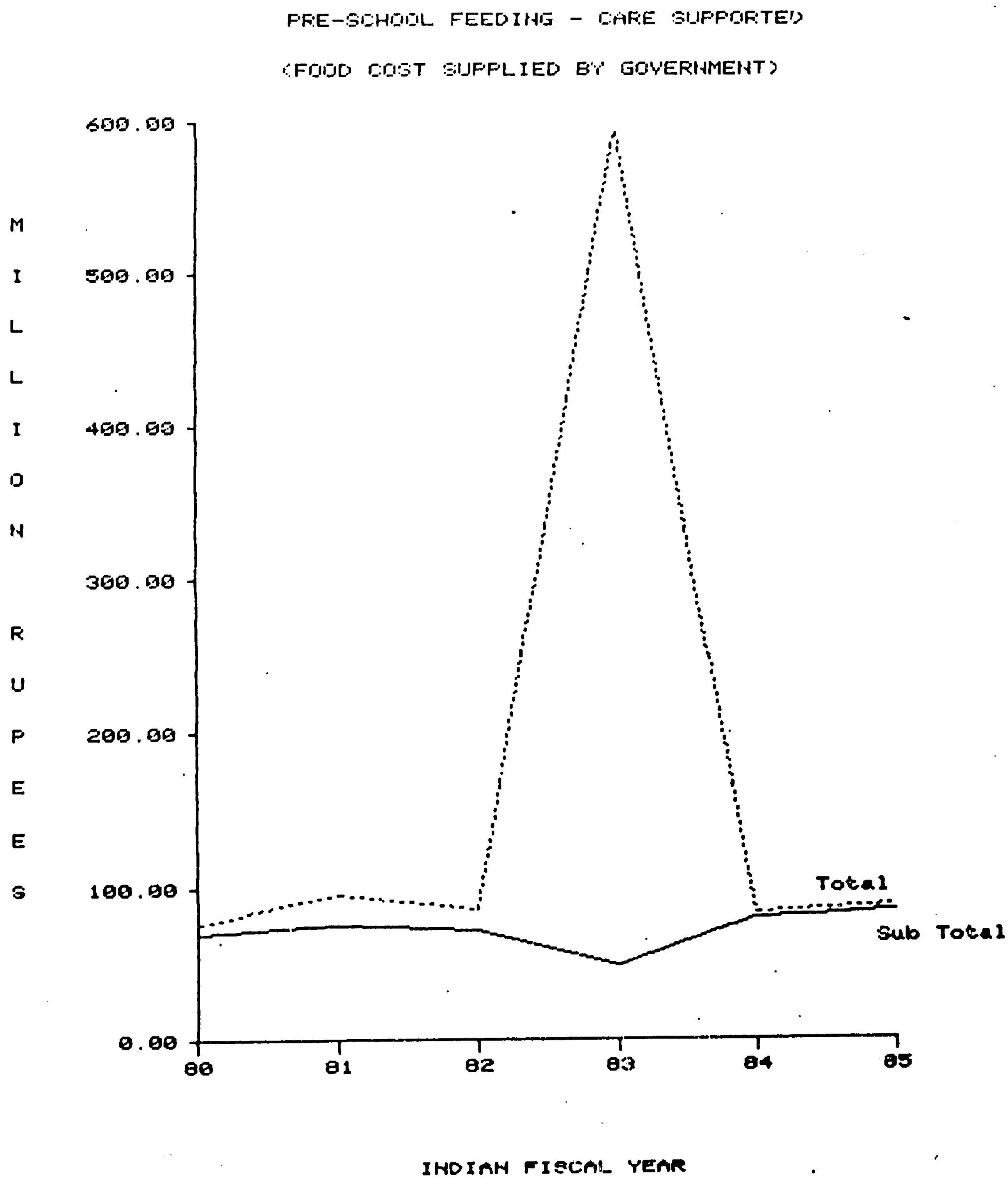
240.00
120.00
0.00
Total
Sub Total
80
81
82
83
84
85
INDIAN FISCAL YEAR

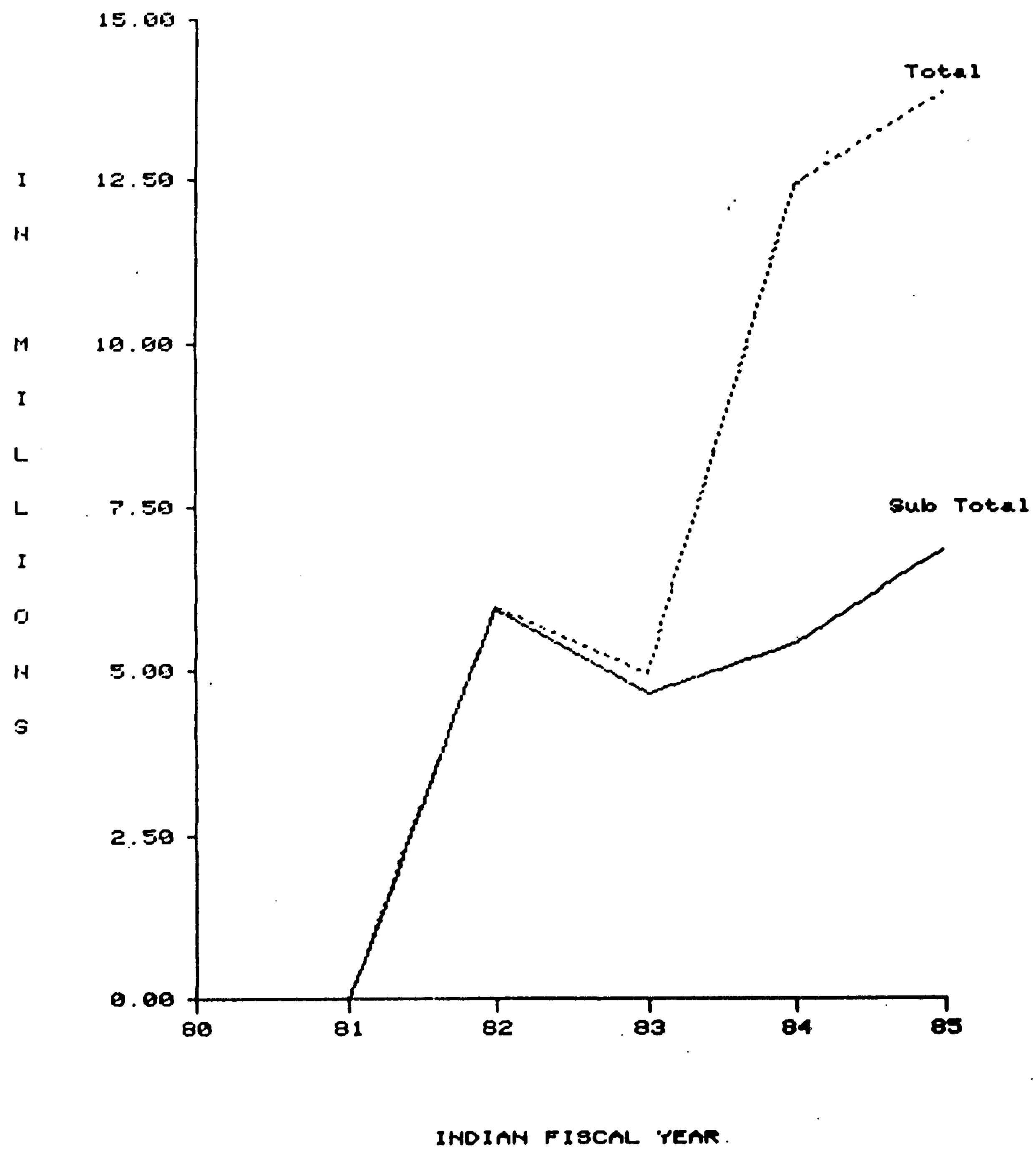


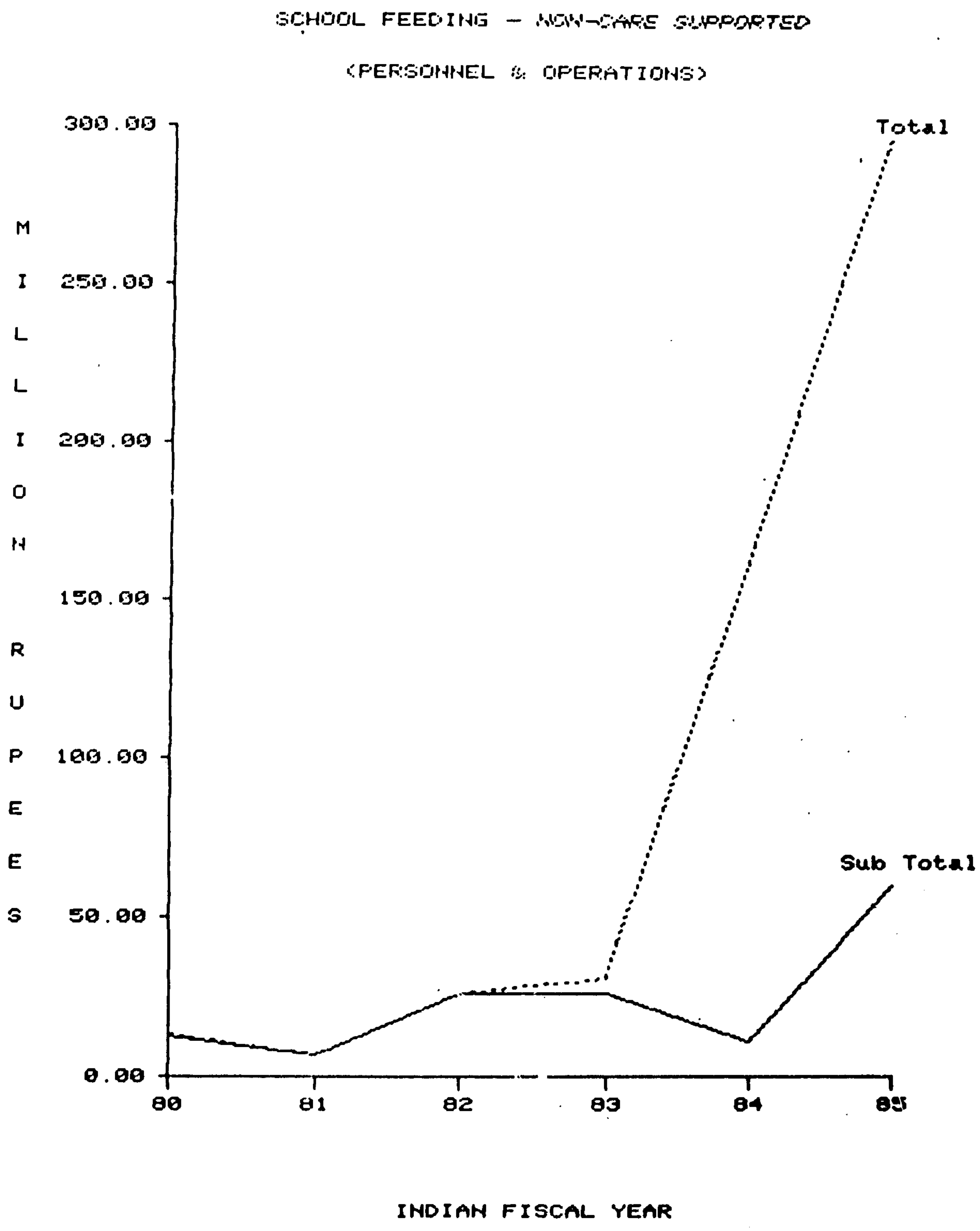
PRE-SCHOOL FEEDING - CARE SUPPORTED
(PERSONNEL & OPERATIONS)
240.00
200.00
160.00
120.00
80.00
40.00
0.00
(MILLION RUPEES)
Total
Sub Total
80
81
82
83
84
85
INDIAN FISCAL YEAR

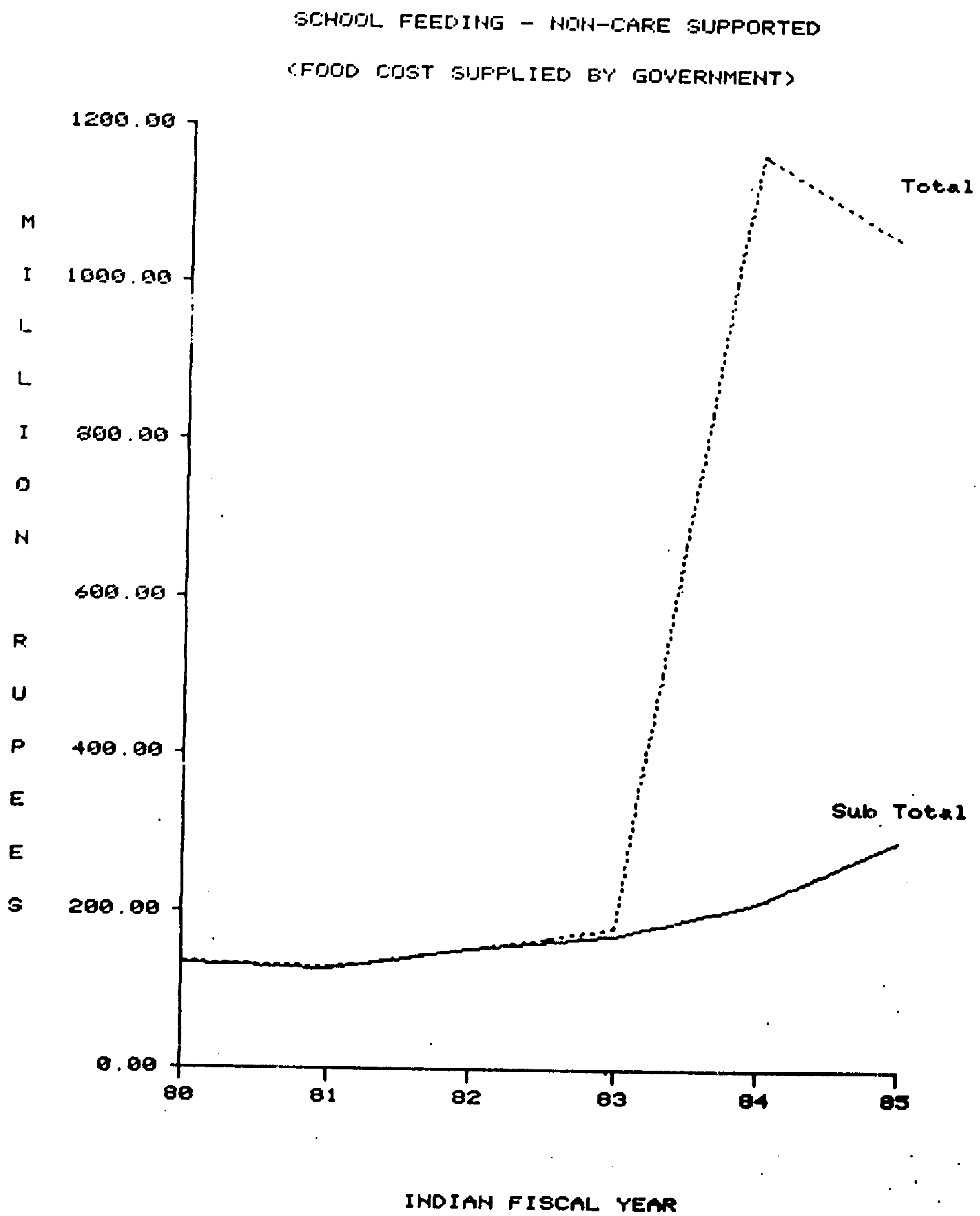

PRE-SCHOOL FEEDING - CARE SUPPORTED
(FOOD COST SUPPLIED BY GOVERNMENT)
MILLION RUPEES
600.00
500.00
400.00
300.00
200.00
100.00
0.00
80
81
82
83
84
85
Total
Sub Total
INDIAN FISCAL YEAR

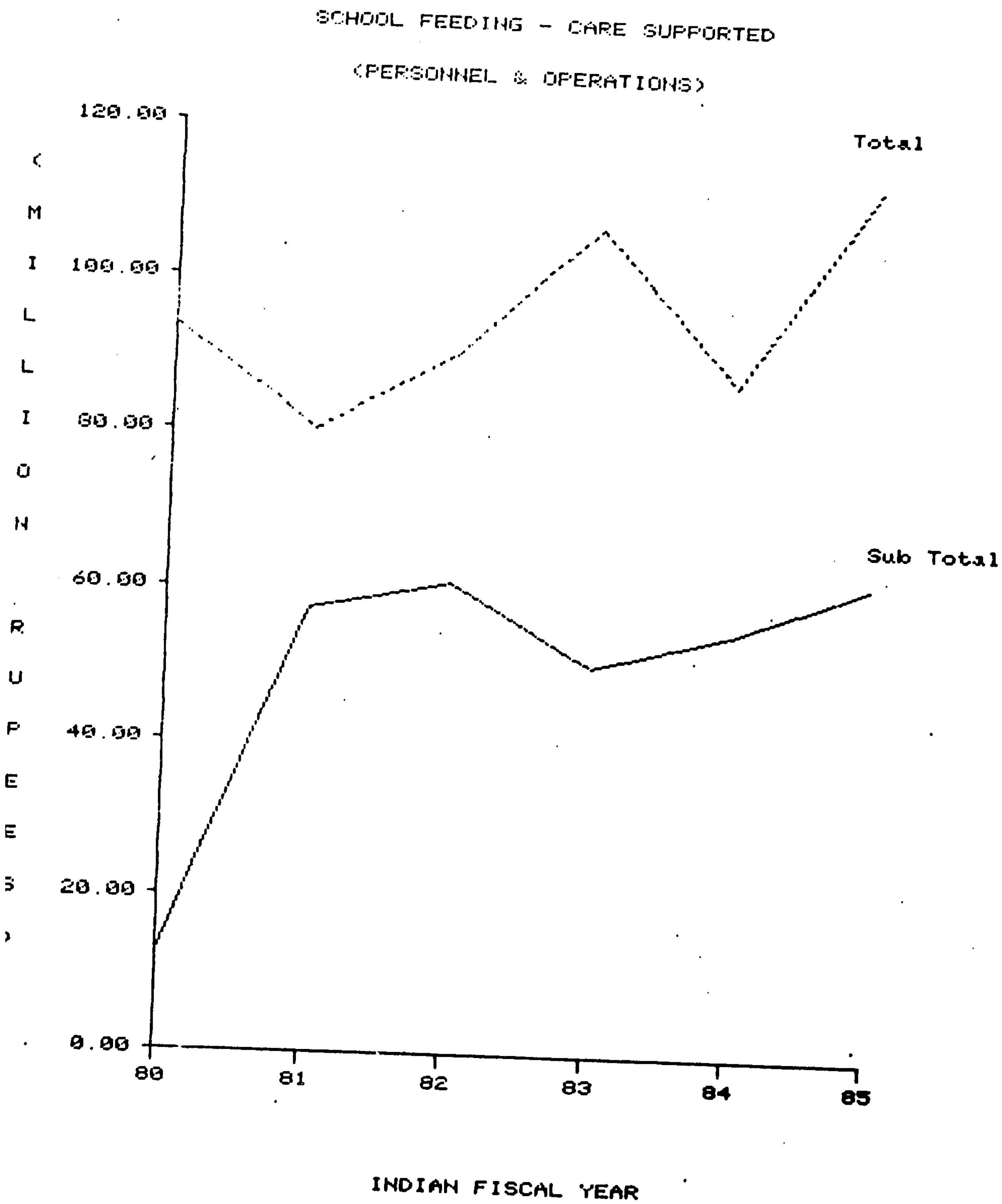
SCHOOL FEEDING - NON-CARE SUPPORTED

(BENEFICIARIES)



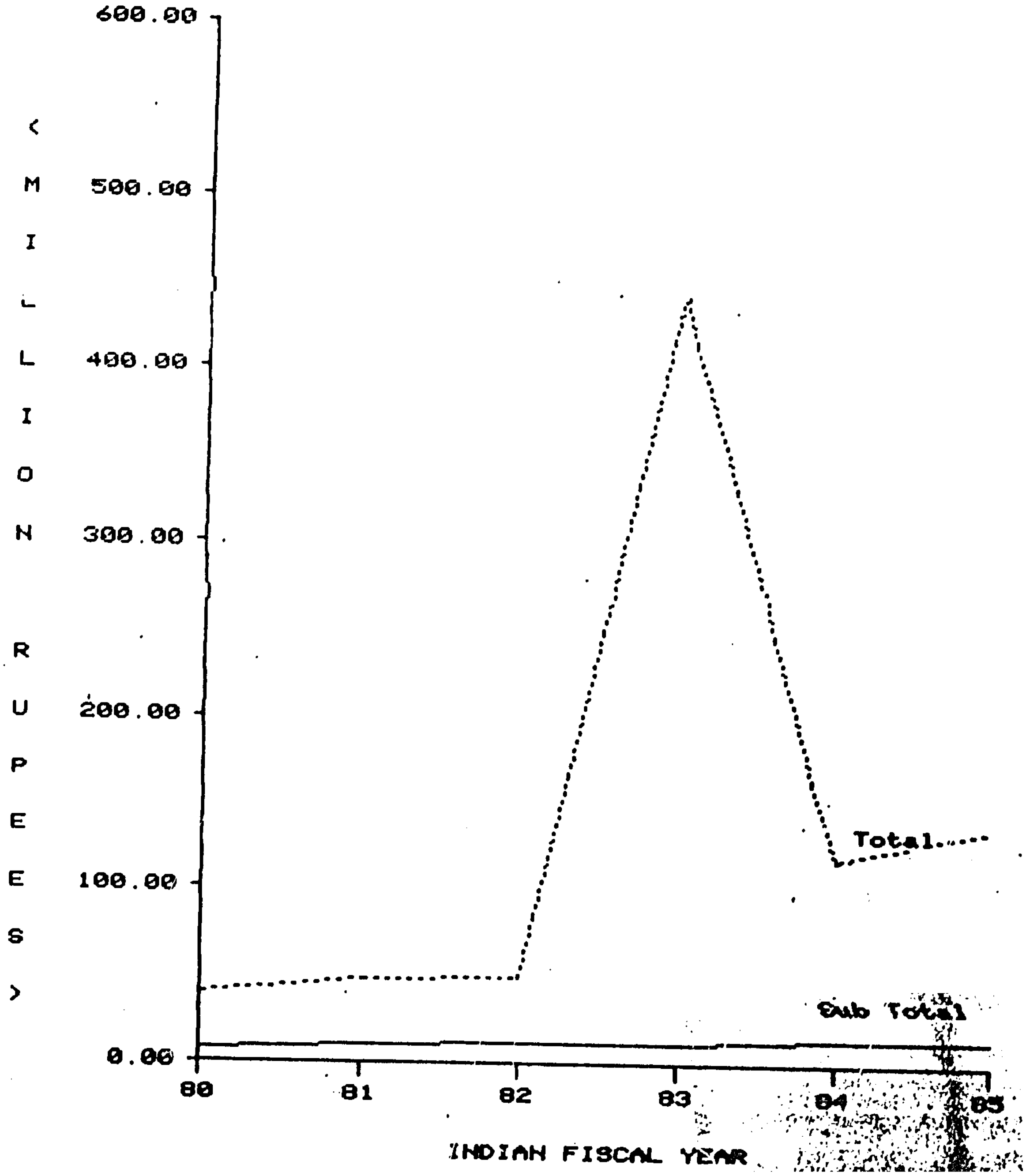

SCHOOL FEEDING - NON-CARE SUPPORTED
(PERSONNEL & OPERATIONS)
MILLION RUPEES
300.00
250.00
200.00
150.00
100.00
50.00
0.00
80
81
82
83
84
85
Total
Sub Total
INDIAN FISCAL YEAR


SCHOOL FEEDING - NON-CARE SUPPORTED
(FOOD COST SUPPLIED BY GOVERNMENT)
MILLION RUPEES
1200.00
1000.00
800.00
600.00
400.00
200.00
0.00
80
81
82
83
84
85
Total
Sub Total
INDIAN FISCAL YEAR


SCHOOL FEEDING - CARE SUPPORTED
(PERSONNEL & OPERATIONS)
(MILLION RUPEES)
120.00
100.00
80.00
60.00
40.00
20.00
0.00
Total
Sub Total
80
81
82
83
84
85
INDIAN FISCAL YEAR

SCHOOL FEEDING - CARE SUPPORTED

(FOOD COST SUPPLIED BY GOVERNMENT)



*CHOOSING 'BENEFICIARIES' FOR FEEDING PROGRAMMES

C. GOPALAN

In India, numerous supplementary feeding programmes directed to children are currently being undertaken. Most of these are small-scale operations undertaken by voluntary agencies. The two major state-sponsored supplementary feeding programmes in the country now are (1) the Tamil Nadu Chief Minister's Noon Meal Programme, and (2) the feeding component of the Integrated Child Development Service (ICDS) programme. A feeding programme is also part of the World Bank-assisted Tamil Nadu Integrated Nutrition Project (TINP).

There has been intense debate on the place of such supplementary feeding programmes in National Nutrition Policy. There is general consensus that such programmes cannot be the long-term answer to the problems of undernutrition in children. At best, they may be considered as part of a short-term strategy designed to mitigate undernutrition in children for the time being, till long-term measures directed towards alleviation of poverty, increased income-generation, improvement of environmental sanitation, removal of illiteracy (especially female illiteracy) and family planning, begin to show effect. Even as a short-term strategy, feeding programmes cannot be the total answer to the problem of undernutrition in children. Such programmes can only be effective as a part of an integrated package of child health/nutrition/ development services.

If resources for feeding programmes are available, such programmes, imaginatively carried out as a component of an integrated package of child health/ nutrition/development programme could reinforce the other components of the package - namely immunisation, care of ailments including diarrhoea, education of mothers towards better child- rearing practices and better use of locally available foods, and family planning. They could attract mothers and children to health/ welfare centres, where otherservices can be piggy-backed on to 'feeding' which would be incidental, and thus the outreach of health services could be greatly improved. But this will not happen if the feeding programme occupies the "centre of the stage" and crowds out the other components, and if the workers are "weighed down" by (and all their time and energy taken up with) the mechanics of feeding, and with the job of just carrying out an elaborated time-consuming selection process to identify 'beneficiaries" for feeding at the centres.

This paper is mainly addressed to a consideration of the strategies currently being adopted for choosing

*reproduced from the Bulletin of the Nutrition Foundation of India, Volume 5, Number 4 - October 1984

beneficiaries for these programmes.

The Tamil Nadu Chief Minister's Programme

In the Tamil Nadu Chief Minister's programme which is a massive operation covering children above two years of age and costing over two billion rupees annually, no deliberate selection of beneficiaries is involved, except that children below two years (the crucial age group) are not included. A noon meal is offered daily for all 365 days in the year to all children above two years who care to come to the several thousands of centres in the State. Any 'selection' that takes place is not what is imposed by the sponsors but by the socio-economic imperatives operating at the community level. Children belonging to the more affluent sections and 'higher castes' frequently do not turn up, with the result that the overwhelming majority of beneficiaries are the poorest sections of the population for whom one good meal for the children is indeed a great boon. This programme cannot obviously serve as a model because resources for feeding operations on this scale covering children of all ages above two years (and destitute women as well) over the entire State, cannot be mobilised by developing countries, on a continuing basis, without detriment to other developmental programmes. This programme must be treated as a 'special case' and is being currently sustained almost wholly by the deep personal commitment of the Chief Minister of Tamil Nadu to the programme. It addresses a major symptom of poverty and there is no doubt that it is helping to mitigate hunger in millions of children; but its cost, in terms of depleting funds for other programmes that could address the basic causes of poverty leading to its ultimate total eradication from these very communities, must be considerable.

The ICDS Programme

In this country-wide programme, which includes a feeding component as part of an integrated package of health services, the selection of beneficiaries for the feeding operation is based on their current weight-for-age status. Children visiting the anganwadis (welfare centres) are weighed, their ages ascertained, and the weights are plotted on a growth chart, which uses reference lines demarcating 'normal', I, II, III, and IV grades. According to this classification, based on the recommendation of the Indian Academy of Paediatrics, children with weights for age up to 80% of the standard (50th percentile of the Harvard scale) are considered 'normal', those between 80 and 70% as grade I, those between 70 and 60% as grade II, those below 60% as grade III and those below 50% as grade IV. It must be pointed out that the so-called grade I of this classification actually corresponds to a part of grade II of the Gomez's scale. All children falling in grades II, III and IV are 'selected'; however, children in grades III and IV receive a ration which is double that of those in grade II. A notable and gratifying feature is that all nursing mothers with infants less than six months of age also qualify for supplements.

Fortunately, however, this rigid selection process breaks down when confronted with hard realities. In actual practice, all children who happen to attend the centre (and who, in any case, are drawn from the poorest communities and are undernourished to varying degrees) receive a food ration regardless of their "grade of undernutrition" because of the obvious difficulty of turning away poor children who come all the way to the centre when feeding is in progress, and because feeding is looked upon in the programme mostly as an incentive for attracting mothers and children for other essential health services. The workers must be congratulated on their practical wisdom in not strictly adhering to a purely arbitrary selection procedure which could exclude several undernourished children. A number of children in so-called grade II malnutrition, do not turn up regularly at the centre and workers at the centre are not called upon (rightly) to deliver the supplements at their homes. Under the circumstances, feeding all poor children who attend the centre does not, in actual practice, impose serious additional demands on food supplements. Thus the only purpose served by the "beneficiaries-selection-process" in this programme, is the identification of children of grade III and IV malnutrition, who qualify for a double ration. It is possible that these children could be identified with the naked eye by a well-trained worker without elaborated weighing and growth-charting; (marginal "errors" should not matter because the cut-off demarcating different grades have no sanctity in any case). This would leave more time for health workers to concentrate on mother-counselling and other services besides feeding, which are today relatively neglected, because of the pressures on time and resources imposed by the selection process for the feeding operation.

Thus, though the process for selection of beneficiaries for the feeding programme in ICDS may have been originally directed solely to the identification of cases "in extremis", hard realities and practical considerations have apparently saved the programme from becoming a pure exercise in repair and rehabilitation. The programme (perhaps unwittingly) is now also serving the purpose of restoring some children in relatively early stages of growth faltering to normalcy.

The World-Bank-assisted SNP

While growth-monitoring is being promoted as a means for early detection of growth-faltering, this project uses an elaborate, expensive, time-consuming and complicated selection procedure based on growth-monitoring to rigorously select only the "undoubtedly undernourished" even if in this process, several really needy children could be excluded. Weighing is done monthly on all children under six years of age in the project areas, and selections are based on the weight gain. The basic premise in the low-weight-grain strategy, as it is used in this programme, is questionable. While a normal child between six and 11 months of age gains weight at 500 gms per month, between 12 and 14 months of age at 200 gms per month, and between 15 and 35 months of age at over 150 to 175 gms per month, the programme lays down that a weight gain of just 300 gms per month during the six to 12 month age period, and 100 gms per month after this period, may be considered quite adequate, because according to the sponsors of the programme, a child that is malnourished (1st to 3rd degree malnutrition) and gaining weight at these lower levels "will still maintain his or her nutritional status quo" (ref: TINP Plan of Operations-Annex. 6, page 1). Thus the objective is just to ensure that children in moderate grades of undernutrition, with body weight deficits up to 40% of the normal expected standard weight maintain their 'status quo' and do not sink further down into the more severe grade 3.

Apart from the fact that the "acceptable" levels of weight gain adopted in this project, are of a much lower order than weight gains of normal children, the project also stipulates that weight gains of an even lower order than this "acceptable" level must persist for two to three consecutive months, before the child qualifies for attention. Thus for example, if a child in the 12-35 months age group has gained less than 100 gms per month in the previous three months he is considered 'at risk'; but he is not selected until his next month's (fourth consecutive month's) reading confirms that low weight gain has persisted over the three months prior to the second weighing as well. In other words, the three-month 'very' low weight-gain must be 'reconfirmed' at the end of the fourth month before the child 'qualifies'. An additional "disqualification" is 'diarrhoea in the previous week' (because weight loss "is to be expected" after such an episode and is "presumed to be transient").

The emphasis is thus on ensuring, beyond any shadow of doubt, that weight gain has been grossly inadequate and "not just a temporary phenomenon or a measurement error". It is also assumed that nonintervention in the case of a child with no weight gain or inadequate weight gain for four months at a stretch will do the child no harm. This is quite different from the notion of early detection of growth failure which is stressed by Moreley and other proponents of the growth chart, where even a single month's flattening of weight is cause for concern if the child is in a sub-optimal category.

The insistence on low weight gain for two or three consecutive months before the child 'qualifies' will contribute to the exclusion of many needy children. It is well known that monthly attendance in weight sessions, especially of the sick and malnourished children is irregular. Because of this, many malnourished children may not be picked up at all till they reach the qualifying grade 3 stage of severe malnutrition. The probability tables provided by the sponsors themselves admit that nearly 20% to 25% of undernourished children "eligible for feeding' even on the basis of the rigid criteria laid down in the project could be excluded.

Pitfalls

A child can already be moderately or severely malnourished by the age of six months if breastfeeding and child care had been inadequate and the infection load was high. At this critical juncture, a zero weight gain in any one month or a short-fall of 400 gms in weight gain over two months could precipitate severe illness. Similarly the criteria applied to children between one and three years of age would appear to be too drastic. The disqualification based on having had an episode of diarrhoea is even more serious, as such an attack may precipitate severe malnutrition if it is not fatal.

Mistakes in weight recording, arising from instrumental and investigator errors could exceed the 100-200 gms limits laid down as criteria to decide between "exclusion" and "inclusion". A study in the Institute of Child Health, Madras (Plan of Operations, Annex. 6) shows that weight fluctuations in a child within the day could exceed these limits. Weight recordings before and after a single feed could show differences of this order. In order to get over this problem, the sponsors of the programme have suggested that a child should be weighed at exactly the same time of the day every time he is weighed, and that he should be weighed before feeding! These stipulations may be appropriate for rats and guinea pigs in a laboratory but are hardly realistic or practical in field operations among poor children. No health worker will be able to comply with them.

The project also employs 'exit criteria' - a child that has gained 500 gms over three months of feeding is considered fit enough to 'graduate' out of the programme.

Evaluation

A mid-term evaluation of this project conducted in 1982 after 21 months of programme operation found no overall improvement in nutritional status of the children (Government of Tamil Nadu 1983) "Revised Report on Evaluation of TINP (Nutrition Component) in the Pilot Block (Phase I)" (Madras: Evaluation and Applied Research Department). The only improvement noted was with respect to the prevalence of grades III and IV undernutrition in children of the 37-60 month age group. The high 'graduation' rates among children participating in the feeding programme (10% per month and even 20% during certain months) was not reflected in significant overall improvement of the nutritional status when all children were considered. In fact, a study carried out by Nirmala Murthy (Suggestions for simplifying monitoring system, 1982) showed that nearly as many as 25% of these "graduates" had reverted to their erstwhile 'undergraduate status' within a few months; considering that entitlement to even 'undergraduate status' in this project involves a gruelling trial period of at least three months, it must be presumed that the reversion rate was indeed much higher.

However a subsequent evaluation report on the project by the sponsors in 1984 (HO T.J. June 1984) provides a rosy picture and claims "very favourable" results. Children are reported to have moved up in the nutrition grade, with reduction of children in grades II, III and IV malnutrition and increase of those in normal and Grade I (this, in spite of the fact that the project explicitly considers "maintenance of status quo" in grade II as acceptable (Plan of Operations loc. cit.). The "disappointing" result, however, even according to this highly optimistic report was "the fact that while the project seems to be doing very well for children aged 13-60 months, it has not improved the nutritional status of children aged six-12 months."

A careful scrutiny of this report, however, reveals internal contradictions. Since we understand that the sponsors are bringing out a more detailed evaluation report soon, we reserve further comments, at this stage.

Evaluation reports apart, in the strategy adopted in this project, it appears that the overriding consideration of "saving food supplements" get precedence over "saving children" though we are certain that this is wholly unintended. The strategy will help to identify children who are undoubtedly on the verge of death, to whom alone precious food supplements could be specifically targeted. It involves a highly complicated and cumbersome selection procedure which health workers can hardly implement. The scientific basis of the selection proce will not stand scrutiny. I. eed, even the ethical basis of an operation which deliberately ignores children who are failing to gain adequate weight for nearly (sic three) months, but takes note of them only after they have conclusively proved that they are really sinking in a fourth monthly weighing is highly questionable.

Comment

Growth-monitoring (individual surveillance of growth) of children using weighing and growth charts is an expensive and time-consuming operation. Where facilities are available, it may be useful in providing valuable 'direction' and support to a health worker in her efforts at early detection of growth faltering, at improving child health/nutrition through counselling of mothers, and in demonstrating to mothers the beneficial impact of actions based on her advice.

It will, however, be a clear misuse of growth-monitoring to employ it just to identify children "in extremis" for feeding programmes. Where food supplements have been made available by a generous foreign donor for distribution to the needy, it will be prudent on the part of developing countries not to embark on elaborate "beneficiary selection processes" which could prove to be far more expensive than the food gift (stitching expensive suits around "gift" buttons). It is certainly important that scarce food supplements are specifically targeted to children in greatest need; but the right strategy, for this purpose, under the circumstances, would be to identify the poorest and most deprived communities (like the Harijan hamlets, tribal settlements and urban slum-dwellers in India) and target the feeding to all children in such deprived communities (the overwhelming majority of whom will be undernourished). In other words, the proper strategy in these cases is to identify and select communities at great risk and not individuals at risk in the general population. Such identification of communities does not need expensive growth-monitoring.

Selections are being justified on the basis that they facilitate effective "targeting" of supplements. A community identified as being subject to abject poverty is a relatively fixed target; on the other hand, individual children in the general population identified on the basis of arbitrary yardsticks at a given point of time are constantly moving targets in view of the dynamics of the under-nutrition process. The selection process in the latter case must, therefore, be a continuous one in order to keep pace with the moving targets and, for that reason, is likely to be much more expensive and much less effective. The scientific basis for the choice of such individual targets is itself open to doubt.

"Therapeutic feeding"

A distinction has to be made between "therapeutic feeding" to be undertaken in hospitals - either in the out-patient departments or in attached nutrition rehabilitation centres on the one hand, and supplementary feeding programmes to be undertaken as part of a preventive and promotive health/nutrition programme at the community level through welfare centres on the other. In the former case, children with kwashiorkor or marasmus just discharged from hospital or those identified as mild cases of kwashiorkor at the out-patient department of hospitals (some of them referred thereto from welfare centres), could receive nutritious supplements (e.g. the Hyderabad mixture fabricated by the National Institute of Nutrition) for a few weeks till they are well on the road to recovery, along with appropriate treatment of other underlying factors.

Welfare Centres

Most children attending these centres belong to the poor sections of the community; at a given point of time they may exhibit varying degrees of undernutrition. Truly normal well-nourished children will constitute a very tiny fraction, and this group will mostly probably opt out of feeding programmes on their own, as the Tamil Nadu experience has shown. Thus, even without any selection, practically all 'beneficiaries' of feeding programmes at the centres will be poor undernourished children (some, perhaps, less undernourished than others) and all of them will stand to benefit from the supplements.

These centres can do a lot of good to children through promoting immunisation, referral of sick children to health clinics, and counselling of mothers, even in situations where resources for offering food supplements are not available. Where resources are available, food supplements could be offered to the extent that resources permit. Such feeding programmes must not be looked upon as the major activity but

(a) as a means of attracting mothers and children to the centre for other services (at present, the outreach of these centres is very poor)

(b) as an educational tool, and

(c) as a contribution to improvement of the child's diet.

As for the last time, the following limitations of the food supplement must be remembered:

(a) it supplies a fraction of the child's daily requirement (and that too irregularly because of invariably irregular attendance)

(b) in quite a few cases, the supplement could be partially replacing the home dietary, and

(c) where there is a coincident infection, the supplement may be poorly utilised unless parallel efforts at combating infection are instituted.

A food supplement is not a specific drug (like, say, rifampicin in leprosy) which would call for careful regulation of dosage depending on the severity and stage of the disease and whose administration must be preceded by careful diagnosis and selection of patients. (Some of the tortuous selection processes now being attempted would suggest that a food supplement is in fact being looked upon this way). Under the circumstances, placing too much reliance and importance on the food supplement and treating its distribution as the central activity of the centre and spending a lot of time and resources on the '"selection of beneficiaries' to the detriment of other services at the centre, would denote a lack of sense of proportion and priorities. The "saving" on food supplements claimed to be the merit of selection will be more than offset by the wastage of precious time and resources expended in the selection process. The game is just not worth the candle.

ms
9 October 1984

P.L. 480 TITLE I/III CANDIDATES

P. WENGER

Preamble:

1. This draft deals only with the two programs which are reasonable candidates for Title I/III consideration; the NDDB/CLUSA Oilseeds project; and the CARE Integrated Child Development Services Scheme, ICDS.

2. The draft will set forth and discuss the positive and negative aspects of all reasonable options for the CLUSA/NDDB project, whether or not they include I/III; in the CARE/ICDS case, It will cover only Title III proposals. There will be no attempt to prioritize among options, other than through the implications inherent in the discussion of their feasibility. Certain of the options listed will be consonant with a reduction of PL-480 levels, both overall and/or Title II, but the totality of options will not be such as to compel such a reduction.

3. This draft will not attempt to duplicate Dr. Young's extensive financial analysis of the CLUSA/NDDB Oilseeds project nor Ms. Norton's equally comprehensive beneficiary analysis of ICDS, but will focus on the qualitative aspects of the options for each of these programs.

TITLE I CLUSA/NDDB OILSEEDS PROJECT OPTIONS

I. The CLUSA/NDDB Oilseeds Project can be briefly described as a cooperative-based vertically integrated scheme for the production, procurement, processing and marketing of oilseeds/vegetable oils, primarily groundnut, rapseed/mustard and soyabean. The project is based on the concepts: a) that imperfect competition and profiteering attitudes among private sector middlemen, commercial and industrial, have created an excessive spread between farmgate prices for oilseeds and consumer prices for edible oils and vanaspati; b) that the cooperative movement can play a major role in attaining a wide range of social and educational as well as economic goals; and c) that additional research and extension activities, as well as enhanced farmgate prices, are essential to enhance oilseed production. The project is modelled on the emminently successful NDDB intervention in the Indian dairy/milk products sector.

1. The first option for the Oilseeds Project would be: sub-option a) freeze AID participation, including delay or possible cancellation of the FY 85/86 shipment, pending a thorough financial analysis cum evaluation of the project.

The advantage of this approach would be that it might (though prior attempts at evaluation have not) give the Mission a better handle on the project than it now has. Since NDDB has large cash reserves, and since the FY 84/85 shipment, which is firmly committed, has yet to arrive, a pause would not be financially harmful and the 84/85 oil, plus their one year buffer stock, of oil would be more than sufficient to prevent any major disruption of their marketing activities.

The primary disadvantage of this approach is that NDDB might react confrontationally, as they did during the audit controversy. The resultant potential disruptions to project implementation could put AID in a difficult situation; if major defects are disclosed, we could be criticized for coming as far as we have in the project; if the basic project was good but the confrontation damaged it, we are blamed for the damage. A secondary problem is that putting a portion of the future title II level in limbo would complicate level and programming decisions that should be made within the next few months.

Sub-option b) would be a less thorough but also less potentially confrontational level of analysis undertaken without threatening to delay any shipments but merely expanding (substantially) upon the work done by Dr. Young in this exercise.

If the Mission were to select this sub-option - which could also provide an informational base for decision on the other options presented hereinafter - it would be necessary to move quickly and quietly to field an appropriate team, so as not to risk either the possibility of a shipment delay (if the results are OK) or NDDB being unduly alarmed.

The primary potential disadvantage of this sub-option is that the study might not be sufficiently thorough to permit meaningful judgements on a project that is, necessarily, complex and multi-faceted. There is also the risk that even if the study were low key, NDDB would still react with alarm.

2. The second option would be actual firm termination of all PL-480 support after the FY 84/85 shipment. As of September 30, 1984, the project had generated Rs. 1.1 billion in cash (plus Rs. 100 million oil-in-stock) and had expended only Rs. 410 million for a net Rs 690 million cash on hand. This section's analysis of the NDDB project expenditures and financial situation disregards as meaningless the temporary use of a portion of NDDB's immense cash reserve for "production support" (i.e. working capital). During the first three Project Years, NDDB made project expenditures averaging Rs. 19 million per semester, obviously weighted toward the latter portion of the period; during PY 4, expenditures increased to Rs. 45 million a semester, giving us a reasonable base line for future calculations. During PY 5, NDDB expended Rs. 66 million a semester, i.e. increasing at a rate of somewhat under 50% per annum. During the first semester (April-September, 1984) of PY 6, they expended Rs. 78 million or about 20% over the average semestral expenditure of the prior year. NDDB currently projects expenditures of Rs. 470 million during the second semester of PY 6, a 500% increase over the first semester. Some skepticism may be felt as to whether this full rate of increase will actually be realized, particularly in view of NDDB's inability to realize prior expenditure projections. Going back to an annualized basis, and positing expenditure increases for PY 6 and 7 at a compound rate of 100% year-to-year (double the previous high), we would find PY 6 expenditures of some Rs. 262 million and PY 7 around Rs. 524 million. At that rate, NDDB's current cash reserve, plus the Rs. 120 million value of the oil already committed for PY 84/85 delivery, would see them into PY 8 (which begins April 1, 1986) with a modest positive cash balance of around Rs. 100 million plus their Rs. 100 million oil buffer stock. Not too long thereafter, however, they would be forced either to truncate the project or find other sources of financing.

The advantages of such option to AID would be the saving of US$ 12.7 million per year for PY 86 through PY 88, plus the partial limitation of AID exposure in a situation where our standard audit rights have been restricted.

The possible advantage to NDDB would be that the resultant urgent need to prioritize could result in a cleaner, more efficient project. At the least, the NDDB would be forced to pay genuine attention to the recommendation in the June, 1983, evaluation that they consider cuting back on their planned acquisition/construction of potentially excessive processing capacity in a sector where their prior procurement efforts have fallen well short of projections and which is already burdened with a major excess of capacity in the private sector.

The disadvantages would be that such an such an abrupt cutoff could trigger charges of bad faith on the part of AID and, quite possibly, force NDDB into moves that were ill-advised because they were, perforce, hasty. AID having both acquiesced in the front-end funding of the project and long known of the NDDB's substantial cash holdings, it could be said that it has waived its right to complain now. Moreover, since the main thrust of the project, both as evaluated in 1983 and as observed by the team, is indeed sound, NDDB's plans and projections cannot easily be dismissed as fallacious even though they have so far taken substantially longer than expected to be put into effect. Taking the risk of aborting a basically worthwhile project in order to "save" a relatively small portion (21%) of our overall investment in that project would require extensive study before it could be recommended.

3. The third option would be to maintain the project total of 160,000 tons of vegoil, but stretch delivery of the final 33,000 tons over 5 years instead of the currently planned 3 years.

This would have the advantage to AID of cutting the annual outlay from \$ 12.7 million per year to \$ 7.7 million for an annual saving of \$ 5 million. For NDDB, it would make available all the resources that have been "promised" to them, even though omitting the extra 37,000 tons the evaluation said they might need. It would also constitute a tacit acceptance by both parties of the actual, slower-than-projected rate of project implementation.

An additional, if perhaps minor, advantage to AID would be that, by stretching out the shipments until closer to the expected project completion date, rather than finishing them several years before the end of project, we would still have a means for getting NDDB's attention as needed.

The disadvantage to AID would be that the mortgage would not only remain unchanged, even though the annual payments decreased, but it would constitute a drag considerably farther into the future than it presently does.

NDDB, however, might see the stretch-out as the first stage of a cutoff and react by truncating the project more severely than necessary or desirable. Moreover, since their projected expenditures (accepting these arguendo) are heavy through FY-8 (to March 31, 1987) and drop sharply thereafter, such stretch-out could have genuinely adverse consequences for their cash flow during a critical expansion period.

4. The fourth option is almost the exact opposite of the third: if additional FY'85 funds were to become available, AID could further front-end-fund the project, up to the 33,000 tons still committed, and get it off the books.

The possibility of such funds becoming available is substantial. The ongoing surge of popular and congressional sympathy for Africa has compelled the development community to suspend its doubts over absorptive capacity. However, come next July, if major bottlenecks have in fact begun to limit food deliveries to Africa, there could well be a rush to transfer the authorized commodities anywhere they can be used.

The primary advantage to AID would be closing out the mortgage, thus opening '86 onward to either new programs or a painless cut in levels. Moreover, the absence of audit rights might tend to become less noticeable the farther we were from the final AID input.

The advantages to NDDB would be both the certainty of fund availability once it was in their bank account and the considerable interest generated by some Rs. 360 million over the several years until it was expended.

For both parties, the question of other funding for the additional 37,000 tons of vegoil cited in the evaluation could then be examined on its merits. (See options 6 and 7 below).

Possible disadvantages are largely speculative: loss of a portion of AID's notional leverage on the one hand, and the risk of NDDB getting careless with so much ready cash on the other.

5. The fifth option is <u>status quo</u>, a continuation of the AID funding as projected, coupled with continuation of the project on the ten year time frame that has already been effectively accepted.

The advantages of inertia to both sides are obvious. The project appears to be a good one and, having apparently overcome its initial problems, now seems to be moving well. All the people and institutions involved are accustomed to operating at this level, and it would send a message of continuity in a program that is well regarded in important circles, both here and in the U.S.

The primary disadvantage to AID is that it would continue to tie up some $ 38 million over a three year period which, in the not unlikely event of budget stringency, would have to be taken from some other Title II activity in India. The need for the Mission to prioritize carefully in such case is obvious. Secondarily, the Mission could possibly find itself in the worst of all worlds insofar as the audit situation is concerned: it could neither put the whole matter behind it, as would be the case if '85 were the last funding year, nor would it retain the leverage of stopping shipments until close to the end of the project activities as in the stretch-out situation.

There would be no major disadvantages for NDDB. They would get what they planned on, more or less when they expected it. Only the question of the additional 37,000 tons would remain open and that is treated in Options 6 and 7 below.

6. The sixth option, embodying the possible use of Title III, is made up of 4 sub-options, depending on whether Title III were to be used to finance: a) only the 33,000 tons already committed; b) only the additional 37,000 tons cited in the evaluation; c) both of the above, i.e. 70,000 tons; or d) a portion of the two, say to the 50,000 ton level.

The discussion of this option should begin with some generalized observations on the potential use of Title III in this situation, whichever option were being considered:

i. The GOI does not want to get back into Titles I/III and they are too sophisticated to think the "new" Title III is meaningfully different from the "old" Title I. They simply do not want either the appearance of dependency or the actuality of the U.S. using the same foodstuffs first to influence Indian policy and then to require accounting for the local currency proceeds. This is known as the "two bite" syndrome and even though they have acquiesced in it with one or two European food aid programs, they would resist it from us for historical reasons.

ii. The NDDB does not want Title III. They are proud of the high degree of independence from the government that their CLUSA conduit gives them. Since the GOI would have to replace CLUSA in a Title III arrangement as a conduit for the commodities, the NDDB would lose considerable independence, and since the vegetable oil would have to be monetized by the GOI, rather than transmitted directly to NDDB, they would lose both the market development aspect of selling the vegoil themselves and the 30% the GOI takes off the top in such instances. Even if the GOI were to designate NDDB as sales agent, the 30% would be lost to the project-though it would have to be applied to some agreed development activity by the GOI.

iii. Although, if push came to shove, the GOI might and NDDB probably would accept Title III, such acceptance might well be so grudging as to deprive the United States of much of the benefit in improved relationships we should reasonably expect to get from a program of this nature.

iv. The USDA and US oilseeds industry might well oppose a Title III intended to strengthen the Indian oilseeds sector and construct excess processing facilities. The picture in international vegoil trade has changed adversely to the US producers since the original Title II project was approved.

v. OMB would strenuously oppose it: not only are they generally hostile to the multi-year concept of Title III and basically committed to a net reduction in India PL-480 levels, they would oppose this particular project as a straight substitution of III for II and, in the absence of any such new developmental rationale as will be discussed below for ICDS, would likely consider it a subterfuge to avoid (deeper) cuts in aid levels.

vi. Either of the above USG obstacles could be overcome at the working level, but the likelihood of this occuring is not very good. They could, of course, be easily overcome by a high enough level policy directive - but, then, if such muscle were available it might be better used for the protection of Title II levels.

6.a) The sub option of substituting III for II in the financing of the 33,000 tons remaining in the original project would benefit AID both by getting the Title II mortgage closed out and in the better handle the mission would get on the project through the PID/PP analyses and the opportunity to win back lost audit rights. It would also result in a better project if the analyses demonstrated, and NDDB accepted, the need for some substantial mid-course corrections.

Aside from the "better project" possibility, such a shift could only benefit NDDB if it saved them from a total or major cutback from the 33,000 tons remaining.

In addition to the generalized disadvantages previously presented, this option would put substantial time pressure on both AID and NDDB to complete the rather tortuous Title III documentation/negotiation process in time for FY'86 funding. Fortunately, both the NDDB cash reserve and oil buffer stock,plus the upcoming FY 84/85 shipment, are sufficient to meet the PY 7 requirements, so a Title III authorization by mid FY 86 should be early enough to avoid major disruptions in NDDB activities.

6.b) The sub option of using Title III only for the proposed 37,000 ton increment would have the benefit of permitting an unhurried look at the project's needs well into the future. It would permit a stronger and more complete project, with its incremental elements based on a far more thorough analysis than has yet been done. The existence of such a satisfactory analysis might also serve to lessen possible USDA and OMB objections to a Title III authorization. For NDDB, it would present the opportunity to choose (however, reluctantly) between a larger project in a less independent ambience or the existing project under the ongoing conditions.

The disadvantages to AID are that the Title II mortgage would remain and, unless the present drawdown schedule is substantially accelerated, a Title III would at this time be a bit premature.

6.c) The sub option of picking up the whole 197,000 tons the evaluation proposed under Title III would appear to have most of the disadvantages of both a) and b) above, with the only clear advantage being to wipe out the current Title II mortgage. Moreover, since Title III agreements authorized during the last several years have been limited to 3 year duration, this option would cause the delivery rate to jump to well over 20,000 tons per year for FY 86-88 thus further front-end funding the project.

6.d) The final sub-option seeks to obtain the primary benefits of the prior three, while minimizing their disadvantages. In this case, FY 86 deliveries of, say, 12,000 tons to meet NDDB's projected cash flow needs would be made under Title II, which would then be closed out. Ample time would exist for a thorough analysis justifying a Title III program for FY 87-89 at a similar level, thus providing the 33,000 tons already committed plus almost half of the 37,000 additional tons cited in the evaluation (since Title III agreements are quite readily extended to a fourth year for fairly good reasons, another 12-15,000 ton would be close to hand). Moreover, the Title III analyses would come at a time when enough operating results were available to show what changes are needed, yet enough time and money would remain actually to make them.

7. The seventh option, using D.A. funds instead of, or complementing, Title II/III funds, would have largely the same set of advantages and disadvantages discussed under 6 above.

The major differences would be : a) the GOI would be less reluctant to embrace substitutional D.A. funding for local currency outlays than would be the case with baggage-laden Title III; b) USDA and OMB have far less to say on the D.A. side than with PL 480, both substantively and procedurally; and c) there is no de-facto three year limit on D.A. projects as on Title III.

II. INTEGRATED CHILD DEVELOPMENT SERVICES (ICDS) OPTIONS

II. The AID CARE/ICDS (Integrated Child Development Services) Scheme contains, as its name implies, a coordinated package of maternal/child health, pre-school education, and nutrition services including: a standard, vitamin fortified ration of 300 calories and 8-10 grams protein, served as a mid-day meal for moderately malnourished children from 6 months to 6 years of age and 3-6 year old pre-school attendees, and double that ration for severely malnourished children in the same age group and at risk pregnant or lactating women (these levels have been determined to be the minimum for correcting the deficiencies cited); medical examinations for the same categories of people and basic innoculations and other available medical treatment (such as ORT) as appropriate; nutrition and health education for all women within the jurisdiction of the anganwadi (village ICDS centre); and family planning education as appropriate.

The AID/CARE/ICDS program is planned not only to meet the needs of those directly served, but to function as a demonstration program to establish the efficacy of the package of services provided, in contrast to the lower and presumptively inadequate levels (particularly nutritional) furnished under other non-AID MCH plans. Evaluation of comparative results is, obviously, critical.

However, in its present Title II form, the program is essentially open-ended: the budget could be halved or doubled without greatly changing anything other than the number of anganwadis and recipients of services. The range of options, including budgetary levels, commodities, services, management, etc. within the ambit of the Title II concept are covered in Ms. Norton's paper.

The option to be discussed in this paper is for an integrated Title II/Title III/(and possibly DA) program based on the concept of phasing over to the states of India (with support from the Centre) by the end of the century (now only 15 years hence) an ICDS program comprehensive in both scope and coverage. This program would be particularly responsive to the great degree of both regional diversity and local government autonomy which mark the states of India, as distinguished from most other countries in which AID operates. It would draw upon the evaluated lessons drawn from the D.A. ICDS project (386-0476) and could either replace or be coordinated with the major follow-on promised in the 0476 PP, depending on such considerations as the amount and nature of host country support and the scope of non-food activities to be covered.

The cutting edge of the integrated activity would be a rolling Title III presence, consisting of a series of 3-5 year closed-end programs, each covering one or more geographically contiguous, and culturally and socially (more or less) similar states, with each such program designed to institute, demonstrate the feasibility of, and provide for turning over to the involved state(s) an ICDS program with a realistic capability of attaining the agreed health and nutritional goals under all of the conditions extant in that state and/or region.

The primary function of Title II in this context would be to serve as a follow-on program in those instances where the magnitude of the health/malnutrition problem vis a vis the ability of the particular state(s) to finance and implement the program at the end of the 3-5 year Title III period might require additional assistance, following an already-charted course, for a limited additional period of time.

Secondarily, Title II could serve as both a leveller of levels in the event of Title III lumpiness and/or a cushion for the cutting of PL-480 levels here if necessary.

A possible additional function of Title II would be to serve as a precursor to the Title III program in cases where social or humanitarian considerations might dictate a commencement of some kind of food assistance before the time was ripe for the primary Title III program, with its requirement for extensive planning and feasibility analysis.

A not-unimportant side benefit of continuing a Title II program along with the Title III would be to help maintain the CARE presence in India at a higher level (due to their more extensive functions under Title II) than would be the case in a pure Title III situation. CARE has long constituted a valuable component of the US presence in India and deserves support in the USG interest as well as CARE's.

With reference to the potential generalized institutional responses to Title III noted in connection with the NDDB project, we can eliminate the possible negatives of the USDA oilseeds people and the NDDB, since their interests would not be affected. Of the remaining pair, GOI and OMB, the former would be most receptive to a proposal increasing the overall aid level, while the latter could best be approached on the basis of the closed-end nature of the program; even though the overall program termination is rather distant, as envisioned, the discreet geographic portions of the program would have finite lifetimes. In neither case can we be overly sanguine of approval, for the reasons previously stated, but in both we should have a better shot than with an NDDB Title III attempt.

Balancing the realities of GOI and OMB, and taking into account the experience of FFP/Washington in administering Title III programs, the optimum (though still highly speculative, needless to say) set of numbers would appear to be a $ 60 million, 3 year program, starting with $ 10 million in FY 86, $ 20 in FY'87 and $ 30 in FY'88. If the program were generally accepted as successful after that period of time, inertial factors would favour its continuation at that level, or perhaps a tad higher, as long as it served as a series of closed-end activities rolling through the diversity of people and states that is India.

The above timing, aiming for a FY'86 start, would be very tight, but with the Title II program in place there would be maneuver room for either a late FY'86 or early '87 Title III, with Title II filling the gap as needed.

It is not possible at this stage of the analysis to present a set of levels for the Title II portion of the overall program, except to suggest that, while still substantial, they would be considerably lower than at present. Whether the overall PL-480 level for this activity would require cutting would depend on a complex of factors, both internal (i.e. the persuasiveness of the overall program and the role of Title II within it) and external (e.g. the levels sought for other PL-480 and D.A. program in India vis a vis worldwide needs and availabilities).

Should the Mission elect to explore this option, a CDSS presentation would permit official Washington reaction. At the same time, CDSS discussions with the GOI would carry the question of its potential acceptability here to an official level.

Assuming neither government rejects the concept outright, the next step would be to prepare a PID setting forth the overall parameters of the proposed program in sufficient detail to demonstrate that the basic ideas and their implications have been reasonably well thought through and that program objectives have an adequate likelihood of being accomplished through the means selected.

Since PID approval would almost inevitably be conditioned upon a satisfactory evaluation of the CARE and D.A. ICDS programs, the scheduling of such evaluation would have an important bearing on whether the Title III program would commence in '86 or '87. To the degree that either the Mission or Washington prefers the earlier start, it should accellerate the timing of the evaluation.

Preparation of the PP, once that has been authorized, would be much the same as in the case of a D.A. project. The Mission has considerable expertise in the area and specialized assistance would be provided by Washington as and when needed.

CLUSA/NDDB FINANCIAL REVIEW AND OPTIONS

F. YOUNG, PPC/PB

I. INTRODUCTION

The findings of this report are summarized below:

1) Since March 1983, cash outflow (expenditures plus advances) has increased dramatically. between March 1983 and March 1984, cash outlays were equal to the total cash outlays of the first 3 project years. In the 6 months from March 1983 to September 1983, the pace of cash outlays has almost doubled.

2) The increased pace of those cash outlays has been primarily due to use of project resources for procurement support. while the other line item cash outlays have also increased, it will take considerable effort to increase outlays for these other line items from RS. 208,1 million since April 1983 (PY-5) to a projected Rs. 552 million in PY-6. the increase is projected to occur as a result of heavy investments in processing facilities and production enhancement, and to a lesser extent in increased project management and manpower development costs.

3) Assuming the OGCP meets even 75% of its PY-6 expenditure target, the cash flow situation would justify shipping at least the amount of oil proposed under the "base alternative" in the MYOP early in PY-7 (U.S. FY 1986). The FY 1985 shipment currently programmed and enroute should be sufficient for this year's (PY-6) activities.

4) Apart from a decision to continue shipment of oil at at least the "base level" (8,225 Mts. annually) the Mission should enter into a serious dialogue with CLUSA and NDDB regarding investment choices in processing plants, why satellite storage has been deleted from the core project budget, and the increased costs attributable to the recent adding of Karnataka State back into the project in late 1982 after it had been replaced by Orissa. That discussion should also include holding of U.S. oil in reserve stock by NDDB, and NDDB's policy on cash advances.

DISCUSSION

The team comprised of Frank Young, Paul Wenger, Dave Nelson, Susan Schayes, and Maureen Norton visited Anand on November 25-26. As part of a review of the OGCP budget, the team sought to determine the project's cash flow requirements in developing various options for future shipments of Title II oil.

Based on data supplied by NDDB, it is clear that the pace of expenditures has increased dramatically since April 1983. A summary of this is presented below. A more detailed cash flow summary is attached:

BUDGET AND CASH FLOW SUMMARY

	Item/Year	3/82	3/83	3/84	9/84	PY-6	PY-7	PY-8	PY-9	PY-10
A.	INFLOW	561.7	758.9	335.2	85.1	140.8	116.9	202.2	124.4	173.4
	-Cumulative	561.7	720.6	1013.1	1098.2	1239.0	1355.9	1558.1	1682.5	1885.9
B.	OUTFLOW (excluding procurement Support)	112.7	90.1	131.3	77.8	549.4	545.8	414.5	208.9	201.5
	-Cumulative	112.7	202.8	334.2	412.0	961.4	1507.2	1921.7	2130.7	2332.2
C.	PROCUREMENT-SUPPORT	318.7	330.6	294.9	236.8	277.5	--	--	--	--
D.	CASH BALANCE	130.3	187.2	384.0	449.3	0	-151.2	-363.5	-448.1	-476.2

NOTE: Some numbers may not add due to rounding.

The income statement of 9/84 does not include 8490 MT of oil in reserve valued at Rs. 106.1 million (Rs. 12,500 per MT). The expenditure statement also does not include about Rs. 150 million in accounts payable to reimburse federations for processing and production enhancement expenditures. This would place actual cash balance as of 9/30/84 at Rs. 256.1 million higher than shown. Of the total cash balance on hand, Rs. 372.0 million are in fixed term deposits ranging from 4-10%.

Several things are apparent from the budget statement presented above and from review of the detailed budget statement attached:

(1) NDDB has substantially increased its pace of cash outlays over the 30 month period, April 1, 1982 to September 30, 1984. Cash outlays from April 1982 - March 1983, and April 1983 - March 1984, respectively, almost equalled total expenditures of the first three project years combined. The pace of expenditures from March-September 1984 alone are already 3/4 the previous year's outlays.

(2) It is not totally clear how much of this cash outlay is outstanding in the form of advances. Based on CLUSA documents which show cash outlays totalling Rs. 625.4 million at the end of PY-5 (9/30/84)(some Rs. 60 million less than Table 2 attached, which was supplied to the team by NDDB), Rs. 265.9 million are outstanding as unliquidated advances, or 42.5%. The actual amount of procurement support financing outstanding is

also not clear, but it would appear at least Rs. 236.8 million may be classified as accounts receivable. (It is important to note that CLUSA defines the project year as July 1-June 30; NDDB, however, only keeps its books on an April 1-March 31 basis, and issues semi-annual financial statements on March 31 and Sept. 30. Consequently, it is difficult to get CLUSA and NDDB figures to totally agree.

(3) The project budget shows a cumulative deficit of Rs. 479.3 million against a total project budget requirement of Rs. 2332.2 million. The request for an additional 37,000 MT of oil would presumably make up this deficit. However, it must be questioned whether given the large amount of advances outstanding, and substantial accounts receivable and accounts payable items (such as the CBNC line item for funds due federations as reimbursements), whether the budget problem is also partly one of cash flow.

(4) The project budget reveals the dramatic increase in expenditures after April 1982 has been carried by increased allocations to procurement support. However, the projected jump in PY-6 outlays is concentrated on processing and production enhancement. Table 3 shows that 7 plants are under construction now for completion by December 1986. The large outlay for production enhancement is presumably based on the fact that the Center has finally prevailed on states to allocate land to district farms and area agronomic centers. It also reflects the fact that federations in Tamil Nadu, Madhya Pradesh, Karnataka and Andhra Pradesh are soon becoming fully operational. The period up to March 31 will be critical to determine if, in fact, NDDB can spend these amounts. In reviewing that progress, the amounts recorded as documented expenditures should be separated from advances to federations for these line items to get an accurate sense of how funds are actually being spent.

From the analysis above, it seems apparent NDDB may sustain a rate of cash outlay to justify further oil shipments, at least at the base level projected in the MYOP. The issues involving investment choices for currencies generated from the sale of that oil are separate from that of the cash flow analysis and are discussed in the final section of the report.

FUNDING OPTIONS

Based on the budget analysis above, six funding options exist. These are reflected in Table 1:

(1) Make no further shipments of oil beyond the 126,685 MT due to arrive through PY-6.

The decision not to fulfill the full 160,000 MT commitment would leave the project approximately Rs. 407.3 million short of the original investment projection. The project would cease at the end of PY-7 without alternative resources, leaving operations effectively in Gujarat and possibly M.P. intact. Production enhancement work would likely cease and about half the plants under construction would be idle. Also, NDDB's policy dialogue with the GOI to open a concessional credit window for state federation procurement support would be compromised. This is not considered a feasible option for A.I.D. to protect its existing investment.

(2) Complete Shipment of full 160,000 MT.

This assumes arrival of 9,600 MT in U.S. FY 85, and 8,225 MT in each of FYs 86-89. This is the shipment level under CLUSA's "base" assumption in the MYOP. At this level, negative cash flow begins in PY-7 (prior to 6/30/86) assuming federations continue to hold one year's shipment of oil (8,490 MT) as a hedge to keep marketing channels open. It permits deferral of the second transfer authorization to FY 1986, by which time the Mission may assess NDDB expenditure performance in PY-6, conduct an evaluation and review findings of the upcoming audit by Chokse & Co. This option may be advantageous to NDDB in convincing the GOI to open a credit window through NABARD or other mechanism for procurement support. Under this funding option, donor (A.I.D.) resources are not available for procurement after PY-6.

(3) Stretch out oil shipments to FY 1990

This reduces shipment levels to 6,677 MT per year. This option would advance the project's cash flow problem to early PY-7 and shorten the time available to NDDB to seek alternative procurement support financing. It would also likely slow down processing plant investment or force drawdown of reserve oil stocks to less than optimal buffer levels in order to maintain cash flow. While reducing the annual India Title II budget by about $1.6 million it would increase the CLUSA mortgage by one year.

(4) Accelerated Shipment

This is essentially the scenario proposed under alternative I in the MYOP. This would necessitate negotiating an MYOP in FY 1985 instead of FY 1986, adding another 8,500 MT of oil in FY 1985. It would then complete all shipments under the original 160,000 MT requirement by FY 1986. This scenario has the advantage of working off the CLUSA "mortgage" and permitting Title II levels to India to drop permanently from FY 1987 onward. Assuming there were room in the Title II budget to spend additional funds which could not be absorbed elsewhere in the world, it would be in the Mission's interest to work off that mortgage while levels permit.

However, this option removes the Mission's flexibility to use the second transfer authorization as leverage to influence project investment decisions or raise basic design questions.

(5) Increase project size

This option presumes shipment of the additional 37,000 MT requested (up to a project total of 197,000 MT) between FYs 87-90, combined with accelerating shipment of the remaining oil under a second T.A. This additional oil would be considered under either Title II or Title III, but for purposes of influencing project/program design may be more appropriate as Title II (see separate discussion). Given pressures on the Title II budget, providing the additional oil under that mode is probably unrealistic. It would also require immediate consideration of a third T.A. in FY 86 which may be too soon for an adequate Mission assessment of its position vis-a-vis an expanded Title II project. On the other hand, while FY 1987 is the earliest Title II resources could be expected to be available, negotiations on an agreement between governments would have to begin within the next 12 months. The changes in relationships between the GOI, CLUSA, NDDB and USAID implied in a Title II agreement could seriously complicate the project's execution under the remaining Title II support. If it were decided to proceed with the additional 37,000 MT, and Title II were the preferred funding mode, a delay to FY 88 and funding at a $20 million level might be considered. This would provide more time to negotiate an agreement and a $20 million initial level could indicate the higher level of importance USAID attaches to the program.

(6) One year or more deferral

The final option is to defer shipments under the remaining 33,385 MT one or more years for program design reasons (evaluation or audit findings, etc.). This option presumes use of annual shipments as leverage to obtain satisfaction on major questions of project performance/design. Unfortunately, it further mortgages the India program to out-years where funding levels are more in doubt. In fact, skipping one or two years might result in a permanent "ratchet" down of Title II levels in India which may be difficult to restore. In any event, the cash flow analysis seems to indicate that deferral by one or two years could create serious implementation problems. Moreover, it is questionable whether call forwards really provide the Mission satisfactory negotiating leverage in dealing with NDDB and CLUSA on difficult design problems.

Forward a Future Project Management Agenda

The fact that the OGCP can demonstrate an adequate level of cash outlay to justify further oil shipments does not represent the entire picture. There is a need for the Mission to better understand the project's investment strategy, and influence that strategy with its remaining available resources.

The revised project budget is Rs. 2,332.1 million. If it is presumed here that USAID will not be able to commit the additional 37,000 MT of oil to make up the project's Rs. 479 million deficit, spending reductions should be made to arrive at a viable project activity within the original Rs. 1,853 million budget. The reason is that it makes little sense to permit the project to proceed along an investment strategy which will create a certain deficit and force A.I.D. into increased contributions without proper analysis.

Two options for budget reductions present themselves:

(1) Reduce the projected investment in processing facilities. Elimination of the Dharwar and Morena plants yet to be initiated would save Rs. 108.1 million. For plants scheduled to begin operations in late 1986 (e.g. Mehbodnagar and Nalgonda) deferral or scaling back of investment may be feasible, saving up to Rs. 103.8 million. It should be noted, however, that these decisions would limit investments in processing facilities to Gujarat, M.P. and Tamil Nadu. The reasoning behind the option suggested here is to reduce commitments to plants for which major construction work has not likely begun. The Mission may choose a different mix of investment deferrals based on its own assessment of the status of each individual plant. For example, it may be argued that further investments in Gujarat should be deferred and the A.P. investments proceed; or investments in Tamil Nadu may be deferred in favor of A.P. (savings Rs. 67.3 million). How this analysis is carried out should depend partly on an assessment of groundnut oilseed procurement potential in the command areas of the individual plants.

    In considering this option, however, it is important to note that Rs. 332 million are expected to be disbursed against processing by September 30, 1986, with only Rs. 335 million remaining to be expended on processing are PYs 7-10. Thus, the time to engage CLUSA and NDDB on processing plant investment strategy is at hand.

(2) Defer Karnataka's involvement in the project. This could potentially save Rs. 150 - 200 million (including deferral of the Dharwar plant), although it is not clear what the Karnataka project budget will be. Karnataka was dropped from the project in 1979, but reinstated in 1982. Its federation has only become operational recently, so few commitments have been made.

These two options alone could save about 3/4 of the estimated project budget deficit. Complete monetization oil in reserve stocks and some advance shipments in FY 1986 could also increase project income by permitting higher return on fixed term deposits.

On the other hand, USAID should seriously examine where CLUSA and NDDB have chosen to make budget cuts in the recent MYOP (e.g. satellite storage facilities) with a view to reinstating some of the more important ones.

Prior to a second Transfer Authorization, USAID, CLUSA and NDDB should agree to an investment plan that is within the projected budget. This means questions revolving around current plant capacity utilization should be vetted. The likelihood of increasing oilseed/groundnut procurement from an estimated 200,000 MT in 1984-85 to 670,500 by 1986-87 (the amount required to keep all plants operating at 300 days per year) without evidence of dramatic production increases or the working capital resources for procurement must be sorted out. Any proposed evaluation for FY 1985 should examine these issues, including the likelihood for technology improvements possible within the project life to increase groundnut productivity. The evaluation should also look at impact indicators to determine to what extent production and productivity within project areas has increased, and what have been the income effects on farmers (large, medium and small).

When looking at increasing A.I.D. understanding of and involvement in the project, the alternative of programming DA resources arises. DA may provide more effective leverage for the Mission to raise its agenda of issues than Title II call forwards do now. Consideration may be given to direct programming of DA to NDDB/OVOW for line item activities of modest amount (e.g. satellite storage, operations research etc.) to provide A.I.D. a "table stakes" to engage in direct dialogue. This funding option would carry with it an implication that A.I.D. agree to commit adequate project management resources to the project in the form of Mission-based technical personnel. The problem with the DA option is how it might alter the relationship between CLUSA and NDDB, and CLUSA and USAID. One scenario is that CLUSA would evolve into more of an independent field monitor in something closer to a contractual relationship with A.I.D. Policy and strategic discussions on investment strategy would take place between A.I.D. and NDDB and not necessarily filtered through CLUSA. Also, an important condition would likely be that GOI involvement in the project is not increased.

A final word on management. The A.I.D. Mission has been frustrated by its inability to secure data from CLUSA in a format the Mission can utilize. the Mission does not, perhaps, fully understand NDDB budget procedures, particularly its policy toward advances. certainly, if DA resources had been involved, A.I.D. would not have undertaken a $185 million project without recruiting a technical/financial management team to provide analytical expertise to the Mission to carry out its management role. And certainly A.I.D. would not have contemplated such an investment without a sector analysis to base it upon. In terms of financial management, under a DA program A.I.D. would usually not provide an advance of foreign exchange to the project holder and then permit the project holder to hold the dollars waiting for a better exchange rate. This analogy applies to the oil now sitting in reserve stocks. With the pressure on Title II budgets world-wide, it is difficult to defend NDDB's holding one year's worth of oil shipments in storage. a full understanding of the OGCP marketing strategy is required and possibly a time-table for phasing out this storage practice be negotiated in a second T.A.

TABLE 1

CLUSA/NDDB OGCP

BUDGET OPTIONS
($ Millions)

OPTION/ /YEAR	FY 1985	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990	TOTAL	(FY) (1991)
1. No further oil shipments	9.8 a/	--	--	--	--	--	9.8	
2. Complete shipment of 160,000 MT per current schedule (CURRENT)	9.8 a/	8.3	8.3	8.3	8.3		43.0	
3. Stretch out remaining oil within 160,000 MT level.	--	7.2	7.2	7.2	7.2	7.2	36.0	(7.3)
4. Accelerate shipment remaining oil within 160,000 MT level.	18.1	25.0	--	--	--	--	43.1	
5. Increase project size (additional 37,000 MT oil).	18.1	25.0	9.3	9.2	9.2	9.2	80.1	
variant (Title III)	18.1	25.0	--	20.0	17.0	--	80.1	
6. One year deferral of shipment	--	9.8	8.3	8.3	8.3	8.3	43.0	

ASSUME: $1024/MR for FY 85
$1000/MT for outyears

a/ Budgeted in FY 1984; arriving during FY 1985

TABLE 2

BUDGET AND CASH FLOW SUMMARY

(Rs. in million)

	ACTUAL				PROJECTED				
	* 3/82	3/83	3/84	9/84	PY-6	PY-7	PY-8	PY-9	PY-10
A. INFLOW									
Sale of Oil	546.2480	131.6324	271.6546	73.9422	108.0289	106.9250	186.4938	111.0375	151.5375
Other	15.4420	27.3269	63.5971	11.1283	32.7761	10.0294	15.7026	13.3754	21.8414
Total	561.6900	158.9593	335.2517	85.0710	140.8050	116.9544	202.1964	124.4129	173.3789
Cumulative	561.6900	720.6493	1013.1321	1098.2031	1239.0081	1355.9625	1558.1589	1682.5718	1895.9507
B. OUTFLOWS									
Processing	45.9330	69.1699	92.0993	61.3439	251.6239	267.3900	208.8800	48.8000	10.7700
OR&CIS	0.4154	0.5305	0.6945	0.1915	10.8860	8.9860	3.6860	3.6010	2.5010
Market Research	0.7333	0.0109	0.0060	0.0000	2.4700	2.6100	2.5500	2.4500	3.1500
Prodn.Enhancement	18.2208	0.9092	11.5629	7.9245	189.8125	171.1745	103.3700	89.5740	87.0990
Product &Process	0.0186	0.0655	2.2745	0.0079	7.2600	2.8250	2.8570	2.3910	2.4320
Manpower Devpt.	6.0521	0.7403	0.7711	-5.2754**	20.6100	10.8100	8.7700	4.9000	4.3900
Project Mgmpt.	21.3014	7.4631	13.9102	12.5615	25.4200	37.4500	31.5300	19.0500	10.8600
Share Capital	20.0000	11.0000	10.0000	0.0000	28.0000	38.5000	45.0000	32.0000	75.5000
Working Capital	318.6867	330.6099	294.9596	236.8863	277.5751	-	-	-	-
Operating Loss	0.0000	0.0000	-	-	-	-	-	-	-
Mgmpt Training	-	-	-	0.2970	0.6100	0.6600	0.7100	0.7600	0.7600
Coop. Devpt.	-	0.2991	-	0.8000	12.7100	5.3500	7.1900	5.4600	4.0600
TOTAL:	431.3613	420.7765	426.2981	314.7372	826.9775	545.7555	414.5430	208.9860	201.5130
Total less WC	112.6746	90.1666	131.3385	77.8509	549.4024	545.7555	414.5430	208.9860	201.5130
Cumulative	112.6746	202.8412	334.1797	412.0306	961.4330	1507.1885	1921.7315	2130.7175	2332.2305
BALANCE (A-B before W.C.)	449.0154	515.8081	678.9524	686.1725	277.5751	151.2260	363.5726	448.1457	476.2798

ɔTE:

ɔr generations oil receipts have been assumed at 8,225 MT/annum of oil for PY 6 to PY 10 and hence total oil sales and ·ceipts works out at 159,585 MT.

Cumulative through March 1982

Negative figures under Manpower Training reflects shift of charges to CUC and to Management Training.

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TABLE 3

Generation and Uses of Funds

(%age)

Year	Procurement Support (Working Capital)	All Other Expenditures	Balances in fixed and Current Account
1982	68%	20%	12%
1983	47%	28%	25%
1984	40%	35%	25%
1985	28%	60%	12%

NOTE: NDDB estimates by end of 1986, balances in fixed term deposits will be completely drawn ~~down~~ and be sitting in current account, outstanding as advances to federations, or as accounts receivable (outstanding procurement support loans).

TABLE 4

PROCESSING PLANTS

(AID/CLUSA PROJECT)

	Completion Date	Unit Cost (Rs.M)	Ovow Commitment (Rs.M.)	Crushing (MT/Day)	Solvent Ext. (MT/Day)	Refning (MT/Day)	Vanaspati (MT/Day)	Comment
A GROUNDNUT:								
1. Bhavnagar	6/85	61	61	250	150	40	75	In operation.
2. Jamnagar	12/84	38.8	38.8	200	200	30		In operation.
3. Dhasa	6/85	10.5	10.5	100				In operation.
4. Junagadh	12/84	78.5	78.5	400	200	100		Under construcion.
5. Mehbadnagar	9/86	78.46	78.46	200	150	100		Under construction.
6. Nalgonda	12/86	25.4	25.4	100				Under construction.
7. Tiruvannavalai	12/85	63.4	27.5	100	40	10		Under construction.
8. Virudachalam	12/85			75	40			Under construction.
9. Dharwar	12/87	88.6		200	100	10		Planned.
10. Anand		2.33	2.33	100				In operation.
B. COTTONSEED:								
1. Gondala		14.0	14.0	100	100	20		In operation.
2. Anand		7.2	7.2	40	85	20		In operation.
3. Idor	12/84	42.5	42.5	120	85	30		Under construction: preparatory section

C. SOYABEAN:

1.	Anand		2.05	2.05	100			In operation.
2.	Ujjain	9/85	176.10	176.10	400	400	75	Under construction.

D. RAPESEED/MUSTARD:

1.	Morena	12/86	19.5		100			Planned.

Note: Plants in operation and under construction will have a crushing capacity of 670,500 M/T annu... based upon 300 days/year operation.

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PROCUREMENT PERFORMANCE

Year	Total Metric Tons
1979-80	3,888 (actual)
1980-81	23,795 (actual)
1981-82	120,063 (actual)
1982-83	54,095 (actual)
1983-84	83,057 (actual)
1984-85	200,000 (est.)

NOTE: NDDB has verified that upto October 31, 75,000 M/T have already been procured. Est. for kharif through January is 170,000 MT.