

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



ANNUAL BUDGET SUBMISSION

FY 1977

INDIA

**DEPARTMENT
OF
STATE**

JULY 1975



FY 1977 ANNUAL BUDGET SUBMISSION
FOR INDIA

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Summary Table
FISCAL YEAR 1976
(\$000)

| | F&N | PP&H | E&HR | SDP | SCO | Dev. Assist. Subtotal | Supporting Assistance | Total |
|---|-----------------|------|------------|-----|-----|-----------------------|-----------------------|-------------------------------|
| ONGOING GRANTS (none) | | | | | | | | - |
| NEW GRANTS Development Services and Training | 550 | | 450 | | | | | 1,000 |
| LOANS 1. Fertilizer Production | 10,000 | | | | | | | 10,000 |
| 2. Agricultural Inputs | 65,000 | | | | | | | 65,000 |
| Subtotal | <u>(75,000)</u> | | <u>450</u> | | | | | <u>(75,000)</u> |
| TOTAL | <u>75,550</u> | | <u>450</u> | | | | | <u>76,000</u> |
| HIGS (none) | | | | | | | | - |
| PL 480: Title I Title II VolAg OPGS Special Foreign Currency Appr: Third Country Training. | | | | | | | | 68,900 1/ 71,600 1/ 970 |
| | | | | | | | | 200 |

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- 1 -

1/ Excludes ocean freight. Values calculated per State 039119, 2/21/75.

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Summary Table
INTERIM QUARTER
(\$000)

| | F&N | PP&H | E&HR | SDP | SCO | Dev. Assist Subtotal | Supporting Assistance | Total |
|--|-----|------|------|-----|-----|----------------------------|--------------------------|----------------------------|
| ONGOING GRANTS Development Services and Training | 100 | | 50 | | | | | 150 |
| NEW GRANTS (none) | | | | | | | | - |
| LOANS (none) | | | | | | | | - |
| Total | | | | | | | | <u>150</u> |
| HIGS (none) | | | | | | | | - |
| PL 480 | | | | | | | | - |
| Title I | | | | | | | | - |
| Title II | | | | | | | | <u>18,150^{1/}</u> |
| VoIag OPGs | | | | | | | | 125 |
| Special Foreign Currency Appr. Third Country Training | | | | | | | | 50 |

^{1/} Excludes ocean freight. Values calculated per State 039119, 2/21/75.

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Summary Table
FISCAL YEAR 1977
(\$000)

| | F&N | PP&H | E&HR | SDP | SCO | Dev. Assist. Subtotal | Supporting Assistance | Total |
|--|---------------|------|------|-----|-----|-----------------------|-----------------------|----------------------|
| ONGOING GRANTS Development Services and Training | | | | | | | | 1,000 |
| NEW GRANTS (none) | | | | | | | | - |
| LOANS Agricultural Inputs | 75,000 | | | | | | | 75,000 |
| Total | <u>75,000</u> | | | | | | | <u>76,000</u> |
| HIGS (none) | | | | | | | | - |
| PL 480: | | | | | | | | |
| Title I | | | | | | | | 66,670 ^{1/} |
| Title II | | | | | | | | 74,000 ^{1/} |
| VolAg OPGs | | | | | | | | 710 |
| Special Foreign Currency Appr. Third Country Training Family Planning Foundation | | | | | | | | 300 |
| | | | | | | | | 625 |

^{1/} Excludes ocean freight. Values calculated per State 039119, 2/21/75.

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INDIA FY 1977 ABS

II. Justification of Special Foreign Currency Request

| | | |
|----|--|---|
| A. | <u>Third Country Training in India</u> | \$200,000 equiv. FY 1976 50,000 equiv. Int. Qtr. 300,000 equiv. FY 1977 |
|----|--|---|

1. Training arranged and conducted in India for the assistance programs of other USAIDs has been widely employed in the past, and remains an attractive and appropriate potential element of USAID/India's activities. India has a wealth of excellent training institutions in almost all development fields -- many developed with previous U.S. assistance -- and offering courses of instruction and on-job training often more relevant to developing country conditions than U.S. training. The cost of academic training in India also remains about one-fifth the cost of similar training in the U.S., and since U.S.-owned rupees are employed there is no dollar cost to the U.S. Treasury.

At the time that new starts in third country training were suspended at the end of FY 1972, we were receiving 140 to 200 new participants per year in long and short-term programs. Although about 80 per cent of these were from Nepal, significant numbers were received on a continuing basis from Indonesia, Afghanistan, Philippines, and Brazil, among others.

2. During FY 1975 the GOI agreed to reinstitute rupee-financed training of Nepalese participants pursuant to the provisions of the U.S. - GOI Rupee Agreement of February 1974. The first group of 25 long term trainees for the B.Sc. degree in Agriculture commenced in March 1975, and the second group of 25 is scheduled to arrive in August. Short-term programs in malaria eradication were conducted for 24 others, and a few additional health sector programs brought the total of new Nepalese starts financed in FY 1975 to 79.

3. For FY 1976, we hope the GOI will agree to reinstitute third country training for area USAIDs in addition to Nepal. We have received specific requests from Afghanistan and Bangladesh

recently, and Indonesia has shown continuing interest. AID/W has also advised that Tanzania and Maldives may have proposals. We estimate, however, that Nepalese training will absorb two-thirds of the Special Foreign Currency request for FY 1976, and a similar proportion of the increased FY 1977 SFC request we propose in this submission. This is so because the core of the Nepalese program as planned consists of 50 additional B.Sc. Agriculture degree candidates annually, entered in three to four year courses of study. Thus in the third year of such a program 100 continuing students would have to be financed, plus 50 new additions.

The implications of this rising level of rupee expenditures for Nepal argue for a modest expansion of the program for other countries.

4. Following is an illustrative breakdown of the SFC amounts proposed.

| <u>FY 1976</u> | <u>(\$000)*</u> |
|---|-----------------|
| Nepal: | |
| 25 B.Sc. Agr extensions (of 50 financed FY 75) | 32 |
| 50 B.Sc. Agr new | 70 |
| 25 short term | 30 |
| | <u>(132)</u> |
| Afghanistan: | |
| 4 academic, B.Sc. | 5 |
| 8 short term | 12 |
| | <u>(17)</u> |
| Bangladesh: | |
| 6 academic, post graduate | 12 |
| 10 short term | 15 |
| | <u>(27)</u> |
| Indonesia: | |
| 6 academic, post graduate | 12 |
| 8 short term | 12 |
| | <u>(24)</u> |
| Total | <u>200</u> |

Interim Quarter

| | | |
|-------------------------|--|-----------|
| Nepal: | | |
| 25 B.Sc. Agr extensions | | 32 |
| 14 short term | | <u>18</u> |
| | | <u>50</u> |

FY 1977

| | | |
|-------------------------|--|-----------|
| Nepal: | | |
| 75 B.Sc. Agr extensions | | 90 |
| 50 B.Sc. Agr new | | 70 |
| 25 short term | | <u>30</u> |
| | | (190) |

| | | |
|-----------------|--|-----------|
| Others: | | |
| 4 extensions | | 5 |
| 30 new academic | | 60 |
| 30 short term | | <u>45</u> |
| | | (110) |

| | | |
|-------|--|------------|
| Total | | <u>300</u> |
|-------|--|------------|

*Rupee equivalent at \$1 to Rs. 8.

B. Family Planning Foundation, New Delhi \$625,000 FY 1977
Rupee equiv.

1. This submission requests a Special Foreign Currency appropriation of Rs. 5 million (equivalent to \$625,000 at Rs. 8 = \$1) in FY 1977 for the Family Planning Foundation, New Delhi (FPF), a private Indian voluntary organization. The proposed grant would support an expanded program of sub-grants by FPF for family planning action research and demonstration projects to be performed by Indians over a three year commitment period. A formal grant proposal, to be endorsed by the GOI, is expected from FPF in early August 1975.

2. FPF was established in 1970 by a group of leading Indian industrialists with the encouragement and support of the Ford Foundation. It grew out of the realization that the magnitude and complexity of India's population problems called for mobilizing private sector efforts to supplement official GOI activities in the population and family planning fields. Accordingly, the primary purpose of the Foundation is to support experimental and innovative family planning programs in the non-governmental sector and to help evolve suitable population policies for the country as a whole.

FPF is a registered Indian Society under the Indian Society's Registration Act of 1860 and has been exempted by the GOI from payment of taxes on contributions received under Section 33(1)(11) of the Income Tax Act of 1961. The Foundation is governed by an apex Governing Board, consisting of leading Indian industrialists headed by J.R.D. Tata. The Board, in turn, is assisted in all aspects of the Foundation's operations by an Advisory Council, representing leading experts in population and family planning. FPF is committed to raising funds from private industry, individuals and organizations -- both in India and abroad -- and sub-grants these funds for innovative population research and action programs with the objective of strengthening voluntary efforts in these areas. Projects with high replicative and feed back values are given priority by the Foundation and the entire country forms its operational area. By involving key GOI family planning program officials in its various advisory councils and committees, FPF ensures close cooperation with GOI programs and priorities.

3. Over the last five years, FPF has developed into a first-rate organization with a demonstrated capability to administer programs with flexibility, efficiency, and economy. We have reviewed the organization's grant procedures and find them exemplary. The Foundation has raised to date Rs. 4.5 million from Indian private industry sources, and has received grants totalling \$200,000 (Rs. 1.6 million) from the Ford Foundation on the basis of \$1 of Ford funds for every \$3 raised by the Foundation. FPF is currently supporting some 40 projects throughout the country, involving about Rs. 3.8 million, in such areas as population education, involvement of para-medical personnel in family planning, defining the role of voluntary organizations, promotion of family planning in the industrial sector, and biomedical research. Although most of these projects are still being implemented, both Ford and USAID consider the quality of results and relevance to the Indian situation very high to date. The projects selected attest to the ability of FPF to identify and support many more innovative and promising programs than is possible for the Government.

4. FPF has a number of worthwhile proposals now on hand which it would like to support. It proposes to expand its activities to include a greater number of action and goal oriented programs in family planning communication and motivation, family planning programs for the industrial sector, population education for out-of-school youth and college students, involvement of community organization and school teachers, and integrated delivery of family planning services in rural areas. The latter activity would be in support of the declared objectives of the GOI's Fifth Five Year Plan.

FPF hopes to collect another Rs. 4 - 5 million from Indian industrial resources in the next three years. We believe the organization can realistically expect to raise its annual subgrant commitments from about Rs. 2.0 million in 1974-75 to Rs. 3.0 million in 1976-77; Rs. 4.5 million in 1977-78 and further to Rs. 6.0 million in 1978-79. This will depend upon its ability to raise funds internally and attract other donor agencies such as

the UNFPA, SIDA, and Oxfam, as well as A.I.D. The Ford Foundation has agreed to continue its matching grants on the basis of \$1 for every \$3 raised by the Foundation from Indian sources.

5. FPF is the only organization of its kind in India enjoying the support of both the GOI and private industry. We consider its proposed expansion in annual commitments sound and consistent with its excellent performance in the past. The size of the proposed AID Grant will enable FPF to meet a substantial part of expanded program costs, while not dominating its finances or creating undue dependency. The grant will be phased in such a manner that our contribution will not exceed 50 percent of the total program in any single year thus maintaining the essentially Indian character of the Foundation. While sub-grants would continue to be identified, reviewed, and approved by FPF, USAID would give prior certification that each proposed project was eligible for A.I.D. grant financing under the terms of the grant agreement. A tentative annual commitment breakdown of the Grant, which would be revised depending upon the mobilization of internal resources, is as follows:

| <u>Year</u> (U.S. Fiscal) | <u>Total</u> <u>Commitments</u> (Rupees) | <u>AID</u> <u>Contribution</u> (in millions) | <u>FPF and other</u> <u>Contributions</u> |
|------------------------------|--|--|--|
| 1977 | 3.0 | 1.5 | 1.5 |
| 1978 | 4.5 | 2.0 | 2.5 |
| 1979 | 6.0 | 1.5 | 4.5 |
| | <u>13.5</u> | <u>5.0</u> | <u>8.5</u> |

6. FPF intends to submit a formal grant proposal to USAID providing further details in early August 1975. The proposal would be submitted through the GOI for its approval of both substance and A.I.D. financing from U.S.-owned rupees.

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III. PL 480 Title I

1. Our estimates include the same level of 500,000 MT of Title I concessional wheat sales for FY1977 as that reflected in the Congressional Presentation for FY1976. As explained in the transmittal memorandum to this submission, these are highly contingent figures, dependent among other factors on the nature of the GOI request received, on U.S. availabilities, and on the Indian foodgrains and economic situation at the time. Another reason for the tentative nature of our estimate is that the first of five annual installments for replacement by India of the 2 million MT wheat loan from the USSR falls due in the summer of 1976.

This said, the general economic case for continuation of a moderate level of Title I assistance remains strong. The lines of justification in the following paragraphs are meant to cover any prospective level of concessional sales within the range of 500,000 to one million MT annually.

2. The clear prospect is that India will be obliged to import foodgrains for the next several years on the same order of magnitude as 1974/75, when imports reached about 6.3 million MT. Despite good long-term potential, no domestic production breakthroughs appear likely in the near term to bring production in line with demand. This would be true even if favorable weather brought current production to as much as 108 million MT. The major extensions of effective irrigation needed for a real breakthrough are not a near-term prospect, new rice varieties appropriate to Indian monsoon conditions have yet to be introduced on a broad scale, fertilizer use is lagging rather than accelerating due to doubled fertilizer prices, and energy will undoubtedly remain in short supply. In this situation, the World Bank estimates* that GOI domestic procurement for the public distribution system in 1975/76 will not exceed six to

* "Economic Situation and Prospects of India", IBRD, May 1, 1975.

seven million tons out of the twelve to thirteen million tons required to sustain its operations at roughly current levels. Even if procurement is a million tons higher than the Bank's conservative estimate, we see no basic change in the picture over the next several years; that is, depending on weather, the GOI will have to rely on imports to supply perhaps forty to fifty per cent of the needs of the public distribution system.

3. In U. S. fiscal year 1975, Indian foodgrain imports are expected to total slightly over 6 million MT, an increase of over 25 per cent from FY1974. The value of these imports is estimated at \$1.2 billion CIF. Only about ten per cent of the FY1975 total was secured on concessional terms, including contributions from the U.S.S.R., Canada, Australia, E. E. C., and Sweden. (Virtually all arrivals under the recently signed U.S. Title I agreement are expected in early FY1976.) The rest, including 3.5 million MT from the U.S., was on commercial terms, and represented one of the three major drains on India's balance of payments. The bill for foodgrains, in fact, was only a little less than that for POL imports, and exceeded that for fertilizer.

The World Bank report previously cited summarizes the means by which these mounting drains on India's payments position were managed over the past year. About one billion dollars in additional external financing was raised, including credits from IMF, oil exporters, the Consortium, and IDA. India's reserves decreased by about \$40 million. The Bank's projection of India's payments position for 1975/76 foresees an increased deficit of some \$200 million, and calls for increased aid disbursements by the Consortium countries, even while predicting sharply increased use of India's reserves. The Bank's quantification of the various elements in its payments projections are subject to some argument and admittedly contain major unknowns (such as the size of a new IMF Oil Facility); but the

overall picture is clearly one of a continuing precarious state in India's balance of payments which can only be met through a continuing high level of external credits over the next several years.

The level of U. S. food aid tentatively included in this submission would be of moderate yet valuable assistance in meeting the payments problem. The level is such, however, that substantial commercial imports of foodgrains would in all likelihood continue. These would be of a size which should maintain India's interest in undertaking the self-help measures in agriculture which alone could bring a long-term solution.

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I V. PL 480 Title II

1. The following table provides our preliminary Title II estimates, based on previous long-range planning by the Voluntary Agencies and USAID. As explained in NEW DELHI 6741, detailed VolAg program plans in the newly-required format, USAID commentary, and the standard ABS Title II Tables will be submitted subsequently.

| <u>VolAg</u> | <u>Programmed Requirement</u> | | |
|--------------|-------------------------------|------------------------|----------------|
| | (\$000) | | |
| | <u>FY 1976</u> | <u>Interim Quarter</u> | <u>FY 1977</u> |
| CARE | 48,942 | 12,235 | 49,274 |
| CRS | 21,549 | 5,387 | 21,549 |
| CWS | 639 | 319 | 1,873 |
| LWR | 424 | 212 | 1,247 |
| | <u>71,554</u> | <u>18,153</u> | <u>73,943</u> |

Note: Excludes ocean freight. Values calculated on the basis of prices furnished in State 039119 dated Feb. 21, 1975.

2. The Title II program in FY 1977 will continue to place increased emphasis on maternal child health and food-for-work programs. It will also continue the phase-down in school feeding. Maternal child health activities will more and more involve not only supplementary feeding, but nutrition education, environmental sanitation, immunizations, health care and, where possible, family planning. Food-for-Work schemes will be viewed not just as opportunities to provide employment to landless laborers (although that in itself can be considered to aid development to some extent) but will wherever possible consist of projects which will have long lasting impact on the rural economy. We would

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hope, in some instances, that funds from either AID sources or others could be made available to help strengthen MCH and food-for-work activities.

The large emergency food-for-work allocation made in FY 1975 will by FY 1977 have led, hopefully, into extensive ongoing projects undertaken in conjunction with State Governments in the drought prone areas. Again, hopefully by FY 1977, the GOI will have been able to get well under way its Integrated Child Development Scheme to which Title II food supplements are to be provided.

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V. Assistance to PVOs and Cooperatives

1. One of the positive aspects of India's development scene is the large amount of decentralized development activity undertaken at the grass roots level by private voluntary and charitable organizations, both foreign based and indigenous. The long history of Christian missionary activity, the Gandhian precept of individual dedication to the amelioration of the poor and disadvantaged, and many other currents of Western and Indian philosophy have led to a proliferation and growth of private voluntary organizations which is probably unique among developing countries. For this reason we believe A. I. D.'s new emphasis on assisting the work of PVOs is especially pertinent to India. It is also the most promising means of reaching the poorest majority under A. I. D.'s new mandate.

USAID's extensive experience in working with PVOs in India has included Title II regular and emergency feeding programs, a large number of Food-for-Work projects, and some 150 Section 204 projects. The latter projects, totalling \$18.5 million in rupee equivalent allocated between 1965 and 1973, were essentially similar to the types of activities now being considered for operating and development grants (OPGs/DPGs). More than half of these projects concerned on-farm agricultural development, especially small irrigation works, and usually included a Food-for-Work element. Through them, USAID has established contacts indirectly with a score of indigenous local PVOs, and has thoroughly worked out procedures with the administering agencies, primarily CARE and CRS.

The latter agencies have developed close cooperative relations also with local government units in project activities, and CARE, in addition, works closely with state governments in its programs. On a smaller scale, CLUSA has developed excellent relations with the national cooperative and cooperative financing agencies.

There is thus extensive background and opportunity for A.I.D. to further the work of PVOs in India. The principal negative factor derives from the necessity to exchange A.I.D. dollars for U.S.-owned rupees to the extent of the local cost element in any A.I.D. grant. The GOI limits its approvals of new rupee-financed activities severely with a view to minimizing the inflationary effect of U.S. rupee spending. A.I.D. grant support of PVO activities is thus likely to be held to a modest scale.

Within this restriction, we believe first priority should be given to agricultural development projects directly benefitting the lowest income groups, such as small irrigation works. Secondly, projects making more effective and increasing the developmental impact of the world's largest Title II program. The projects proposed to date by CRS and CARE fall into the latter category. We expect that after the approval of the first few grants, a number of rural development project requests will be generated by former Section 204 project holders. For example, the Bharatiya Agro-Industries Foundation is doing excellent work in cooperative agricultural development in the Poona district of Maharashtra, and has several projects seeking financing. The work of Father Windey's Village Reconstruction Organization was outlined in TOAID A-68 of December 4, 1974; and there are many others. We have therefore included an illustrative figure for three or four such rural development grants in our FY 1977 estimates.

2. The following grant proposals are in various stages of preparation by the VolAgs indicated. Only the first has been fully documented and endorsed by USAID.

A. CRS - Community Nutrition Education, OPG \$370,000 FY76

The project aims to improve nutritional status in pre-school children by training community leaders and mothers in nutrition education. The grant is for a two year period of operations, after which the project is to become self-supporting. The proposal is awaiting GOI approval. As soon as approval is received, we hope that funds can be made available for its immediate implementation.

B. CARE-Central Kitchens, OPG \$260,000 FY76
 \$260,000 FY77

CARE intends to submit a proposal for the establishment of 40 small central kitchens in various North Indian States. The kitchens will have warehousing facilities and will process indigenous commodities into nutritious food for pre-school and school children. Each kitchen will cost approximately \$13,000 equivalent. The advantages of central kitchen preparation of ready-to-eat foods for a school district, over individual school preparation, have been demonstrated in a pilot project in Mirzapur, U. P. CARE has indicated that a detailed proposal will be submitted by August 1, 1975.

C. CLUSA - Cooperative Oilseeds Development, OPG
 \$250,000 FY76
 - Cooperatives Management OPG \$125,000 I. Q.
 - Cooperative Textile Development, OPG
 \$ 90,000 FY76

CLUSA has sketched out a preliminary budget for grant proposals in the above areas, but we have not yet received full descriptions of these activities and must reserve judgement. More information may be available from CLUSA/Washington. The first two proposals concern process and marketing improvement in oilseed cooperatives through provision of U.S. consultant services and training. The third concerns a study and planning for a rural development program based on cooperative textile units. The study is to be performed by Indian personnel. USAID will want to review the final proposals carefully for definition of outputs, identification of beneficiaries, and appropriateness of U.S. inputs.

D. CRS - Improvement of food storage practices at the consignee level, DPG \$25,000 FY76
 \$22,000 FY77

This proposal which will be submitted shortly to AID/W will call for the provision of staff and equipment to carry out fumigation operations on a regular basis at approximately 50% of the CRS

consignee warehouses. Under the proposal, six squads, each consisting of one fumigation assistant and one fumigation operator will be hired, and insecticides purchased together with necessary equipment such as gas masks, dusters, and sprayers. The proposal initially will cover three years. The first year's expenditure is estimated at the equivalent of \$25,000; the cost of each succeeding year will be approximately \$22,000 equivalent.

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Summary Table
 A. I. D. Financial Support for Private Voluntary Organizations
 (\$000)

| | <u>FY 1976</u> | <u>Interim Quarter</u> | <u>FY 1977</u> |
|-----------------------------|-------------------|----------------------------|-------------------|
| ONGOING GRANTS (none) | | | |
| NEW GRANTS : | | | |
| A. OPGs | | | |
| CRS - Nutrition Education | 370 | | |
| CARE - Central Kitchens | 260 | | 260 |
| CLUSA - Coop Oilseeds Dev | 250 | | |
| CLUSA - Coop Management | | 125 | |
| CLUSA - Coop Textile Dev | 90 | | |
| Various - Rural Development | | | 450 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total | <u>970</u> | <u>125</u> | <u>710</u> |
| | <u> </u> | <u> </u> | <u> </u> |
| Of which cooperatives | (340) | (125) | - |
| B. Non- OPG | | | |
| CRS - Food Storage (DPG) | 25 | • | 22 |