BIBLIOGRAPHIC DATA SHEET	1. CONTROL NUMBER	2. SUBJECT CLASSIFICATION (695)
	PN-AAK-397	DC00-0000-G635

3. TITLE AND SUBTITLE (240)
U.S. bilateral assistance to India: a strategy for the early 1980's.

4. PERSONAL AUTHORS (100)

5. CORPORATE AUTHORS (101)
Yale Univ. Inst. for Social and Policy Studies

6. DOCUMENT DATE (110)	7. NUMBER OF PAGES (120)	8. ARC NUMBER (170)
1978	89 p.	IN 338.91Y18

9. REFERENCE ORGANIZATION (130) Yale

10. SUPPLEMENTARY NOTES (500)

11. ABSTRACT (950)

12. DESCRIPTORS (920)
India
foreign aid
development strategy
rural development
agricultural development
family planning
agricultural production
health
nutrition
welfare
families

13. PROJECT NUMBER (150)
—

14. CONTRACT NO.(140)
—

15. CONTRACT TYPE (140)

16. TYPE OF DOCUMENT (160)

AID 590-7 (10-79)

U. S. BILATERAL ASSISTANCE TO INDIA:
A STRATEGY FOR THE EARLY 1980s

The Report

of

A Mission to India

June 1, 1978

Yale University *New Haven, Connecticut 06520*

INSTITUTION FOR SOCIAL AND POLICY STUDIES
16A Yale Station (111 Prospect Street)
CHARLES E. LINDBLOM, *Director*
Sterling Professor of Economics and Political Science
(203) 436-0098

June 1, 1978

Mr. John H. Sullivan
Assistant Administrator
Bureau of Asian Affairs
Agency for International Development
Department of State
Washington, D.C. 20523

Dear Mr. Sullivan:

I have the pleasure to transmit to you herewith the report of the Strategy Team on resumption of bilateral aid to India.

We have been engaged in our work since February and spent most of the month of March in India in consultation with the government of India officials and others who are listed in an appendix to our report.

Members of the Team included Priscilla Boughton and Richard Newberg from the Agency for International Development, together with Carl Gotsch of Stanford University, Albert Hirschman of the Institute for Advanced Studies at Princeton, and the undersigned.

With good wishes,

Sincerely,

Charles E. Lindblom

Charles E. Lindblom

CEL:re
enclosure

TABLE OF CONTENTS

INTRODUCTION

On July 14, 1977, in a climate of improved relations between the U. S. and India, the Congress recommended to the President the resumption of AID assistance to India. Following discussions with Indian officials, AID proposed a program of $60 million in FY 1978 and $90 million in 1979 for assistance to agricultural development and malaria control.

Planning the short run commitments underscored the need for a longer term perspective on the Indian economy and the role a U.S. assistance program might play. To gain such a perspective and to advise on the desirable evolution of the U. S. assistance program, the agency organized a joint team of university economists and AID officers. The group was instructed (1) to review the prospects for Indian development, and (2) to consider a wide range of program levels and activities for the 1980-84 period. It was also asked to express its views on the most appropriate mechanisms for implementing the program, keeping in mind the well known potential for friction in donor-recipient relationships.

The team travelled to India in March for three weeks of intensive discussions with Indian political leaders, civil servants, social scientists, journalists, businessmen, farmers and others. Broken into several sub-groups to cover more ground, members spent one week traveling in various states. The chapters that follow reflect these conversations with Indian officials and scholars. They also reflect, in addition, equally intensive discussions among team members in both India and the United States about what they heard and saw.

A summary of major conclusions is presented initially.

The first part of the report, i.e., Chapters I - II is an analysis of the current status of the Indian economy and the plans that have been drawn up for the five-year period, 1978-83. Chapter I paints with a broad brush in examining the general economic conditions prevailing in the country and the overall Plan strategy.

Chapters II and III continue the analysis of the proposed programs and projects but at a more detailed level. A number of rural development fields are examined, not only

from the perspective of potential contributions to growth and welfare, but from the perspective of the capacity of the relevant organizations to implement the proposed activities.

Chapter IV provides a brief history of the scope of U. S. bilateral assistance to India. It also contains the team's perceptions of the Indian position on the resumption of such assistance.

Lastly, Chapter V contains the team's recommendations of the priorities and funding levels that we believe are called for at this stage of India's development.

Annexes include a list of meetings held in India, a profile of India's poor majority, and some observations on the impact of development on women.

Summary and Conclusions

India's Economic Performance

India's economic growth in the post war period has been uneven. A spurt in the '50's that was marked by a strong industrialization drive and by good advances in agricultural output was followed in the '60's by much less satisfactory performance as repeated monsoon failures depressed agriculture. The industrial drive also slackened. In the '70's new areas of strength have emerged. The high yielding varieties have transformed agriculture in some (particularly wheat growing) areas. Manufactured and other non-traditional exports have begun to assert themselves in international markets and immigrants' remittances, tourism, and other service items have also imparted strength to the balance of payments. However, economic growth remains sluggish and vast numbers of Indians lack the basic necessities of life.

The Global Perspective

With its population of over 600 million and a per capita income of around $150, India is by far the most important single arena in the struggle against world poverty. It has been estimated that 50% of the world's poor live in India. 1/

India's performance is also important to solving the world food problem. If India's agricultural production were to grow at 4% annually, as projected in the new plan rather than at historical rates, the total projected food deficit in low income countries by 1990 would be cut in half.

Clearly any serious effort on the part of the richer countries to assist the developing world in improving the welfare of the poor majority and addressing world food deficits must focus substantial resources and attention on India.

Financing the new plan: Indian FY 79-83

The approach of the new government, as reflected in the new Five-Year Plan, is to shift resources into agriculture and rural development to create growth and employment for the majority of the people. Overall growth in

---

1/ This estimate uses $150 per capita income as a worldwide poverty line.

GNP is projected at 4.7% annually. Though prudent, this rate is still appreciably higher than the 3.5% rate achieved over the past two decades.

To finance the Plan, the Government of India estimates that 95% of resources will be available from domestic savings, with only 5% from foreign assistance. While a worthy goal, the team agrees with the recent World Bank annual economic report, which points out that the implied increase in domestic savings may be beyond reach and also undesirable, given the present depressed state in the economy.

The team has, therefore, based its analysis of plan requirements on the Bank's balance of payments projection, which indicates a need for $14 billion in gross foreign assistance over the plan period, a level almost double that estimated by the GOI. This scenario calls for substantial increases (roughly $280 million annually) in foreign assistance.

In the early years of the Plan, foreign assistance is valued primarily as a supplement to domestic savings. However, in FY 1981, a projected current account deficit re-emerges, and the GOI would start drawing down its foreign exchange reserves. The current $6 billion in foreign exchange reserves and 20 million tons of food, are, therefore viewed as a temporary condition which offers the Government an excellent opportunity to accelerate its economic growth.

Alternative levels of U. S. funding

The team examined three levels of assistance from A.I.D. for the 1980-84 period, assuming that contributions under PL480 would be held approximately constant.

Under the lowest option, A.I.D. would commit $750 million over the period. This represents a program of $150 million annually, a modest increase from the $90 million proposed for FY 79. Under the second option AID would commit increments of roughly $100 million annually, beginning from a level of $200 million in 1980. Total commitments over the period would be $2 billion. Under the third option, AID would commit $300 million in 1980, with annual increments of $150 million for a total of $3 billion over the period.

We then adjusted these commitments to relate them to World Bank projections for the Plan period. First, the time frame had to be adjusted since the Indian Plan ends

eighteen months before the 1980-84 period the team was asked to address. Secondly, A.I.D. commitments had to be translated into disbursements over the Plan period to put them on a resource flow basis. Based on these adjustments the team concluded that:

1. Over 50 percent of U. S. assistance--even at the high option--will come from the disbursement of P. L. 480 commodities over the plan period. Under any option, the U. S. would not be funding more than 10% of foreign aid flows. Consequently there is little to fear that the choice of options will create resource absorption problems for the Indian economy. Indeed, the magnitude of the overall deficit projected by the World Bank for the plan period raises questions about the source of the additional resources required to insure that the current Plan's objectives are not jeopardized.

2. The most important determinant of the appropriate level of funding--assuming that quick disbursing commodity aid is not required to support the Draft Plan--will be the availability, in the latter part of the Plan period and the initial years of the subsequent period, of sound projects that are consistent with both the priorities of the Indian government and the mandate that AID concentrate its development efforts on the poor majority.

Indian priorities and A.I.D.'s mandate

The Plan gives highest priority (43%) to agricultural growth and rural development. The goal will be to double the past agricultural growth rate to 4% annually. The largest increase in plan expenditures is for irrigation.

In addition to the funds specifically earmarked for agriculture and rural industry, much of the proposed expansion of other sectors, such as electric power, transportation, education and health are designed to benefit the rural sector. This sector, therefore, will be the recipient of well over half of planned investment expenditures. The team endorses this general strategy and finds the Plan an appropriate framework for A.I.D. assistance to help the poor majority.

In developing an assistance strategy for A.I.D., the team also gave weight to expected costs and benefits of programs, the implementation capacity of relevant Indian Government organizations, U. S. staff requirements and the U. S. ability to contribute in fields where it has a well recognized competence. On the basis of these criteria the team recommends that A.I.D. commit $2.0 billion over 5

years. We accord highest priority (35%) to surface irrigation and (25%) to rural credit, much of which will finance ground water irrigation. In order to capitalize on the technical competence of U. S. scientific and educational institutions, we have recommended 3% be spent for agricultural research, training and extension. We have also suggested that 8% be reserved for the support of special programs targeted specifically on small farmers. We believe these areas offer the greatest hope for increasing agricultural production and rural employment.

For rural infrastructure the team recommends 13%. Most of these expenditures would be for rural electrification to energize pump sets and promote rural industry. The balance would finance increased storage capacity needed for the Indian Government's program to promote incentive prices for farmers and decrease price swings which adversely affect consumers.

The team recommends 16% for rural health and family planning. The GOI's program for integrated delivery of health, nutrition and family planning services is still in an experimental stage. However, we considered efforts in this area to be so crucial that the U. S. should seek an appropriate way to assist. Lesser amounts (5%) are recommended to combat malaria and provide safe water supplies to rural villages.

The team has chosen the middle option because it would provide substantially greater resources to promote key programs in agricultural production, rural development and health than the lower option. We believe that the gradual increments are consistent with establishing a firm and constructive new aid relationship with the Indians. A large portion of the assistance is channeled through agencies with a successful track record for implementation and we believe the assistance can be well utilized.

The high option raised substantially U. S. participation, and the team was reluctant to suggest so rapid a build up, particularly in programs which are still experimental.

The Indo-U.S. Aid Relationship

The team asked many of the Indians interviewed for their views about the successes and failures of the past aid relationship. Most Indians believe that prior to the 1971 crisis in diplomatic relations, bilateral assistance played a significant role in the country's development. Oft cited successes were the promotion of Indian agricultural

universities, the development of such institutions as the Rural Electrification Corporation, and the stimulation of exchanges of ideas with U. S. scientists. The importance of the U. S. role in helping to found the consortium and supplying food aid under near famine conditions was also stressed.

However, some aid associated activities were often viewed negatively. These included conditioning aid on redirections of Indian policy in such key areas as money supply and exchange rate levels. These efforts in the '60's were resented and considered heavy handed.

As regards the resumption of bilateral assistance, the Indian policy is to welcome aid if the U. S. wishes to offer it. Officials insist, however, that assistance not be conditioned on proposed policy reforms. On the other hand, they agree that donors have the right to decide on project feasibility and to appraise, monitor and evaluate project progress. They will welcome American Technicians if they are well qualified and address mutually agreed priority problems. Within reasonable limits the size of the USAID staff is not a concern. However, its approach and competence will be important.

In line with their policy of welcoming but not requesting aid, the Indians did not identify any specific level of assistance as appropriate. However, they did urge the U. S. to resume the position of leadership the U. S. once played in the Consortium. To them it was clear that a substantial increase over current levels would be required to achieve this goal.

Indian officials said they would welcome U. S. assistance in the fields outlined above: agriculture and rural development, and rural health and family welfare. In fact, we were informed that U. S. aid would be welcomed in practically any field bearing on the rural poor. In conclusion, we believe the GOI attaches great importance to close relations with the U. S., and sees a bilateral aid relationship as a positive and potentially significant area for mutual cooperation.

Chapter I

India's Economic Position and Development Strategy

1. The Indian Economy since Independence--Stagnation or Progress?

With its population of over 600 million and a per capita income of around $150, India is by far the most important single arena in the struggle against world poverty. It has been estimated that 50 percent of the world's poorest people--by A.I.D.'s definition of an international poverty line--live in India.

Over the thirty years that have elapsed since Indian Independence, determined efforts have been made, with substantial technical and financial assistance from abroad, to achieve significantly higher levels of income and output and to transform the economy through industrialization and modernization of agriculture. These efforts have met with setbacks as well as successes, and it is difficult to draw up an unambiguous balance sheet. In some respects, India seems remarkably immobile and recalcitrant to growth. As the most recently issued Plan document points out, "it is a historically unique fact that over the last six decennial Censuses...the share of agriculture in the work force has not diminished at all. It was 73% in 1921, 73% again in 1961 and 73.8% in 1971.... In almost all countries economic development is associated with a significant decrease in this share. Even during the decade 1965-75, the share declined in 13 Asian countries. But in India fairly rapid growth in the non-agricultural sectors in the last 25 years of planned development has completely failed to make any noticeable impact on the distribution of the work force." 1/

At the same time, growth of income has been sluggish. Contradicting the ambitious targets of the earlier five-year plans, the overall rate of growth of the economy from 1961/62 to 1976/77 works out at about 3.3%. With a population growth rate of over 2% during this period, the increase in per capita income is unimpressive at just over 1%, far below the record of many other developing countries in

---

1/ Draft Five-Year Plan (1978-83) Vol II, p. 102

Asia and Latin America.

The aggregate indicators just mentioned testify to the difficulties of moving India's economy forward. These difficulties are in part grounded in intrinsic economic conditions such as unfavorable man/land ratios in agriculture and in institutional resistances to change such as are found the world over. The difficulties are also due, however, to certain choices India has made and to certain disciplines it has attempted to impose on the growth process: its successive plans have consciously attempted to eschew development strategies that might have achieved more rapid growth at the cost of sharply increased regional or income inequalities.

But the few aggregate measures just mentioned are far from telling the whole story. In spite of the slow overall growth and the immobility of the occupational pattern, considerable structural change has indeed occurred in India. In agriculture grain output has doubled, from about 60 tons in the fifties to about 120 million tons in recent years. A substantial part of this increase is due to a technological revolution in agriculture that has already had a major impact on the northwestern states of Punjab and Haryana, and that is now spreading to others. Except during the years when the monsoon rains failed, particularly in the mid-sixties, the enlarged output has made it possible to accommodate the large increase in population, from about 360 million in 1950 to over 600 million today. that has occurred as death rates have been falling more rapidly than birth rates.

The growth of industrial production has been uneven. After a spurt from 1955 to 1965 when it proceeded at the rate of 8%, growth slumped to half that rate in the next decade. 1/ But while India's industrial output consisted largely of nondurable consumer goods (textiles, etc.) at the end of World War II, the country now possesses a full complement of basic industries (iron and steel, cement, chemicals, fertilizer, pulp and paper, etc.) and also produces a wide range of machinery and capital goods. Electric power generation has expanded consistently at the substantial annual rate of 10 to 11%. A forceful drive has been staged to bring electric power to the countryside: one third of India's 600,000 villages have been electrified and over 3 million tubewells or pumpsets are now connected to the network.

1/ During the last three years the pace of industrial growth has re-accelerated to approximately 7% per year.

2. Recent Changes in the Balance of Payments

We have just noted a few major aspects of progressive change and performance in the Indian ecomony. Other more striking, but also more contingent indicators of an improved position have appeared over the past two or three years. India, which throughout the postwar period had been struggling with foreign exchange shortages and frequently had to supplement its domestically grown crops with food imports from abroad (mostly wheat from the United States), has accumulated, since 1973/74, around 5 billion dollars in foreign exchange reserves and some 20 million tons in government stocks of wheat, rice and other grains.

This dramatic turnaround serves to put a damper on a certain kind of pessimism about India's international economic position and its prospects that has been very prevalent: namely, that the country was handicapped by a particularly unfortunate export structure. Its traditional staple exports such as tea, jute and cotton textiles were, so it was pointed out, in stagnant or even declining demand in world markets. According to the critics of Indian economic policies, moreover, the country had made matters worse by pursuing an across-the-board import substitution policy, behind high tariff barriers and elaborate exchange controls; hence its new industries were bound to be inefficient and noncompetitive.

It now appears that these pessimistic or critical views were exaggerated. India's exports had actually been expanding at a gradually accelerating rate throughout the fifties and sixties, and growth in both volume and value terms became impressive in the seventies. During the last four years, for example, volume growth of exports has been around 10% per year, while their value more than doubled. Exports have become highly diversified and among the most rapidly growing items are engineering goods from India's new, allegedly non-competitive industries, that were originally set up to substitute imports.

Other factors have contributed to the balance-of-payments surplus of the last few years. A series of good monsoons and harvests, coming on top of the continuing penetration into India's agriculture of the new high yielding varieties and associated agricultural practices, have reduced the need for food imports while permitting the accumulation of the already mentioned grain reserve. Furthermore, India has been the beneficiary of a substantial flow of remittances sent home by its emigrants from various foreign countries, primarily from the Middle East which has been attracting large numbers of Indian workers and professionals.

These various developments demonstrate that the Indian economy can compete in world markets and possesses areas of strength and dynamic growth. To India's leaders, they were particularly welcome as they contain the promise of release from permanent foreign exchange bottlenecks and of eventual self-reliance.

However encouraging as a signal, the current balance-of-payments surplus is likely to be of brief duration at this particular juncture. Given the enormous development tasks still before India, the surplus can only be understood as the result of unanticipated favorable developments on the supply (and foreign demand) side for which the economy's domestic income and demand side was not ready. Once the ambitious programs of the new Plan are under way, and incomes and demand expand in consequence, both grain and foreign exchange reserves are likely to stop rising. Even with rather optimistic assumptions about continued vigorous growth of exports, the Plan anticipates that balance-of-payments deficits will reemerge during the coming five-year period and that, to cover them, foreign assistance as well as some liquidation of accumulated reserves will be needed. The World Bank, in its projections, substantially agrees: It anticipates the reemergence of a payments deficit during the period 1980/81 through 1982/83 such that a net foreign aid inflow of some 7 billion dollars will be required to balance India's international accounts over those three years. 1/

At this point, a comment on the relation of India's current balance-of-payments surplus to the case for financial assistance is in order. The case for foreign aid to any country is not narrowly based on a country's balance of payments, nor should aid be increased or decreased every time upward or downward movements in its balance-of-payments deficit are registered. Aid commitments should be made on the basis of a country's development needs, programs, and performance. If there is one lesson that has been learned from the history of foreign aid, it is that these commitments should be impervious to any but the most fundamental changes in the economic and political structure of the assisted country.

1/ According to Bank estimates, net aid disbursements from 1980/81 to 1982/83 will amount to $7,120 million while reserve increases are expected to be down to $160 million. See Economic Situation and Prospects of India, World Bank, April 17, 1978, Table 1.4, p. 15. The precariousness of all such estimates hardly needs to be emphasized.

There is nevertheless a connection between aid and prospective balance-of-payments developments: foreign assistance is usually given on the assumption that the assisted country will, over a relatively prolonged period, be able to "absorb" that assistance, which means that aid funds will not permanently result in the accumulation of excess foreign exchange reserves. We believe that this general, long-run condition is satisfied in the Indian case and feel strongly that, in the current short run, India should not be penalized for the recent good performance in its balance of payments.

Moreover, in this short run during which India is accumulating foreign exchange reserves, the accumulation itself can indirectly make an important contribution to economic advance, because it provides government and business with a source of domestic investment finance that is held to be noninflationary--and is actually so under the conditions of underemployment and general slack that are still the earmarks of the economy. More will be said on this topic in the next section.

3. India's New Development Plan--The Macroeconomic Dimensions

The economic policies which are to be pursued by the present Indian Government are spelled out in the recently issued Draft Five-Year Plan for 1978-83. Like all such documents, this Plan contains a full set of macroeconomic projections for the economy. These projections serve as a framework for the allocation of available investment resources. The essence of the Plan lies of course in the kind of priorities it stipulates within the limits set by these resources and in the sector programs that are expected to implement these priorities. Nevertheless, it is useful to give a very brief account of the major macroeconomic targets set by the Plan.

In contrast to previous plans that often proposed unrealistically high overall growth targets, the present Plan intends to "restore the credibility of the planning process" 1/ by setting an overall growth target of 4.7% per year over the next five years. Though prudent, this rate is still appreciably higher than the 3.5% rate that corresponds to the actual Indian experience during the last two decades or so. To achieve it, the Plan finds it necessary to advocate an expansion of the domestic savings rate from the present 16.5% of GNP to 20.5% over the Plan period. The needed additional public sector financing

---

1/ Draft Five-Year Plan, Vol. II, p. 4

is not expected from new taxes, but rather from greater efficiency in operating existing tax programs, from increased profits of public enterprises, and from a reduction in subsidies on exports, fertilizer, and food.

The increased output postulated by the Plan is thus expected to result from an increase in investible funds rather than from any decline in capital-output ratios. In this respect also the Plan is conservative. It counts on a continuation of recent experience which shows a capital-output ratio of around 4, rather than the over-optimistic 3 that was often implicit in previous plans. The relatively unfavorable capital-output ratio is justified in the Plan document by the importance of such long-lead investment items as surface irrigation schemes and electric power generation.

Total investment planned during the five-year period is 105,990 crores of rupees, equivalent to some 132 billion dollars. Public sector investment accounts for 56% of this total. The investment is expected to be financed predominantly by domestic savings: only about 5% of the total is expected to be forthcoming through net foreign assistance.

Our comment on these macroeconomic projections can be brief. While the target growth rate set by the Plan appears feasible, doubts can be raised about the means for reaching it that are advocated by the Indian planners. The most recent World Bank report on India holds that the savings rate that has been reached by the Indian economy is substantial for a country at India's per capita income. It doubts the need for, and the possibility of, extracting substantial additional finance and even fears that such a policy might endanger the growth and distribution objectives of the Draft Plan. The Bank's estimate of net foreign assistance available to India over the next five years is, at $10.7 billion (current prices), substantially higher than the Indian planning figure ($4.5 billion at constant prices) and this is a major reason for the difference in appraisal. 1/ In addition, it is possible that, because of past experience, the Indian planners have this time been overcautious in estimating the amount of capital needed at the present time for achieving a unit of output growth, considering the availability of excess capacity in many industries as well as the room left for increasing agricultural output through groundwater irrigation which does not require the long lead characteristic of surface irrigation schemes.

1/ Economic Situation and Prospects of India, World Bank, April, 1978 pp. 13-15.

Moreover, the current balance-of-payments surplus and consequent accumulation of reserves make for a financial opening that may not have been fully taken into account in the Draft Plan. As a result of the accumulation, the banking system is becoming more liquid. Hence government, public enterprises as well as private business should find it possible to borrow in the capital market to a greater extent than is presently anticipated. In contrast to borrowing from the Central Bank, borrowing from the commercial banks is considered noninflationary and does not enter the budget deficit in the government accounts. 1/ This convention, which is a datum of the Indian institutional scene, has much justification both on intrinsic grounds and particularly in the current situation of underemployment of both capital and labor resources. Hence, foreign aid without which the current reserve accumulation would largely disappear helps break the domestic finance bottleneck which might otherwise hold back the current Indian development effort. In other words, while aid is needed in the future to settle payments deficits that can be expected to reemerge, it also fulfills an important role right now in alleviating domestic financial constraints.

4. Principal Aspects of the New Development Strategy

While the macroeconomic projections of the 1978-83 Plan are notably prudent, the development policies explained in the Plan document as well as in the numerous conversations the team had with Indian officials have a strong sense of direction. The essence of the new set of policies is the emphasis on agriculture and on rural development. With 75% of the people continuing to live in rural areas, it has become increasingly evident that poverty must be brought under attack right where most of it is to be found.

One way in which this strategy shows up in the Plan is in the sectoral breakdown of investment. Programs and projects specifically identified as agriculture or rural development make up 43% of the Plan's projected expenditures, against 38% in the Fifth Plan. That must be considered a substantial increase since governmental programs have a well-known tendency to reproduce themselves with the result that allocation patterns become quite rigid. In addition to the funds specifically earmarked for agriculture, much of the proposed expansion of other sectors, such as electric power, transportation, education, and health, is designed to benefit the rural sector which will therefore be the recipient of well over half of planned investment expenditures.

1/ Ibid., p. 19.

Emphasis within the sector is to be given to major and minor irrigation, to rural electrification (primarily to facilitate the lifting of groundwater for irrigation through tubewells), to agricultural credit for small and marginal farmers, and to rural industries. In irrigation the objective is an ambitious step-up in the irrigation potential--17 million hectares as against 8.6 million hectares created in the first four years of the Fifth Plan. Particular attention is to be given to the full utilization of already completed schemes and to minor irrigation through either surface projects or groundwater development. Irrigation is of particular importance because of the increase in agricultural output it makes possible through multiple cropping and because of the consequent reduction in rural unemployment and underemployment.

For the same reasons, the Plan gives high priority to rural industries. The principal factor making for expansion of this sector is likely to be the higher incomes earned in agricultural production, but the establishment of district industrial centers providing services and inputs, advances in rural electrification, and more ample credit, marketing and training facilities are expected to help. It is interesting to note that the Plan calls for an increase of cloth production in the "decentralized sector" from 5400 to 7600 million meters during the next five-year period while the output of the mill sector (4200 million meters in 1977-78) is expected to increase by barely 10%.

It could be argued that stimulation of agricultural production and of small industries is not likely by itself to alter fundamentally the highly stratified social structure characteristic of Indian rural society. It may even make the rich richer and increase the social and economic distance between the rich and the poor. For example, without special safeguards, village electrification may result in only the richer villagers being able to afford the expense involved in connection, meter and monthly charges; moreover, connection may be possible only for the better built houses which meet certain minimum safety standards. Similarly, the opportunity to install a workshop equipped with power tools is likely to be seized by the wealthier and better connected members of a newly electrified village.

This kind of objection calls for three comments. 1/ In the first place, while it is certainly true that technological advances or breakthroughs, such as the introduction of high yielding varieties and rural electrification,

---

1/ See Chs. II & III for a more extensive treatment of some of the points made in the next few paragraphs.

cannot by themselves alter the social structure, they will often generate additional employment and incomes for the poor majority. The major argument for rural electrification is that it provides a reliable and inexpensive source of power for the tubewells in the fields, with the already noted consequences for multiple cropping and rural under-employment.

Secondly, the Indian Government is fully aware that access to technological progress and capital improvement is biased as a result of income distribution and social structure. Consequently, it has formulated a series of programs especially designed to make access more equal. Small and marginal farmers as well as the landless are able to purchase agricultural inputs (fertilizer, pump-sets, etc.) and cattle at reduced prices and to obtain loans for these purchases at concessional interest rates.

Thirdly, the Government is carrying out several programs that are directly addressing the satisfaction of basic human needs and are therefore wholly focused on the disadvantaged members of rural society. Among the most noteworthy of these programs are entirely new efforts in the fields of basic education and public health. A large-scale program of adult education and literacy using locally trained personnel is planned for people in the 15-35 age group and a new Community Health Workers Scheme is to result in a large para-medical staff that will have received a short training course and will live in the villages. These two programs are somewhat experimental and are due to be evaluated; but if judged to be successful, they are expected to cover the whole country in a period of five to ten years.

The preceding paragraphs provide only some highlights of the manifold programs being and to be undertaken. Subsequent chapters will fill out the picture. The chances that these programs will actually be carried out--as a result of administrative energy and competence combined with some pressures from below--will also be appraised. What needs to be done here is to place the new approach within a broader framework and to view it as part of a distinctive growth strategy for the Indian economy.

It seems legitimate to infer from the new Plan that the rural sector is now expected to perform as the leading sector that will make possible a new phase of moderately accelerated growth for the economy as a whole. The post-war attempt to produce rapid growth through concentration on "heavy" industry (intermediate and capital goods) yielded disappointing results, perhaps because of

insufficient demand, given the low level of incomes in agriculture, for the output of both new and older industries. The current strategy can be interpreted as a reversal of the earlier one: financial and administrative resources are now to be concentrated on the rural sector and it is expected that, with income expanding there, other major sectors of the economy will also be lifted to higher levels of activity. Instead of development "trickling down" from industry to agriculture, from city to country, and from the (comparatively) rich to the poor, present hopes are for a "trickling-up" movement in the opposite direction.

What are the chances that this sort of "trickle-up" strategy will work? Expanded incomes in the rural sector will of course tend to stay right there to a substantial degree as, with the low levels of income in the countryside, they will be spent in good measure on food and on the products of locally produced handicraft and small industry. Nevertheless, a portion should spill over and would then lead to enhanced activity and fuller employment in India's urban-based industries. Here unutilized or underutilized capacity is frequently present and this condition is in fact a further argument in favor of the present strategy: normally, because of the high propensity to consume of the poor, a policy of expanding their incomes is fraught with inflationary dangers; but these dangers are reduced when unutilized capacity is widespread. Similarly, the present level of foreign exchange reserves can also serve as a shock absorber should current policies lead to a substantial derived demand for imports.

The mere fact that the earlier trickle-down policies were disappointing is of course no guarantee that the opposite kind of policy will be a big success. But two propositions can be asserted with some confidence. First, the current policies are very much worthwhile undertaking for their own sake. Second, under present circumstances, the risk that these policies normally carry--that is, the possibility that they might be <u>too</u> successful in stimulating and heating up the economy--is rather low, because of the various reserves (of industrial capacity, grain, and foreign exchange) that the Indian economy has been accumulating. And with luck, the present policies may just be successful in their intrinsic mission of promoting rural development while at the same time imparting greater dynamism to India's economy generally.

Chapter II

AGRICULTURE AND RURAL DEVELOPMENT: A PRODUCTION-ORIENTED APPROACH TO THE POOR MAJORITY

The general directions of current Indian thinking on development are embodied in the 1978-83 Plan and have been reviewed in Chapter I. The increased attention to the rural areas--and by implication--to the poorer sections of Indian society was especially noted. This chapter takes up the Plan's production-oriented priorities and programs in greater detail and examines the mechanisms by which planners expect the proposed rural development expenditures to have an impact on the rural poor. The analysis also provides the basis for judgments about the types of assistance in which the U. S. would have a comparative advantage.

Agricultural Targets

Comparison of demand targets and expected growth in output indicates that, with the exception of cotton, India expects to be basically self-sufficient in agriculture by 1982-83. However, several critical estimates, i.e., food grains and oilseeds, have been given as ranges that would permit considerable shortfalls. For example, the global production target for food grains at the low range is equal to 140.5 million tons while the expected demand at the high range is 144.5 million tons. Presumably this would mean that if a deficit of roughly 4 million tons, approximately the level projected by the International Food Policy Research Institute, would occur, it would be within the range that the Indians would regard as possible. 1/

Several commodities are being given special emphasis. Pulse production, for example, is to be given a high research priority, as are oilseeds. Because of the comparative advantage of high yielding wheat varieties, the output of pulses and oilseeds declined (or at least failed to increase) in recent years. Prices have now increased substantially with the result that the diets of the poorer sections of the community have been adversely affected.

1/ The World Bank has taken this pessimistic view in its projections for the preceding years as well, i.e., the Bank assumes that there will be an average shortfall of four million tons annually during the last 4 years of the Plan. The underlying assumption is that the growth in food grain production will be 2.9% instead of 3.6% assumed in the Plan.

In the livestock area, the emphasis on dairying is of particular interest. The model on which the industry expansion is to be based is that centered at Anand in Gujarat around the "Amul" trademark. A successful system of cooperative marketing of milk and feeds has been developed that provides additional income for large numbers of small farmers and landless laborers. This style of operation is to be implemented in a number of other major milksheds under the auspices of the National Dairy Board. To the extent that these activities are successful, the labor intensity of these livestock activities will mark an important additional source of income for many landless or near landless households.

Agricultural Inputs

Table II.1 reflects current thinking at the Union level regarding the absolute and relative expenditures on agriculture and rural development that are anticipated for Indian FY's 1979-85. As these estimates make clear, the program is strongly oriented toward increasing agricultural output with massive investments slated for irrigation, agriculture inputs and electric power. Irrigation and rural electrification alone are expected to account for roughly 70 percent of public sector outlays for rural development for the 1978-83 Plan and 30 percent of Plan total. Many of the 17 million hectares that are to be brought under either improved or new irrigation systems are in projects that are already at various stages of development. Yet the acreage goal marks an accelerated commitment to expand the extent to which India's agricultural output is based on assured and controlled water supplies.

The emphasis on developing the country's irrigation potential is soundly based on the experience of the past decade. First, in India and elsewhere, the so-called "green revolution" technology has been confined largely to the irrigated areas. Significant improvements in yields have only been achieved with substantial increases in the use of inorganic fertilizers, and these can only be applied in the presence of reasonably assured soil moisture.

Second, in addition to improving the levels of output, additional acreage under irrigation can be expected to reduce substantially year-to-year variations in production. As the evaluation of past performance contained in the 1978-83 Plan indicates, the dramatic fluctuations in food output that characterized the early 1970s hurt the economy's performance, not only because resources were diverted from development projects, but because of the discontinuities and uncertainties about resource availabilities that were created.

Lastly, as indicated previously, the Indian experience also suggests that where agricultural growth is occuring, particularly as a result of more intensive cultivation, the demand for labor has increased. This is the crucial link in efforts to improve the welfare of many poor rural Indian households.

Table II.2 provides additional detail on other activities that are expected to be carried out under the general heading of agriculture and allied activities. (Subtracting minor irrigation from the total in Table II.2 gives the total in Table II.1.) Many of these items are overlapping in their description and it is difficult to distinguish from the Plan documents precisely what is to be done under the various categories. However, the proposed expenditures suggest several general observations:

1. It is clear that there is a continued, indeed, substantially increased commitment to special programs targeted at small and marginal farmers, drought-prone areas, tribal areas, etc. The additional resources allocated to the Small Farmer Development Agency (SFDA), Marginal Farmer and Agricultural Labor Agency (MFALA), Drought-Prone Areas program (DPA) and Command Area Development (CAD) are also to be accompanied by efforts to improve their administrative effectiveness by linking them more closely to block and district level planning activities.

2. Table II.1 also indicates that, although there are additional funds provided for land reform and land consolidation, the absolute level is not large when compared to the magnitude of the task that remains. As the Plan notes, land reform is a state subject. Many states have not yet complied with national policies regarding land ceilings and tenancy rights, and there appears to be relatively little leverage available to the Union Government, at least with the level of resources that have been proposed, for speeding up the implementation of reforms that already exist on the states' legislative record.

3. There is also relatively little support in the Plan for local government and community development. This is undoubtedly a function of a lack of clarity within the government regarding the precise role of local political bodies in the planning and development process. A prestigious committee headed by Ashok Mehta has been set up to make recommendations on the future of the panchayati raj, and until this group reports, government policy in this area is likely to remain cloudy.

Table II.1

Estimated Public Sector Plan Outlay on Rural Development

Sector	Plan 1978-83	Relative Expenditure	Increase over 5th Plan
	$ mil.	%	%
1. Agriculture and allied programs including minor irrigation*	11,075.6	31.8	105
2. Irrigation and flood control	9,215.1	26.5	130
3. Fertilizers and pesticides	1,962.8	5.6	109
4. Power for rural areas**	4,136.0	11.9	112
5. Rural roads	930.2	2.7	60
6. Rural water supply	889.5	2.6	77
7. Rural health and family welfare	1,723.3	5.0	103
8. Hill and tribal areas	930.2	2.7	78
9. Rural education	1,627.9	4.7	65
10. Telecommunication and post	361.6	1.0	N.A.
11. Nutrition	162.8	0.5	55
12. Social welfare	37.2	-	
13. Traditional and cottage industries*	1,162.8	3.3	203
14. Rural housing	581.4	1.7	809
Total rural outlay	34,796.5	100.0	
As a percent of Plan outlay	43.1		

* Includes command area and special rural development programs, e.g., Small Farmer Development Agency, Command Area Development, Marginal Farmers and Agricultural Laborers Agency, and Drought Prone Areas Program. Excludes institutional finance.

** Excludes institutional finance.

Source: Draft Five Year Plan: 1978-83, Volume III.

US$1.00 = Rupees 8.6

Table II.2

Agriculture and Allied Activities

		Plan 1978-83	Relative Expenditures	Percent Increase over 5th Plan
		$ mil.	%	%
1.	Agricultural research and education	494.2	5.4	102
2.	Agricultural production	1,308.1	14.4	95
3.	Land reform and consolidation	407.0	4.5	115
4.	Soil conservation	523.3	5.8	104
5.	Food	174.4	1.9	22
6.	Animal husbandry and Dairying	959.3	10.6	88
7.	Fisheries	465.1	5.1	167
8.	Forestry	523.3	5.8	118
9.	Agricultural finance	1,162.8	12.8	92
10.	Community development and local government	174.4	1.9	18
11.	Cooperation	552.3	6.1	26
12.	Special programs for rural development	1,802.3	19.9	187
13.	Command area development	523.3	5.8	118
	Total outlay	9,169.8	100.0	

Source: Draft Five Year Plan: (1978-83), Vol. III, p.5

US$1.00 = Rupees 8.6

The agricultural development program also contains provisions for substantial expansion in fertilizer availability, agricultural research and training, extension and rural credit. However, in summary, it would be fair to say that the key element of the entire program is the rapid expansion in irrigation facilities. In addition to the direct effects of major and medium works to be undertaken by the Ministry and State Irrigation Departments, adding to irrigated acreage through the provision of pumps and tubewells (minor irrigation) is also the lodestone of many of the special programs as well as such credit institutions as the ARDC.

Off-Farm Development Activities

Rural industrialization: Previous comments noted that a substantial amount of off-farm employment could be expected from the construction activities associated with the irrigation and agricultural development program. The Plan also provides substantial resources for a revitalization of traditional and cottage industries as well as encouraging the establishment of small-scale modern industries in the rural areas. Major development expenditures are anticipated in improving the handloom industry, the development of suitable industrial estates, creating improved technical services for kadi and other small industries, etc. In addition to these direct expenditures, it is also anticipated that new licensing guidelines will be implemented that restrict the further expansion and the location of modern, large-scale factories and the products that they can produce.

Examination of the evaluation reports prepared on various similar schemes in the past plus conversations with those who would be responsible for implementing the proposed program indicate that this aspect of India's proposed rural development strategy must be considered experimental. All indications are that much of the small scale industry that currently exists does so either in or on the outskirts of large urban centers. Small industries, too, require access to a skilled labor pool, supplies of raw materials and markets for their products. Recognition of these needs has led to the proposal to establish rural growth centers in which the elements needed for any successful industry, i.e., power, roads and marketing facilities, would be provided. Even with these incentives, however, unless some fairly drastic protective measures are undertaken, it may be difficult to create a climate in which "infant" rural industries can develop.

Rural public works: Conspicuous by its absence from the Plan is a scheme for increasing employment through rural public works programs. The desirability of such programs has been a much debated issue among Indian planners and economists, many of whom would like to have seen an expanded commitment along the lines of the Maharashtra Employment Guarantee Scheme. (Under the Maharashtra program, the state has provided a non-divertable fund of approximately 70 crores of rupees ($81.4 million) raised from special professional and entertainment taxes, to provide for the mobilization of rural labor in the construction of irrigation tanks, roads, etc.) Critics of the public works proposals, whose views are reflected in the 1978-83 Plan, argue that, despite the insistance of supporters, many of the works created are poorly planned and poorly engineered. The result is that the productivity of the expenditure is extremely low. Consequently, while the Planning Commission firmly endorses the use of labor intensive techniques of construction wherever possible, they appear opposed to such features of the Maharashtra scheme as the guarantee of work within reasonable walking distance of a villager's home because it severely limits the types of projects that can be undertaken.

It is clear from the determination of the State of Maharashtra to carry on its scheme with its own resources and recent expressions of interest by the Chief Ministers of other states that the political pressures for some type of rural employment scheme are highly likely to produce additonal experiments with public works programs. Should these prove to be successful, it is to be hoped that the "rolling" character of the central plan can be revised to accommodate the lessons learned. Although there is reason to be skeptical about the current ability of most states to administer substantial public works programs, it is hard to see how the incomes of the seasonally unemployed can be increased without recourse to some sort of rural works scheme. The irrigation and agricultural development schemes that are envisaged under the Plan are unlikely to fill this need, for they are being constructed on engineering and not agricultural timetables. The experience of Maharashtra and the Food-for-Work program suggests that with enough effective local participation, some of the traditional problems of management and supervision can be overcome. At the very

least, it would appear that central planners need to continue to evaluate these programs and to keep an open mind on their inclusion in a comprehensive rural development strategy.

Implementation Capacity

The proposed doubling in expenditures for rural development over the next five years requires an analysis of the ability of the Indian administrative structure to carry out the policies and programs mentioned in the planning documents. It would be difficult enough if the increase was confined largely to investments in the industrial sector where the construction of factories and the installation of machines can be more readily controlled. Attempting to carry out such a massive program in the relatively inhospitable environment of the rural areas makes the task even more formidable.

Fortunately, in a number of the most important areas there is reason to be confident about the organizational and administrative capacity to carry out the proposed schemes. In the area of agricultural finance, for example, the Agricultural Refinance Development Corporation has developed a well earned reputation not only of administrative competence, but of being able to channel 50 to 60 percent of its funds into the hands of small farmers for the purchase of tubewells, motors, pump sets and other durable capital inputs. (ARDC's capabilities were recently recognized by the World Bank when the Corporation became the recipient of the largest Bank loan ever made to a single organization.)

In other important areas, past performance suggests that the Rural Electrification Corporation (which the U.S. helped to establish) and the Ministry of Chemicals and Fertilizers also have the staff and the organizational competence to carry out the duties that have been assigned to them. Similar confidence can be placed in the various organizations that deal with the irrigation sub-sector. Indeed, in many areas where problems have a large technical component, Indian engineers and scientists have shown an impressive ability to overcome implementation difficulties.

To a considerable degree, the same comments might be made about the Indian ability to develop new agricultural technology. In the Indian Council of Agricultural Research (ICAR), the country has one of the few effective umbrella organizations for agricultural research that exists in the Third World. The ability

of ICAR to coordinate All-India Commodity programs that are the cutting edge of crop research has been recognized internationally.

Constructing irrigation works, producing fertilizer, and developing new agricultural technology, however, are only necessary conditions for agricultural growth. Somehow, farmers must be induced to exploit the potential of improved inputs if government investments in their provision are to bear fruit. In the past, when the focus of growth was on the larger, better educated farmer, prices were considered as the basic instrument for facilitating adoption.

Adequate incentives will continue to be significant as the government's concern shifts in the direction of the smaller farmers. At the same time, however, it is increasingly recognized that the emphasis on small farmers carries with it the implication that reorganizing and motivating extension activities must be given on a new and higher priority. A number of states are already experimenting with the so-called "training and visits" approach developed in conjunction with World Bank personnel. Data from several pilot projects indicate that by having the village level worker concentrate on a limited number of tasks for which he has received special training, even very small farmers can be helped to increase their incomes substantially.

There is considerable uncertainty as to how rapidly and effectively this approach (or some variant) can be introduced into an extension system whose primary purpose has often been lost in a welter of paper work and non-agricultural duties. A source for optimism is the World Bank's keen interest in the matter and the indicated intent to place a high priority on developing an innovative approach that utilizes as much of the existing system as possible.

As might be expected, the weakest organizations are those associated with programs that have been characterized above as "experimental." In most cases, the landscape is not completely barren; ordinarily some field activities are currently being undertaken. But in several cases, e.g., rural industrialization and special agricultural programs, the resource commitments currently contemplated are well above those that have been expended in the past. The logical conclusion is that in these areas, implementation may be more of an organizational and administrative problem than anything else.

In summary, for the most part the areas in which major resources have been allocated in the 1978-83 Plan are also areas in which considerable organizational maturity and competence exists. Weaknesses are most apparent in fields where

new programs are being shaped or where substantial increases in the historical funding of "people-oriented" special programs has been proposed.

Income and Employment Effects

An important element in the development strategy envisaged in the current Five Year Plan is the reduction of poverty in the rural sector. To assess the potential the programs reviewed in the previous section have for achieving this goal requires not only an examination of the labor intensity of the activities being undertaken, but also some indication of the extent and characteristics of the current employment and poverty situation.

The literature on rural welfare in India is voluminous and is reviewed in greater detail in Annex I. Although ambiguous at some points, the most significant findings are the following:

(1) Although there is no evidence that the incidence of poverty has increased over time, the total size of the population living below a nutritionally defined "poverty line" would probably be on the order of 235 million, or roughly 40 percent of the rural population.

(2) On the whole, there is evidence that as agricultural growth increases, poverty decreases. However, in certain rapidly growing areas, e.g., Punjab and Haryana, the relationship does not appear to hold, at least when National Sample Survey data on consumer expenditures are used in the computations.

(3) The highest incidence of unemployment is, as expected, among landless and near landless agricultural households. The improved welfare of these families, depends on increases in the demand for labor or on the provision of social services to which they have the opportunity for equal access.

(4) There are significant regional disparities in the degree of unemployment. Two thirds of the persons seeking and/or available for work are accounted for by six states--Andhra Pradesh, Bihar, Kerala, Maharashtra, Tamil Nadu, and West Bengal--that have only 44% of the population. These states also show a high degree of seasonal variability in unemployment.

(5) Programs aimed at alleviating poverty will have to contend with local political situations that continue to

reflect serious divisions in Indian communities that have existed for centuries. Class and caste in India, as elsewhere, have an effect on economic life at the local level that makes it difficult to reach the poor and low born through traditional channels.

In the Draft Five Year Plan, the GOI has set a target of eliminating unemployment and significant underemployment during the next decade. Some of these jobs are to be created by efforts to encourage labor intensive rural industrialization and general economic expansion. But the major determinant of success will be the extent to which new entrants in the labor force can be productively absorbed in the agricultural sector. If, for example, the goal of providing approximately 3 million hectares of land with irrigation annually can be reached, GOI estimates suggest that this would create 0.6 million new "jobs" each year. Another potential source of employment is the increase in cropping intensity on lands that are already irrigated. If appropriate incentives can be developed to motivate Indian farmers in this direction, it might be possible to add another half to three quarters of a million jobs annually. This would put the job creation capacity of these approaches at roughly 1 to 1.5 million annually.

Given estimates that place the increase in the labor force at 6 million annually, it is clear that even if industrial development were to absorb substantial numbers, say 1 to 2 million, this leaves a large part of the increment to be absorbed in labor intensive construction programs and in the application of more labor intensive technologies in agriculture.

The observations made above provide only the briefest sketch of the magnitude of the employment problem. However, enough has been said to underscore the fact that while the emphasis on agricultural development is an essential and necessary condition for improving the position of landless and near landless, it is unlikely to accomplish the task of eliminating unemployment alone. If the objectives of the government are to be taken seriously, the Draft 1978-83 Plan, with its concentration of resources and institutional strength in the agricultural area, must be seen as a step in a phased commitment to broaden the base of rural development. The "experimental" programs in industrialization, along with mechanisms that permit the decentralization of development works, will have to be pursued with sufficient vigor to create the organizational capacity for significant resource commitments in the long run.

Chapter III

EDUCATION, HEALTH, NUTRITION AND FAMILY WELFARE: A MINIMUM NEEDS APPROACH TO REACHING INDIA'S POOR

Increasing the capacity in agriculture and rural industries to provide gainful employment is obviously a necessary condition for improving the welfare of the poor majority. An important complement to production-oriented approaches to poverty exists, however, in the provision of public services that minister directly to certain basic needs of the population. Because they are public services and hence do not require assets for participation they can, at least in principal, be extended to all social classes irrespective of economic status.

The appropriate level for public expenditures in the social services field has been a much debated topic among Indian planners. As Table II.1 indicated, expenditures on several categories of "needs," e.g., housing, water supply, etc. are to be increased significantly. In others, the increases are considerably less so that the overall expenditure on social services is expected to increase by roughly 50% over the prior five-year period. (This compares with an increase of over 100% in fields of irrigation and agriculture.)

Education

The proposals for education during the Plan period contain major policy changes:

(1) A nationwide program to combat adult illiteracy is to be launched. The objective is to reach two-thirds of all adults in the age group 15-35. Outlays will grow from 1% to 10% of the education budget.

(2) A far greater priority will be given to expansion of elementary education. Plans are to reach about 32 million children increasing the coverage from 69% in the age groups 6-14 to 90%. About one-half of the education budget is allocated to this objective.

(3) Expansion of secondary and higher education is to be kept to a minimum. The emphasis will be on increased vocationalization of secondary schools and improved quality of higher education.

(4) Measures are proposed to increase the relevance and efficiency of education at all levels and to ensure a rural bias.

While Indian planners appear clear about the goals, they frankly acknowledge that the task is formidable and they are experimenting with new approaches. For example, a major headache is the inefficiency of the elementary school system. While more school buildings are admittedly needed in some areas, in many others, they are severely underutilized. Out of every 100 children that enter class I, only about 40 complete class V and only about 25 complete class VIII. A restructuring of the present approach seems to be in order, but thus far diagnostic efforts have not provided a consensus on alternatives to the present system. If, for example, the major causes of "dropping out" were economic, i.e., the incentives to withdraw children for work in the fields or home, then there is little that can be done about the problem in the short run. If, on the other hand, the dropout rate is in part a function of irrelevant curriculum, poorly motivated teachers and uncomfortable facilities, programs to overcome these deficiencies could be initiated. (Many of these same questions bedevil the adult literacy program. The Plan seeks to enlist voluntary groups, but the waters are largely uncharted.)

In view of these uncertainties, the Indians did not accord a priority to U.S. involvement in education, except in areas such as agricultural institutions where the U.S. has an acknowledged contribution to make. If the U.S. has relevant experience to offer in mass primary and adult education, a modest sum might be made available for joint research, short term exchanges for pilot approaches, perhaps under the Indo-U.S. education and cultural subcommission, or a research institute.

Health, Nutritution and Family Planning

Integrated rural health program: Infant and child mortality still represent a shockingly high wastage of human life in India. Roughly 50% of children die before their fifth birthday. The cause is usually a combination of poor nutrition and infectious and parasitic diseases.

The Plan acknowledges serious dissatisfaction with the existing health care model, borrowed from the West, with its emphasis on high cost services, urban hospitals and high level specialists. As a consequence, the government is experimenting with an alternative model, known as the Rural Health Scheme. The objective is to provide simple and integrated health, family planning, and nutrition services throughout the rural areas. The scheme calls for

(1) the provision of one part-time community health worker and one midwife (dai) for every village of 1,000, (2) the availability of a health subcenter staffed with two multi-purpose health workers for every 5,000 people, (3) the establishment of a fully staffed primary health center for every 50,000 people. Each of the country's 105 medical colleges is to be given responsibility for comprehensive health care in the surrounding area, and more thirty-bed rural hospitals are to be constructed. The goal over the Plan period is to reach 71% coverage by sub-centers and 46% coverage by primary health centers.

Such an integrated approach has received strong support in the recent report of the Joint FAO/WHO Expert Committee in Nutrition, which noted that "linking the health, nutritional, and family planning services... is likely to increase the attractiveness and effectiveness of each. In particular, the attitudinal changes resulting from reduced infant mortality and improved nutritution and health are likely to increase receptivity for the idea that family size can, and should, be determined by conscious choice."

A few developing countries, among them Taiwan, the People's Republic of China, Korea, and Sri Lanka have achieved especially rapid reductions in infant mortality, which have been followed by rapid reductions in birthrates. While many socio-economic factors are at work, many experts agree that a marked decline in infant mortality appears to have an especially significant impact on birthrates. Moreover, a comprehensive "family health program" is more likely to elicit local support than other approaches, and it provides "entry points" where clients are receptive to family planning information.

The Indian Rural Health Scheme plan was just launched October 2, 1977, and evaluation is underway. Therefore, it is too early to assess ability to meet its targets. However, it is evident that substantial resources for training, equipment, and construction will be required if it is to be implemented fully on a national scale.

Provision of village water supplies and improvement of urban slums: Out of a total of nearly 600,000 villages in the country, only about 64,000, accounting for roughly 10% of the rural population, have any form of safe drinking water facility. The Plan proposes to provide safe drinking water to another 103,000 villages.

The Plan also calls for slum improvement including (2) expansion of water supply and sewerage (b) paving of streets and (c) provision of latrines. Areas inhabited

by scheduled castes, particularly scavengers, are to be given priority.

Malaria control: India's malaria eradication program in the 1950s and early 60s brought malaria incidence down to less than 100,000 cases and no deaths by the mid-1960s. Since then, however, malaria incidence has risen dramatically reaching 5.8 million officially reported cases last year. This resurgence was the result of several factors including insecticide (DDT) and drug resistance by the vector, and withdrawal of government and community support once malaria ceased to be a major problem.

The Government of India now has adopted a modified plan of operation to bring malaria under control "as soon as possible." While the long term objective continues to be eradication, the Plan has the immediate objective of reducing malaria incidence and prevention of death. The Plan envisages a three-pronged attack through (1) government field operations such as residential spraying and drug treatment, (2) community participation and (3) training and research.

While India has had considerable experience with malaria eradication, the success of the current program will depend heavily on the timely availability of appropriate insecticides for spray operators. AID is proposing a program starting in 1978 to help meet these needs.

Special Nutrition Programs: The 1978-83 Plan notes that the nutritional status of the population can only be ensured by increasing food production, promoting nutrition education, and increasing the purchasing power of the poor so that they can afford an adequate diet.

The Plan states that supplemental feeding programs, while desirable, are not an adequate answer to the problem. At the end of the Fifth Five Year Plan, the midday meals program reached about 13 million school children. The special nutrition scheme reached about 6 million pre-school children 0-6 years old, and pregnant and lactating mothers. These programs are carried out primarily with food contributed by CARE, with some costs and additional food contributed by the States. Catholic Relief Service, Lutheran World Relief, and Church World Services have smaller non-governmental programs of their own.

Planners point to the high cost of these programs, which would preclude the States taking over and replicating them throughout India. However, to the degree that major food donations are available from CARE, the Indians see their own supplemental contribution as worthwhile. Moreover, the program is popular and visible. While raising rural incomes will hold the key to better nutrition in the long run, feeding hungry children is a concrete effort in the short run. To the extent that such efforts can also be used to make the elementary education system more efficient by decreasing the dropout rate, the feeding programs will have created a bonus.

The Plan projects an increase of one million recipients in the most vulnerable target group under the special nutrition scheme and four million under midday meals targeted to backward areas. It also seeks to consolidate the existing program to assure greater continuity of supply where needed and better integration with other health services where lacking.

Family Welfare Planning: Family planning received a severe setback in recent months due to the excesses committed during the Emergency period. Sterilizations, the primary method used in India, declined over 90% as compared to the last year. Initially, Janata Party officials talked of "natural" methods such as celibacy and abstinence. However, as the disastrous nature of the setback to the program became evident, the Health Minister began calling for urgent steps in "family welfare," including sterilization.

As indicated above, family planning is to be made an integral part of a comprehensive health and nutrition program. The new emphasis is on voluntary acceptance of family planning through education and motivation. A revised motivational strategy is under preparation. The program continues to offer monetary incentives for sterilization and IUD insertions.

The overall goal of the program is to reduce the country's birthrate from about 35 per 1,000 presently to 30 by 1983 and further to 25 per thousand by 1989. It is estimated that to achieve the goal of 30 per 1,000 by 1983, approximately 36% of the couples in the reproductive age group (110 million) will have to be protected by some method of family planning, as against 25% protected currently. The operational targets for meeting this goal are: 25 million sterilizations and 5 million IUD insertions, besides raising the level of conventional contra-

ceptive users from 3 million to 6 million during the next five years.

There are formidable obstacles to reaching Plan targets. India's ability to achieve several million sterilizations a year will require, aside from strong leadership, the availability of doctors and hospital/clinic facilities in rural areas. Also, much will depend on the vigor with which the integrated rural health scheme is implemented and the supporting infrastructure is provided.

Summary

The Draft Five Year Plan devotes a substantial amount of space to a "revised minimum needs" program. And, although the relative increments in expenditures are a good deal less than those proposed for increasing production, the absolute amounts represented are still substantial.

The uncertainty in the "minimum needs" program lies in the capacity to implement. Many of the programs being discussed are at best pilot projects; at worst, they represent theories and hypotheses that have yet to be fully tested. Perhaps the only safe generalization at this point is that success in developing a mechanism for improving the effectiveness of health delivery systems, particularly those associated with family planning, ought to be pursued with the same vigor as programs aimed at increasing agricultural production.

Chapter IV

INDO-U.S. AID RELATIONSHIPS

Brief History of U. S. Aid to India

Up to 1971, the U. S. provided India with about $10 billion in development loans and technical assistance and food aid. In the ten years prior to that date, U. S. economic assistance averaged slightly more than $600 million annually. Roughly $300 million was made available in the form of development loans and grants; the balance was provided in food aid, mostly under PL 480 Title I credit sales.

The Indo-Pakistan war in 1971 led to suspension of U. S. development lending to Pakistan and India. Subsequently, a large-scale foreign assistance program was resumed in the former but not the latter. Although an offer was made to India to continue a scaled-down technical assistance program, in the existing chilly political atmosphere, the GOI indicated that it wished to phase out entirely the U.S. aid supplied under the Foreign Assistance Act.

Food aid under PL 480 Title I credit sales was also suspended from 1972 through 1974 and resumed again at half a million tons of wheat (worth roughly $100 million) in 1975 and 1976. In 1977, wheat continued to be allocated for India, but it was not sent because of record harvests and high stocks. Vegetable oil worth $25-35 million per year was provided in 1977 and 78.

Food donations through U. S. voluntary agencies and the internationally supported World Food program continued throughout the '70s. These agencies provide food for child feeding and food-for-work projects. Commodities valued at roughly $100 million plus freight of $30 million were shipped in both FY 1977 and 78.

The United States also continued to contribute to Indian development through its participation in multilateral assistance agencies, such as IDA and the World Bank. The U. S. provides over 30% of IDA's soft loan replenishment funds which would indirectly amount to over $200 million of IDA's annual commitments of roughly $600 million to India.

The team asked many of its Indians interviewed for their views about the successes and failures of the past aid relationship. With few exceptions, responses followed a consistent pattern. Most Indians believe, for example, the contribution of U. S. bilateral assistance to the Indian economy before the 1971 crisis in diplomatic relations played a significant role in the country's development. U. S. assistance was perhaps most valued in the mid-sixties when two successive drought years brought on near famine conditions in parts of the country. Oft-cited successes in U. S.-Indian collaboration were the promotion of Indian agricultural universities, the development of such institutions as the Rural Electrification Corporation, and the stimulation of exchanges of ideas with U. S. scientists.

Many Indian officials also emphasized the positive role played by the U. S. in founding the consortium of donor countries and the significance of the resource transfers to which the U. S. had contributed, both directly and indirectly.

Some aid-associated activities, however, were often viewed negatively. In the mid-sixties, the United States, together with the World Bank and IMF, used its position to influence the direction of Indian economic policy in such key areas as money supply, exchange rate levels, tariff protection and exchange controls. The devaluation and subsequent liberalization measures were undertaken, according to Indian officials, because they believed that substantial levels of non-project aid would be forthcoming for some time to come. When the increment evaporated after a single year, forcing a substantial retrenchment, the Indians felt they had been misled. President Johnson's "short-tether" on food aid also created resentment and was seen as a particularly heavy-handed attempt to influence domestic policy.

GOI Position on the Resumption of Assistance from AID

The Indian policy is to welcome the resumption of bilateral assistance, if the U. S. wishes to offer it. This position was stated with impressive consistency by the Secretary of the Department of Economic Affairs in the Ministry of Finance, by the Minister himself, by the Deputy Chairman of the Planning Commission, by the Secretary of the Planning Commission, and by the Prime Minister. (The Finance Secretary referred explicitly to his address to the 1977 Paris meeting of the Consortium, attached as an appendix to this report, as an

authoritative statement of GOI policy on foreign assistance.) On this policy we heard no dissent or qualifications that might have suggested that it did not command full agreement.

As indicated above, in the coloration of the many Indian statements, we heard expressions of gratification at restoration of greatly improved Indian-American government relations. We believe that the GOI attaches great importance to close relations with the government of the U. S. In part, this is an appreciation of the contribution that resumed aid can make to economic development. Aside from the potential for fuller political and economic cooperation the Indians expressed a desire that their country be fully accepted as a member of the liberal democratic family of nations.

Dependence and interference: While expressing a positive attitude toward the resumption of bilateral assistance, the GOI presented a solid front in declaring that it does not want to be dependent on American food and other aid as it was in the 60's. The GOI insisted--again, with impressive unanimity in testimony from political leaders and civil servants--that it will not accept policy constraints, U. S. government intervention in Indian policy, or even U. S. government "official" advice, as a condition of receiving U. S. assistance. And, in particular, any U. S. attempt now or later to link American aid with GOI acquiescence on nuclear policy would require the GOI to decline, with thanks, further U. S. assistance.

The GOI resolve to resist American attempts to influence Indian governmental policy was sometimes expressed with eloquence and apparent deep feeling. The team was asked to communicate to our own government a profound Indian desire that the American government acknowledge, in the routines of aid administration, not only the full sovereignty of the GOI but also its status as a large nation state, its capacity to maintain democratic government, its highly competent civil service, the demonstrated capacity of its political leaders, its cultural richness and continuity, and its cultural distinctiveness. On this last point--cultural distinctiveness--we were frequently reminded that U. S. officials must understand that Indians approach their problems in their own distinctive ways, which are different from the no less distinctive ways of Americans. They will insist on taking the primary responsibility for

designing and supervising project implementation, and insist on a position of equality in relations between our two governments.[1] On the other hand, the Indians do not believe they have a monopoly on good ideas and said they would be happy to hear American views, even on major policy measures, as long as these were not offered as a condition of aid or as official advice.

There also appeared to be a consensus that donors have the right to decide on project feasibility and to appraise, monitor and evaluate project progress. It was recognized that this process may lead to some tensions at some levels; however, these were considered manageable. Indeed, outside discipline was often cited as useful by program managers and planners, although it appeared to be less welcome by technicians directly responsible for project implementation.[2]

Generally speaking, among officials the team interviewed, bilateral donors were not viewed very differently from multilaterals. Of course, the Bank as a very large multilateral institution may be able to move further in offering policy advice. We heard repeatedly, however, that the Bank style of operations in project design and implementation in India was acceptable. A similar U. S.

---

[1] We think it is easy for the U. S. administration to assent to these GOI conditions on the receipt of aid. But in the actual unfolding of American foreign policy it is likely (but we do not say desirable) that on some occasions some elements of the U. S. government will seize on all possible levers to win India over to certain proposed policies. Inevitably, these attempts will cause tensions in the relationship, and if not resisted, will cause it to founder.

[2] An example of the differences in viewpoint was demonstrated, when planning and irrigation officials were asked whether they would request World Bank participation in their favorite and most important project. Irrigation officials said not, citing possible delays in negotiations. Planning officials said yes; Bank involvement has generally improved the quality of appraisal and implementation. From both groups, there was assent to the proposition that U. S. technicians would be welcomed if they were clearly of a high quality and were mutually selected for specific tasks.

style likewise would be welcomed. In fact, with the exception of policy conditioning of aid, the Indians dismissed the idea that our aid program had had a negative influence on U. S.-GOI political relationships. They perceived the causality as being reversed, i.e., when political relationships deteriorated, resentments spilled over to the aid relationship.

Based on these observations, we believe that AID can operate a non-intrusive program in India if the caveats mentioned above are observed. We do not see the size of program but rather the style and quality of the U. S. presence as being the governing factor. The Bank successfully programs over $600 million in aid annually. Moreover, within reasonable limits, the numbers of Americans in New Delhi are unlikely to pose a special problem. India is after all a subcontinent and New Delhi is a major cosmopolitan center. Within reason again, it is not the numbers of technicians but their approach and competence that is important.

Magnitude of aid: GOI officials were unwilling to discuss with us the desirable magnitude of American bilateral aid, except to suggest a few considerations. Presumably their reticence is called for by their current policy of welcoming but not requesting American aid.

From their point of view, U. S. aid levels should be consistent with the restoration of the position of leadership the U. S. once played in the Consortium. To them, it was clear that a substantial increase over current levels would be required to be credible in that role. (On the other hand, when we asked them about the levels proposed in a recent paper by John P. Lewis--about $1.8 billion per year in new U. S. contributions including food aid--they uniformly told us that the GOI could not productively absorb this level of aid.)

Indian officials also noted that their aid needs should not be interpreted by a simple reference to the current situation in which foreign exchange and food reserves were both high. For the immediate situation, and for an uncertain short-time future, foreign aid is valued as a desirable source of needed domestic savings rather than as a source of foreign exchange. (See the Secretary's statement to the Consortium and Chapter I of this report.) Moreover, the GOI believes both foreign exchange and food reserves are likely to fall with economic expansion. The food reserve is in any case a

temporary consequence of an unusual series of good crop years, and a foreign exchange constraint is likely to re-emerge within a relatively short period.

The U. S. Congressional Mandate: For two major reasons, the GOI sees no difficulty in accepting aid under the terms of recent U. S. legislation designed to funnel aid to "the poor majority." One is that the GOI has committed itself to an increased concern with the rural poor. The second is that, given the great variety of GOI resource commitments to development efforts, it will not be difficult to allocate American aid to those development projects and activities that satisfy the U. S. Congressional requirement.[1/] (This issue as it bears on American aid allocation strategy is discussed below.)

In reply to certain of our inquiries which prompted internal consultation within the GOI, the team was subsequently informed that American aid would be welcomed in almost any field bearing on the rural poor, including health and population control, on which we were informed that older objections to foreign participation were no longer valid. Only in the field of primary and secondary education did GOI officials express some reservations about American participation--and then more for pragmatic rather than doctrinal reasons. On the other hand, aid to higher education and to research was singled out as an important area of mutual interest.

On a possible concentration of American aid on a few states like Uttar Pradesh and Bihar or on a region like the Gangetic Plain or the Eastern poverty areas, about which we inquired, GOI response was mixed and cautious. Evidently, there are objections to a publicized and conspicuous concentration of American aid on a named region. But a de facto concentration of a large part of American aid on a region not identified by name but qualifying by criteria (such as high concentration of rural poor, or available water resources to exploit) would be acceptable.

[1/] Privately, some GOI officials, as well as businessmen, academics, state officials, and others, would like to see a greater American interest in assisting the development of Indian industrial technology. But they see no difficulty in the Congressional mandate, only a lost opportunity.

In the GOI policy position outlined, we see evidence of solid internal agreement thoughtfully arrived at. We believe that the GOI is today in a position to hold to the positions declared. We do not interpret them as bargaining bids.

CHAPTER V

AN ASSISTANCE STRATEGY FOR USAID

Previous chapters have dealt with the performance of the Indian economy, the newly proposed development strategy contained in the 1978-83 Plan, and the Indian perspective on the role of U. S. bilateral assistance. The following paragraphs develop the team's recommendations for an appropriate AID response. Before a discussion of these suggestions, however, it may be well to reiterate briefly certain global considerations that form the background of our views regarding U. S. bilateral assistance to India.

India in a Global Perspective

No group comes away from India without being impressed by the size and complexity of its development problems. Even first hand impressions, however, do not always convey an appreciation of the role the country's fortunes play in any global attack on poverty and malnutrition. For example:

1. A recent International Food Policy Research Institute (IFPRI) study estimates that the food grain deficit of poor countries will be 70-80 million tons in 1990. Over half of this deficit will be in Asia with India making up 18-22 million tons or roughly 50% of the Asian shortfall. Thus, if historical growth rates continue, India will be importing roughly 25% of the food grains going to less developed countries in 1990.

On the other hand, if India's agricultural production were to grow by the projected 4.0% instead of its 2.5% historical rate, the total projected food deficit in low income countries for 1990 would be cut in half.

2. According to an AID report examining possible new directions in development assistance, the number of people in the world with annual incomes of less than $150 per capita totals roughly one billion. Of these, approximately 500 million or 50% live in India.

It is clear from these simple statistics that any serious effort on the part of the richer countries to assist the developing world in improving the welfare of the poor majority, must focus substantial resources and attention on India. (The IFPRI report also notes

that the failure to improve food production in low income countries will place severe strains on the agricultural economies of the major exporters resulting in higher food prices for rich and poor countries alike.)

The sections below take up the specific funding levels and priorities that we recommend as a medium term bilateral assistance strategy.

Levels of Funding

The broad outlines of the economic case for U. S. assistance were developed in Chapter I. In summary, as a result of more normal (less favorable) weather conditions and the development activities encouraged under the Plan, the familiar foreign exchange gap is expected to emerge in the middle of the Plan period. Moreover, there is reason to believe that the assumptions made in the recent Draft Plan about the country's ability to mobilize domestic savings may be overly optimistic. Foreign exchange may thus be needed to offset shortfalls in domestic resources.

Assistance Levels and Draft Plan Projections: In the 1978-83 Plan, the GOI proposes to finance 95% of its investment budget from domestic savings and 5% from foreign assistance and a drawdown of its foreign exchange reserves. As Chapter I indicates, financing so large a proportion of the planned investment from domestic resources is probably not advisable. To generate savings of this magnitude would mean increasing the savings rate from 16.5% of GDP to 20.5%. Such an increase is probably not only unrealistic but also undesirable, given the present depressed state of the economy.

With this problem in mind, the World Bank has constructed an alternative balance of payments projection which indicates a need of $13.9 billion in (gross) foreign assistance over the plan period, a level almost double that estimated by the GOI. From a base of roughly $1.8 billion of gross disbursements in 1977/78, reaching this level of foreign assistance would require an average annual increment of roughly $280 million.

In the above, and we believe more realistic scenario, foreign aid is valued in the early years of the Plan primarily as a supplement to domestic savings. However,

as indicated earlier, we also expect that balance-of-payments problems will arise in the middle years of the Plan period. In this regard, the World Bank's projections show a deterioration on current account from a $1.2 billion surplus in 1977-78 to a deficit of $3.5 billion in 1982-83. Under this projection, the last three years of the Plan, i.e., 1980-81 through 1982-83, will require roughly $9 billion of external assistance.

Alternative Levels: The team examined three levels of response to these needs, assuming that the contributions under PL 480 would be held approximately constant.[1/]

The lowest level of A.I.D. funding considered would provide $750 million over the period 1980-84. This represents a small increment to the continuation of the present commitment of roughly $100 million annually. The second funding option postulates increments of $100 million annually beginning from a level of $200 million in 1980. Total expenditures over the five-year period under this option would equal $2 billion. The third or high option, would begin with $300 million in 1980 and increase by $150 million annually for a total of $3 billion over the 1980-84 period.

To relate these commitment levels to the resource transfers (disbursements) projected by the GOI and the World Bank for the Indian FY 79/83 plan period requires some adjustments. First, because the Plan ends approximately a year and a half before the U. S. FY 1980/84 period the team was asked to address, the phasing of the various options must be adjusted to reflect the actual (and proposed) AID program for FY 79/83. Second, and more importantly, the team's recommendations concerning commitments must be adjusted to reflect disbursements.

Adjusting the low, medium and high options (including PL 480) to reflect disbursements for the Indian FY 1979/83 period yielded $1225 million, $1400 million,

---

1/ For PL 480 Title I, we have assumed a continuation of shipments of roughly 70,000 tons of vegetable oil ($30 million) annually. Under Title II, we have assumed a program $140 million annually including ocean transportation.

and $1600 million respectively.[1/] It is these latter estimates that must be juxtaposed with the World Bank's projections regarding the most likely foreign assistance requirements. Thus, of the total $13.9 billion mentioned above, none of the options, when coupled with existing U. S. commitments for FY 78 and FY 79, would cover more than roughly 12% of the deficit.

The calculations presented above reflect the contribution that total U. S. assistance would make to the FY 1979/83 Plan requirements at alternative levels of funding for the 1980/84 period. However, they also reveal an important fact about the impact of the options chosen for the 1980/84 period; namely, decisions regarding the medium term will be felt largely in years subsequent to the Draft Plan period. For example, under the assumption that approximately $170 million in P.L. 480 will be committed and disbursed annually through 1984, the disbursements associated with low, medium and high options in the post-83 period total $865, $1940, and $2740, rising proportionately with the options.

The conclusion suggested by these computations, i.e., that the major effect of the team's recommendations on resource flows will occur in years following the current Plan, prompts two further comments:

1. Under the assumption that the alternative funding levels described above refer to project and not commodity aid, the largest contribution of U. S. assistance to Plan resources--over 50% even at the high option--will come from the disbursement of P.L. 480 commodities. Consequently there is little to fear that the choice of options will create resource absorption problems for the Indian economy. Indeed, the magnitude of the overall deficit projected by the World Bank for the plan period

---

1/The disbursement lag was assumed to be 4 years. That is, a quarter of the commitment made in a particular year was assumed to be disbursed in that year with an additional 25% following in each year thereafter. For the medium option:

A.I.D. funds already committed	$150 million
P.L. 480 for 5 years	$850 million
A.I.D. Contribution from 1980/84 Period	$400 million
Total	$1,400 million

raises questions about the source of the additional resources required to insure that the current Plan's objectives are not jeopardized.

2. The most important determinant of the appropriate level of funding--assuming that quick disbursing commodity aid is not required to support the Draft Plan--will be the availability, in the latter part of the Plan period and the initial years of the subsequent period, of sound projects that are consistent with both the priorities of the Indian government and the mandate that AID concentrate its development efforts on the poor majority.

Indian Priorities and the Congressional Mandate

Do the Indian efforts described in the preceding chapters in fact permit A.I.D. to follow the congressional mandate that U. S. foreign assistance be targeted on the poor majority? The potential for such a convergence is obviously contained in the increased emphasis on rural development and in the GOI's expressed intention of improving the lot of small farmers, landless laborers, tribal people and members of the scheduled castes. On the other hand, some conversations with concerned Indians both inside and outside the government raised questions about how widely the commitment to increased equity was shared. Indeed, the team occasionally encountered the argument that it would be difficult for any programs to address the needs of the poor because of the social and political environment in which they live.

After considerable discussion and weighing of alternatives, we have rejected these views. We are persuaded that the emphasis on programs oriented toward increasing agricultural production that are advocated in the 1978-83 Plan and strongly supported in the presentations of GOI officials, is consistent with Congress's mandate. Desirable as more immediate and direct measures to alleviate poverty (such as massive injections of resources through an expanded minimum needs program) might be from a humanitarian point of view, developing the long-term capacity of the country to feed and clothe its people is fundamental and has, in our judgment, correctly been given a new and higher priority. In taking this position, we are not unmindful of the consequences that the skewed distribution of land and wealth that characterizes some areas is likely to have on the distribution of benefits from production oriented programs. But we believe that,

even in these areas, efforts to generate additional economic activity in the countryside offer, in the current situation, new hope of improving the welfare of the majority of landless and near landless poor. In this regard, the Draft Plan is realistic in accelerating most rapidly those activities where implementation should not be a serious constraint and starting somewhat more slowly on programs where substantial organizational investments will be required.

Priority Sectors and Sub-Sectors for U. S. Assistance

Previous comments have indicated the team's basic support for the proposals contained in the Draft Five Year Plan on both economic and social grounds. The shift in emphasis toward rural development also speaks directly to the long term issues raised when a global perspective is taken of food and population problems.

A strategy for AID, however, must also consider priorities derived from U. S. interests and capabilities. In addition to the Congressional mandate's concern with poverty and income distribution, the team also gave weight to expected costs and benefits of programs, the implementation capacity of the relevant Indian government organizations, staff requirements and the ability of the U. S. to provide technical assistance in project formulation and evaluation.

On the basis of these criteria, we recommend that U. S. assistance be concentrated in the following areas within the general field of rural development.

1. Irrigation and power: Chapter II noted that, for both production and employment reasons, the GOI considers the development of India's irrigation potential as having the highest investment priority. Surface irrigation schemes and rural electrification to energize pump sets are the backbone of the program. For several reasons, irrigation is also probably the most attractive sub-sector for U. S. investment. First, there is a demonstrated capacity to implement substantial projects at both the state and national level. Second, it is an area in which U. S. technical expertise in water resource planning and water management is widely recognized. Lastly, it offers perhaps the greatest potential for increasing employment in the countryside, thereby fulfilling AID's mandate to be concerned about the welfare of the poor majority.

2. Agricultural research, extension and training: Irrigation facilities have proved to be a necessary condition in India and elsewhere, for fully utilizing the high yielding varieties technology. Water availability is, however, not a sufficient condition for sustained agricultural growth; substantial resources must be committed to insure a flow of improved technology to farmers--along with the knowledge needed to exploit it effectively. We believe that this is an area in which the U. S., by virtue of the abundance of technical skills contained in U. S. scientific and educational institutions, can make a significant contribution to Indian development. Long association of these institutions with such organizations as the Indian Council for Agricultural Research and with agricultural universities across the country, guarantee an effective implementation of programs designed to improve Indian technical and scientific skills.

3. Rural credit and special programs: For small farmers, knowledge of improved technology is not sufficient to insure adoption; many items, especially investments in capital goods such as pump sets, tubewells, etc., will require credit if the technology "package" is to be complete. As Chapter II indicated, in the Agricultural Refinance Development Corporation, India has a respected financial intermediary that has successfully channeled millions of dollars to small farmers. The presence of such an institution makes U. S. support attractive since it removes the need for substantial staff commitments while at the same time insuring that the equity concerns of AID are supported.

Most of the special programs are also credit programs with which some managerial inputs are associated. They are less attractive to AID than the ARDC from an implementation point of view because the necessary organizational infrastructure is less mature. However, the Small Farmer Development Agency, the Marginal Farmer and Agricultural Labor Agency and the Drought Prone Areas Program are all efforts to target assistance in generating production activities very specifically on the relatively disadvantaged. We therefore recommend that these programs be examined closely and, where signs of leadership and organizational capacity appear, that AID provide support commensurate with the ability to absorb funds.

4. Storage: Additional acreage under irrigation will assist in stabilizing India's food supplies. But much of the annual cereal crop will continue to be grown under rainfed conditions in the foreseeable future. As a result, fluctuations in production will be inevitable. Recognizing this fact, the GOI has embarked on a program of expanding food grain storage. Although U. S. involvement in this venture would be primarily financial, we have accorded it a priority because of the increased flexibility it would give the government in managing its buffer stock policies.

5. Health, nutrition and family welfare: Despite the fact that Indian efforts at reforming health, nutrition and family welfare programs are still in the experimental stage, the team felt that these efforts are so crucial to India's future, that the U. S. should be prepared to participate even though the precise nature of the appropriate activity was, at this stage, somewhat uncertain. The Agency has considerable worldwide experience in assisting with the development of integrated health, nutrition and family planning systems and we hope that an appropriate role for AID can be found. (As the discussion in Chapter III indicates, the willingness of the GOI to have U. S. participation in this area proved not to be an issue.)

6. Malaria: As noted in Cahpter III, resurgence of malaria has become a major health hazard, with officially reported cases expected to reach 8 million in 1977 and the GOI is allocating more than 70% of its national health budget to its anti-malarial program. AID's participation in the program will form part of a region-wide strategy to combat this disease, which recognizes no national boundaries.

7. Water supply: Out of a total of nearly 600,000 villages in the country only about 10% have any form of safe drinking water supply. USAID also has considerable experience in this field in other developing countries and participation in supplying safe water would be an important and complementary effort to support rural health and family welfare programs.

Suggesting the above priorities for USAID participation is not intended to overlook Indian efforts in other areas such as the development of non-farm employment through, say, the revitalization of rural industries.

However, in our judgment, in this area GOI policies and programs need further definition. What, if any, contribution the U. S. might make to the development of traditional and cottage industries or even to the encouragement of small scale industries was therefore not clear to us. Consequently, this important element of the overall Indian strategy has not been included in the list of activities we believe have a high priority for U. S. assistance. However, if some constructive contribution becomes apparent, it should be considered, particularly for its potential to generate employment.

The identification of irrigation and agricultural production programs as high priorities for AID is also not intended to be the last word on the Agency's participation in the expansion of public works schemes. Mechanisms by which the necessary local participation in the planning and implementation of such activities do not exist in most areas. But the on-going efforts of states like Maharastra and Karnataka should be evaluated periodically. The creation of effective block and district level planning units along with the expanded development role envisaged for the panchayats, all a part of the proposed decentralization of development activities, could well provide the opportunity to assist in a more direct approach to the Indian employment problem.

PL 480

We have estimated PL 480 Title I shipments of vegetable oil continuing at roughly $30 million annually. However, resumption of wheat shipments should be considered if adverse weather or other conditions seriously undermine India's favorable balance of payments position and make a strong case for fast disbursing commodity aid.

We have also estimated PL 480 Title II shipments to continue at roughly the same levels.[1/] These programs demonstrate U. S. concern for the malnourished and the needy through child feeding and food for work activities. We understand an evaluation of Title II activities is planned and recommend that any major expansion be considered only after its conclusions are

---

1/The team has assumed roughly stable prices, commodity composition and recipients.

available. A careful evaluation is needed of current activities and whether an expansion in school feeding programs is responsive to the GOI Five Year Plan's emphasis on the nutritionally most vulnerable groups, poorest sections, and improved program effectiveness. The team also believes that the proposed Title II program to capitalize oilseed cooperatives shows promise of reaching a large number of poorer farmers and should be supported.

Program Mix and Funding Levels

Identification of program areas in which the U. S. has a particular interest and capacity now makes it possible to refine further the funding options discussed above. Table V.1 sets out the various levels in detail and also provides a rough comparison with the expenditures proposed in the Draft Plan.

Low option ($750 million): At this level, the first two years would be devoted primarily to financing programs on which discussions with the GOI are already well advanced. These include irrigation, grain storage, malaria, science and technology, and rural credit (ARDC). Funding in later years would permit modest increments to irrigation, agricultural research, rural electrification and the integrated health, nutrition and family planning program.

Medium option (2,000 million): The medium option would make it possible to undertake additional programs in which the team believes the U. S. might make a significantly greater contribution. Of particular importance would be commitments at the pilot level to special programs targeted specifically at the small and marginal farmers who have difficulty in qualifying for other sources of institutional assistance. Perhaps more significantly, the medium option would provide for substantial increases in funding to such high priority areas as irrigation, power, rural credit and rural health and family planning. (In the case of health, funds would then be available to support the GOI program to provide safe drinking water to India's rural population.)

High Option (3,000 million): Funding at this level raises substantially the level of U. S. participation in

the program areas we have designated. Funds could, of course, be spread across more program categories, thereby decreasing pressures on the Indian organizations that will be implementing the agricultural production programs. Although possibilities along these lines undoubtedly exist, the team was reluctant to suggest a rapid build-up of AID resources in programs that both we and the GOI have characterized as experimental.

On the basis of judgments about the absorptive capacity of Indian organizations that would be responsible for implementing programs to which the U. S. would assign a high priority, the team concluded that the high funding option, although it was within the guidelines suggested by AID's concern for assisting the poor majority, posed large risks in terms of timely and effective use. Unless substantial commodity assistance in the form of emergency fertilizer or wheat loans or other instruments such as debt relief were employed, we agreed that the build-up and level of the medium funding option was the most appropriate choice at this time.

Our judgment on the middle option is confirmed by the belief that this option represents the most appropriate contribution the U. S. can make consistent with what we consider to be its proper role in the aid to India consortium.

Staffing Implications

The team estimated that roughly 35 U. S. nationals might be required for the medium option, for an AID program of $600 million annually. Adjustments in the range of a dozen less or more at the low or high options might be reasonable; however, until further decisions are made on project composition, the team could not make a precise estimate. Clearly programs where the U. S. contribution would be primarily financial, such as for the Rural Electrification Corporation and the ARDC would require less backstopping. However, as a result of talks with GOI officials, it is the team's view that the staff levels proposed for any of the options would be acceptable. The team believes that it is more the approach to and quality of operations, as discussed in Chapter IV, than relatively minor variations in numbers of staff that will assure a responsive and non-intrusive program.

Before summarizing our recommendations, we wish to make a brief statement on the spirit in which we issue them. We are fully aware of the considerable uncertainties which still hang over India's development. These uncertainties are social and political no less than economic and often arise from the interplay between economic and political developments. In this report, we have not been able to analyse the emerging new political order following on the emergency and its prospects for stability and for grappling successfully with some of India's major social problems. Nevertheless, we are sufficiently encouraged by the remarkably rapid and smooth return to democratic politics combined with the ability to formulate new, constructive policies as to be unanimous in putting forward our recommendations.

Strategy Summary

The recommendations of the team on key strategy issues can be summarized as follows:

1. The U. S. should view the redirections of Indian priorities in the direction of rural development as constituting an important action that is consistent with the Congressional mandate regarding efforts to assist the poor majority.

2. The team endorses the World Bank's analysis that substantial additional foreign aid resources may be needed for the plan period 1978-83. We also note that major portions of the expanded program are to be implemented by Indian line agencies with an established and successful track record. Therefore, the team does not believe that serious implementation or absorption problems should arise. Moreover, commitments for AID projects during the period 1980-84 will result in resource flows primarily after the period of the FY 79/83 Plan. New commitments in the medium term should thus be viewed in part as establishing a pipeline for later resource flows.

3. USAID should, at least in the medium run, develop a relatively conservative program that concentrates on the development of India's agricultural potential with second priority on rural health. Such a concentration has the concurrence of Indian officials and would be most consistent with the comparative advantage of the U. S. in technical and organizational expertise and Indian absorptive capacity.

In so doing the USAID Mission should provide substantial support to Indian efforts to target assistance to poorer groups and to develop an integrated health, nutrition and family planning program, however experimental such projects might be. The mission should also take into account the potential impact of its programs on women. (See discussion in Annex 3.) Success in these areas are as crucial to the country's future as increasing production capacity.

TABLE V.1

Proposed GOI 1978-83 Plan Expenditures and Alternative Levels of USAID Funding

Program Categories	GOI 1978-83 Five Year Plan		U.S./A.I.D. Five-Year Assistance Levels (80-85)					
			$750 million		$2000 million		$3000 million	
US $1 = Rs. 8.6	million $	%	million $	%	million $	%	million $	%
Agriculture & Irrigation								
Major & medium irrigation	9215.4	26	225	30	710	35	1125	38
Agricultural research, training	494.0	1	60	8	60	3	60	2
Rural credit, incl. minor irrigation	3168.6	9	20	27	500	25	750	25
Fertilizer	1962.9	6	0	0	0	0	0	0
Special programs	2325.7	7	0	0	165	8	200	7
Other	5086.8	15	0	0	0	0	0	0
Rural Infrastructure								
Power	4136.0	12	100	13	200	10	400	12
Roads	930.3	3	0	0	0	0	100	3
Storage			55	7	55	3	55	2
Rural Industrialization	1162.9	3	0	0	0	0	0	0
Minimum Needs								
Health, nutrition and family welfare	1885.7	5	50	7	190	10	190	7
Malaria			50	7	50	2	50	1
Water supply	889.4	3	0	0	60	3	60	3
Education	1628.0	5	0	0	0	0	0	0
Housing	581.4	2	0	0	0	0	0	0
Other	1329.4	4	0	0	0	0	0	0
Science and Technology	0	0	10	1	10	1	10	-
Subtotal	34796.5	100	750	100	2000	100	3000	100
PL 480								
Title I			150		150		150	
Title II 1/			700		700		700	
Subtotal			850		850		850	
Total Resource Commitment			1600		2850		3850	

1/ Includes $120 mil. regular Title II volag and $20 mil. annually for CLUSA

ANNEX 1

A. I. D. LONG TERM STRATEGY TEAM

Dr. Charles E. Lindblom
Dr. Albert O. Hirschman
Dr. Carl H. Gotsch
Dr. Richard R. Newberg
Ms. Priscilla M. Boughton

SCHEDULE
OF MEETINGS IN
NEW DELHI
AND
THE STATES OF
MAHARASHTRA, GUJARAT, UTTAR PRADESH
BIHAR AND ANDHRA PRADESH

USAID, NEW DELHI, INDIA

MARCH 1978

[illegible] TERM STRATEGY STUDY TEAM
[illegible] NEW DELHI [illegible] MARCH 1979

		Team Member
March 6 (Monday)	USAID and Embassy meetings.	Full Team
March 7 (Tuesday)		
11:30	Shri G.V.K. Rao (& Staff) Secretary Ministry of Agriculture Krishi Bhavan, Room #115	Full Team
13:00- 15:00	Luncheon Meeting with Mr. Romesh Thapar, Editor, "Seminar", Malhotra Building, Janpath, New Delhi. (Phone 46534)	Dr. Lindblom Dr. Hirschma
15:30	Shri H.M. Patel Finance Minister Ministry of Finance North Block, Room #134 (Courtesy Call)	Full Team
	Meeting will then proceed to the Office of Secretary Dr. Manmohan Singh Department of Economic Affairs North Block, Room #130	Full Team
March 8 (Wednesday)		
11:00	Shri D.T. Lakdawala Deputy Chairman Planning Commission Yojna Bhavan, Room #130 Parliament Street (Courtesy Call)	Full Team
	Meeting will be followed by discussion with Shri Ajit Mozoomdar Secretary Planning Commission Yojna Bhavan, Room #126	Full Team
15:00	Dr. Dharm Narain Chairman Agricultural Prices Commission Krishi Bhavan, 1st Floor.	Dr. Hirschma Dr. Lindblom

U.S. LONG TERM STRATEGY TEAM

GROUP 1

March 9 (Thursday)		Team Members
10:00- 11:10	World Bank 55, Lodi Estate (617241) 1. Mr. Jochen Kraske Resident Representative 2. et al	Full Team
11:40- 12:45	Indian Agricultural Research Institute (IARI), Pusa 1. Dr. H.K. Jain (581493) Director 2. Dr. M.V. Rao (587285) Coordinator, All India Wheat Improvement Project 3. Dr. A.M. Michael (582294) Head, Engg. Division Water Tech. Center	Dr. Gotsch Dr. Newberg
	LUNCH AT ACSA LOUNGE	
14:30 15:30	Food Corporation of India, 16-20 Barakhamba Lane 1. Mr. S.S. Grewal (43346) Chairman 2. Mr. A.K. Dutt (44074) Managing Director	Dr. Gotsch Dr. Newberg
16:00- 16:45	Central Water Commission, Bikaner House, Shahjahan Road 1. Dr. Y.K. Murthy (382473) Chairman 2. et al	Dr. Gotsch Dr. Newberg

U.S. LONG TERM STRATEGY TEAM

GROUP II

March 9 (Thursday)		Team Members
11:45- 13:00	Center for the Study of Developing Societies (CSDS) (226168) 29 Rajpur Road 1. Mr. Rajni Kothari Professor, CSDS, and Chairman, Indian Council of Social Science Research (ICSSR) 2. Mr. J.P. Naik Member-Secretary, ICSSR 3. Prof. Mrinal Dutta Chaudhry Head, Dept. of Economics Delhi School of Economics 4. et al	Dr. Lindblom Dr. Hirschman Ms. Boughton
	LUNCH AT C.S.D.S./OBEROI MAIDENS	
15:00 16:15	Institute of Economic Growth University Enclave (227698) 1. Dr. C.H. Hanumantha Rao Director 2. et al	Dr. Hirschman Ms. Boughton
17:00	Dept. of Science & Technology Technology Bhavan (652260) New Mehrauli Road 1. Dr. A. Ramachandran Secretary 2. et al (Mr. S.N. Kao, Director, DEA, Ministry of Finance will also join.)	Dr. Hirschman Ms. Boughton

U.S. LONG TERM STRATEGY TEAM

GROUP I

March 10 (Friday)		Team Members
09:00-10:15	Ford Foundation 55, Lodi Estate, New Delhi (619441) 1. Mr. Eugene S. Staples Representative 2. et al	Full Team
10:30-11:30	Council for Social Development 53 Lodi Estate New Delhi (611700) 1. Dr. Prodipto Roy Director of Research	Dr. Gotsch Ms. Boughton Dr. Hirschman
12:00-13:00	National Council of Educational Research & Training (NCERT) Sri Aurobindo Marg (Near IIT) (666047) 1. Dr. Shib K. Mitra Director	Dr. Gotsch Ms. Boughton
	LUNCH AT QUTAB HOTEL	
14:30-16:00	Fertilizer Assoc. of India (FAI) Near Nehru Univ. (617331) 1. Mr. Satya Nand Executive Director 2. et al (Mr. N.D. Murpani, Under Secretary, DEA, Ministry of Finance will join).	Dr. Gotsch Dr. Newberg
16:30	Public Enterprises Center for Continuing Education (653320) C-6/5 Safdarjung Dev. Area 1. Prof. Nitish R. De Director	Dr. Hirschman Ms. Boughton

U.S. LONG TERM STRATEGY TEAM

GROUP II

March 10 (Friday)		Team Members
13:15-15:45	LUNCH WITH KRASKE OF WORLD BANK	Dr. Lindblom Dr. Hirschman
14:30-15:20	Ministry of Education & Social Welfare Shastri Bhavan, Room #102-C (Gate No. 6) 1. Mr. P. Sabanayagam Secretary (381298) 2. et al.	Dr. Hirschman Ms. Boughton
15:30-16:20	Ministry of Health & Family Welfare Nirman Bhavan, Room #346 (Gate No. 5) 1. Mr. Rajeshwar Prasad Secretary (375673) 2. et al	Dr. Hirschman Ms. Boughton
16:30	Rural Electrification Corp. (REC) DDA Building Nehru Place (630386) 1. Mr. B. Venkatappiah Chairman 2. Mr. V. Byrappa Chief Engineer (Mr. S.N. Kao, Director, DEA, Ministry of Finance will also join.)	Dr. Gotsch Dr. Newberg

U.S. LONG TERM STRATEGY TEAM

GROUP I

March 11 (Saturday)		Team Members
10.30	Leave by AID Car for Aligarh, U.P.	Dr. Lindblom Mrs. Lindblom
16:30- 18:30	Meeting with Dr. A.M. Khusro, Vice-Chancellor Aligarh Muslim University. (AMU)	
19:00	Leave Aligarh for New Delhi.	

GROUP II

07:30	Leave by AID Car for Hissar, Haryana	Ms. Boughton Dr. Hirschman Dr. Gotsch Dr. Newberg & Mr. Nair
11:00- 13:00	Meeting with Dr. P.S. Lamba, Vice-Chancellor Haryana Agriculture Univ. (HAU)	
	LUNCH AT HAU	
14:00	Leave Hissar via Ambala, Karnal for New Delhi.	

U.S. LONG TERM STRATEGY TEAM

TRAVEL TO MAHARASHTRA AND GUJARAT

GROUP I

Dr. Carl H. Gotsch
Ms. Priscilla Boughton
(accompanied by Dr. B. Sen of USAID)

March 12 (Sunday)	09:15	- Dep: Delhi via IC 182
	11:00	- Arr. Bombay (Stay at Taj Intercontinental)
March 13 (Monday)	10:30-12:00	- Meet Chief Secretary, Maharashtra Govt; Secretary, Planning Department; Officials connected with Employment Guarantee Scheme, Integrated Rural Health Scheme, Irrigation & Rural Development.
	14:00-16:00	- Mr. Chidambaram, Managing Director, Agricultural Refinance & Development Corporation (ARDC)
	20:15	- Dinner with Dr. Fredie Mehta, Tata Sons Ltd.
March 14 (Tuesday)	11:00-13:00	- Mr. V.S. Page, Chairman, Legislative Council
	14:30-16:00	- Dr. A.R. Banerjee, Executive Director and Division Chiefs of the Reserve Bank of India
	16:30	- Prof. M.L. Dantwala, Chairman, Indian Society of Agricultural Economics
March 15 (Wednesday)	06:00-13:30	- Visit to Integrated Rural Health Center, Paagha (Ms. Boughton)
	09:30-12:30	- Dr. Gore, Tata Institute of Social Sciences (Dr. Gotsch)
March 16(Thursday)	06:00	- Leave Bombay by road for Anand - Visit CARE Feeding Program enroute - Visit Rural Electrification Project enroute
	17:00	- Arrive Anand
	17:30	- Visit to Milk Cooperative/Milk Collection Center Overnight stay at Anand
March 17 (Friday)	10:00	- Visit to National Dairy Development Board
	11:00	- Meeting with Dr. V. Kurien
	12:30	- Leave Anand by road for Ahmedabad
	14:30	- Arr: Ahmedabad (Stay at Cama Hotel)
	15:00	- Meeting with the Faculty of Center for Management in Agriculture (CMA), Indian Institute of Management (IIM

GROUP I (Contd.)

March 18 (Saturday)	09:30-13:00	- Meetings at CMA/IIM: Dr. V.S. Vyas Dr. V.K. Gupta Dr. Gaekwad Dr. Ravi Mathai.
	14:00-16:00	- Meetings at CMA/IIM: Dr. Ranjit Gupta Dr. Sathia
March 19 (Sunday)	07:40	- Dep: Ahmedabad via IC 462
	08:55	- Arr: New Delhi

U.S. LONG TERM STRATEGY TEAM

TRIP TO U.P. & BIHAR

GROUP II

Dr. Albert Hirschman
Dr. Richard R. Newberg
(accompanied by Mr. G.P. Varshneya of USAID)

March 13 (Monday)	06:50	- Dep: New Delhi via IC 409
	07:45	- Arr: Lucknow Stay at Clark Avadh Hotel
	10:45	- Meeting with U.P. Govt. State officials, Chief Secretary, Secretaries of Agriculture, Rural Development, Power, Irrigation, Health and Education
	13:30	- Lunch
	15:00	- Visit to Planning, Research and Action Division Also meeting with officials of Association for the Development of Appropriate Technology.
March 14 (Tuesday)	08:30	- Dep: Lucknow by road
	09:45	- Arr: Rae Bareli Visit to Village Ramnagar, Soil and Water Management Project Pakhrauli, Barara Coop. Society, Ravine Reclamation Project Bahura Bararia, and Rural Electrification Project Rasulpur Village. Discussion with District Collector and District Development Officers Lunch at Rae Bareli
	17:00	- Dep: Rae Bareli by road
	20:00	- Arr: Allahabad Stay at Barnetts Hotel Meeting with District Magistrate
March 15 (Wednesday)	08:00	- Visit to Jagatpur Village on way to Varanasi
	10:45	- Arr: Varanasi Stay at Clarks Hotel - Meeting with Prof. Amlan Datta, Director, Institute of Gandhian Studies - Visit to Chiraigaon Village near Varanasi

GROUP II (Contd.)

March 16 (Thursday)	08:15	- Dep: Varanasi by Bihar Government plane
	09:45	- Arr: Patna (stay at Maurya Clark Hotel)
	10:30	- Discussion with State Government officials
	14:30	- Mr. Arun Prasad, Addl. Power Commissioner
	15:30	- Dr. D. P. Singh, Vice-Chancellor, Rajendra Prasad Agricultural University.
	16:45	- Meeting with Mr. Jai Prakash Narayan (JP)
	19:00	- Meeting with Chief Minister, Mr. Karpoori Thakur - Bihar State Guest House
	20:00	- Dinner at Bihar State Guest House hosted by the Chief Minister
March 17 (Friday)	07:00	- Dep: Patna by road for Gaya Visits in Gaya: Seed Multiplication Farm, Fruit Nursery Village Kharkura Primary Health Center and Primary School - Discussion with District Collector and District Development Officer
	11:30	- Dep: Gaya by road for Rajgir
	14:00	- Discussions with District Magistrate, Nalanda, and District Development Officer
	14:45	- Visit to Rural Electrification Project at Harnot - Visit to Village Deep Nagar - Project Intensive Agriculture; Seed Multiplication Farm at Bakhtiarpur
	19:00	- Arr: Patna
March 18 (Saturday)	09:00	- Mr. Nagmani, Irrigation Commissioner
	09:30	- Mr. L. N. Rai - Association for Voluntary Agency for Rural Development (AVARD)
	10:00	- Dr. Sachidanand Sinha - Sinha Institute of Social Studies
	11:00	- Mr. Ranchor Prasad, former Development Commissioner Mr. K. S. V. Raman, former Development Commissioner
	14:10	- Dep: Patna via IC 410
	16:30	- Arr: New Delhi

U.S. LONG TERM STRATEGY TEAM

GROUP III

Dr. Charles E. Lindblom

NEW DELHI:

March 14 (Tuesday)

09:45	Mr. Madhu Limaya (385290) Member of Parliament (Lok Sabha) 15-AB, Pandara Road
11:00	Dr. Manmohan Singh (372611) Secretary, Department of Economic Affairs North Block, Room # 130
15:00	Mr. D.N. Singh (377628) Member of Parliament (Lok Sabha) Parliament House (Gate # 8, Room # 4)
16:00	Prof. Subramaniam Swamy (387877) Member of Parliament (Lok Sabha) 22 Dr. Rajendra Prasad Road
18:30	Mr. Rajni Kothari (220178) 1, Court Road, Delhi

March 15 (Wednesday)

10:30 - 11:30	Mr. L.M. Thapar (310411) President & Managing Director Ballarpur Industries Limited Thapar House, 124 Janpath
12:00 - 13:00	Mr. B.P. Poddar (388815) President, Federation of Indian Chambers of Commerce & Industry(FICCI) Federation House, Tansen Marg
15:00 - 15:30	Mr. C.M. Stephen (377505) Leader of Congress-I in Parliament Parliament House, Room # 51

[illegible] LONG TERM STRATEGY TEAM

GROUP III (Contd.)

Dr. Charles E. Lindblom

NEW DELHI :

March 15 (Wednesday)

16:30 Mr. L.K. Advani (383233)
Minister for Information & Broadcasting
Parliament House, Room #27

18:30 Mr. Nikhil Chakravarty (387419)
Editor: Mainstream Weekly
35 Kaka Nagar

March 16 (Thursday)

09:30 Dr. Bharat Ram (375336)
Chairman & Managing Director
Delhi Cloth & General Mills Co. Ltd (DCM)
25 Sardar Patel Marg

11:30 Mr. C. Subramaniam (375838)
Member of Parliament (Lok Sabha)
26 Tughlaq Crescent

12:45-14:00 LUNCH AT 55 LODI ESTATE :
- Mr. John Bissell, FABINDIA, Inc.
- Mr. Norman Reynolds, Ford Foundation
- Mr. P.C. Randeria, Mahindra & Mahindra Ltd.

U.S. LONG TERM STRATEGY TEAM

TRIP TO ANDHRA PRADESH

GROUP III (Contd.)

Dr. Charles E. Lindblom
(accompanied by Mrs. Lindblom)

HYDERABAD:

March 16 (Thursday)

18:50 - Dep: New Delhi via IC 540
20:45 - Arr: Hyderabad (stay at State Guest House)

March 17 (Friday)

09:00 - Discussion with Dr. Leslie D. Swindale
14:00 and staff at ICRISAT
- Visit to ICRISAT Farms
- LUNCH at ICRISAT

15:00 - Meeting with Chief Secretary, A.P. Govt., and all Departments Secretaries, in Committee Hall.

18:00 - Discussion with Mrs. N.P. Sen
19:30 on rural development work.

March 18 (Saturday)

09:30 - Meeting with the Faculty of Administrative
11:00 Staff College of India:

Mr. Waheeduddin Khan	Mr. V. Ramakrishnan
Dr. Dharni P. Sinha	Dr. K.K. Singh
Dr. R.K. Pachauri	Dr. Vithal Rajan
Dr. Besant C. Raj	Dr. Balwanth Reddy
Dr. Utpal Banerji	

11:30 - Dr. S.G. Srikantia (and staff),
12:45 National Institute of Nutrition

13:00 - LUNCH with Mr. N.P. Sen, Principal, Administrative Staff College of India

15:00 - Dr. B.C. Muthiah (and staff), National Institute of Rural Development

17:30 - Meeting with the Faculty of Administrative Staff College of India

March 19 (Sunday)

08:30 - Meeting with District Collector, Hyderabad
- Visits to various rural sites

15:00 - Visit to Wild Life Preserve

18:15 - Dep: Hyderabad via IC 515
21:50 - Arr: New Delhi

U.S. LONG TERM STRATEGY TEAM
NEW DELHI

March 20 (Monday)		Team Members
10:00 - 12:45	Meeting with Planning Commission Yojna Bhavan, Room # 126 Shri Ajit Mozoomdar, Secretary	Full Team
15:00 - 15:45	Mr. J.K. Jain (and staff) (382801) Chairman, Central Ground Water Board Krishi Bhavan, Room # 200-K, 1st Floor	Dr. Gotsch
15:20 - 15:50	Mr. Karpoori Thakur Chief Minister of Bihar Bihar Bhavan, New Delhi	Dr. Hirschman
16:00	World Bank 55 Lodhi Estate	Dr. Lindblom Dr. Hirschman Ms. Boughton

---

March 21 (Tuesday)		
10:00 - 12:30	Meeting with Planning Commission Yojna Bhavan, Room # 126 Shri Ajit Mozoomdar, Secretary	Full Team
13:00 - 14:30	National Council of Applied Econ. Research (NCAER), Parisila Bhavan, Indraprastha Estate	
	1. Mr. Prakash L. Tandon (274540) Director-General 2. Mr. S. Bhoothalingam (273791) Honorary Advisor (Mr. S.V.S. Juneja, Joint Secretary, DEA, Ministry of Finance, will also join)	Dr. Lindblom Dr. Hirschman
	LUNCH AT NCAER	
15:00 - 16:00	Shri S. Krishnaswami Secretary, Ministry of Chemicals & Fertilizers Shastri Bhavan, Room # 217 (A-Wing, Gate # 3)	Dr. Gotsch Dr. Newberg
16:30	World Bank Mr. Kraske's residence - 34 Friends Colony	Dr. Lindblom Dr. Hirschman

U.S. LONG TERM STRATEGY TEAM

March 22 (Wednesday)		Team Members
	Meeting with Planning Commission Yojna Bhavan, Room # 126	
:30	Shri Ajit Mozoomdar, Secretary (382148)	Full Team
2:30 - 13:00	Dr. Raj Krishna (384020) Member, Planning Commission	Full Team
15:00 - 16:00	Indian Council of Agricultural Research (ICAR) Krishi Bhavan, Room # 103	
	1. Dr. M.S. Swaminathan (382629) Director-General 2. Mr. S.C. Dutta (389105) Deputy Secretary	Dr. Gotsch Dr. Newberg
15:00 - 16:00	Mr. K.D. Mariwalla (672162) Chairman & Managing Director National Industrial Dev. Corp. (NIDC) Chanakya Bhavan, Vinay Marg	Dr. Lindblom Dr. Hirschman
16:45	Shri R.V. Subramaniam (382966) Secretary (Power), Ministry of Energy Shram Shakti Bhavan, Rafi Marg	Dr. Hirschman
19:00	DINNER Meeting with U.S. Voluntary Agencies' Representatives - Mr. George Warner's residence A-54 Vasant Marg (674534)	Full Team

March 23 (Thursday)		
09:15 - 10:00	MEETING WITH THE PRIME MINISTER Shri Morarji Desai, No. 1 Safdarjung Road (accompanied by the Ambassador)	Full Team
10:30 - 13:00	Dr. Man Mohan Singh (372611) Secretary, Department of Economic Affairs Ministry of Finance, North Block, Room # 130	Full Team
14:30	Debriefing with the Ambassador, and Embassy and USAID officials	Full Team
16:30	Mrs. Devaki Jain, Social Worker 222, Jorbagh (611843)	Ms. Boughton
18:15	Mr. V. Shankar (374185) Principal Secretary to the Prime Minister (at the U.S. Embassy)	Full Team
20:15	DINNER AT ROOSEVELT HOUSE (hosted by Ambassador Goheen)	Full Team

U.S. LONG TERM STRATEGY TEAM

March 24 (Friday) — Team Members

OPEN

20:15 DINNER hosted by Dr. Manmohan Singh at Ashoka Hotel, Room #479 — Full Team

March 25 (Saturday) Departure from New Delhi:

05:00	Dr. & Mrs. Lindblom	-	PA-1, New York
05:00	Dr. Hirschman	-	PA-1, New York
05:00	Dr. Gotsch	-	PA-1, London/San Francisco
06:20	Dr. Newberg	-	IC-439, Madras/Colombo
05:00	Ms. Boughton	-	PA-1, London/Washington

ANNEX 2

INCOMES AND EMPLOYMENT: A PROFILE OF INDIA'S POOR MAJORITY

Introduction

The determination expressed in the Indian Draft Five Year Plan to foster a development process that broadens the base of participation is laudable. Past experience suggests, however, that making a concern for the well-being of the poor majority operational is not without its difficulties. These begin with the attempts to identify the magnitude of the problem, i.e., of defining who is "poor." Highly divergent estimates can be obtained by even small variations in such frequently used measures of poverty as nutritional standards.

Detailed knowledge is also often lacking regarding the determinants of poverty. Even a cursory investigation indicates that the poor may be poor for very different reasons. Where this is the case, no single program or policy will be effective. Implementing such a package of several programs, on the other hand, will place a heavy strain on administrative and organizational resources.

Lastly, several evaluation reports of the government's rural credit and agricultural extension programs make it evident that caste and class will continue to pose formidable obstacles to ensuring a broader participation in the development process. Even programs that are aimed specifically at small farmers and landless laborers exhibit a "skimming" phenomenon in which the majority of those participating, while meeting the program criteria, are the most affluent and influential of the target group.

These evaluation reports also provide evidence, however, that if relevant and unambiguous criteria are created, it is possible to use special production-oriented programs to improve the incomes of some of the poorest sections of rural society. Such efforts, although they cannot be expected to bear the entire burden of solving the poverty problem, appear at least to be a clear improvement over general development programs that do not contain a targeting mechanism.

Fortunately, over the last decade Indian social scientists have devoted considerable resources to the analysis of poverty issues. As a result, although there continue to be points of theoretical disagreement and anomalies in the empirical work, a reasonable diagnosis of who is poor and why they are poor is now available. In addition, evaluations of a number of poverty-oriented programs that have been implemented by the government or by volunteer agencies contribute further insights into the social circumstances in which a large portion of the rural poor find themselves.

Trends in Rural Poverty

The majority of the Indian research on poverty has been centered on conditions in the rural areas, reflecting the fact that 75% of the population is rural and that per capita incomes are substantially below those of urban residents. The following paragraphs also concentrate on this dimension of poverty since it is of greatest relevance to discussions of India's development strategy and to the definition of areas in which U. S. bilateral assistance priorities are likely to be highest. However, it should be kept in mind that the estimates of the total numbers below a given "poverty line" would be higher still if they included the millions of slum dwellers who have become a permanent part of the urban scene.

Although a number of estimates of the incidence of rural poverty exist, the most recent and most comprehensive is due to Ahluwalia (1977). The major conclusions of this study, based largely on 14 years of the National Sample Survey of Consumer Expenditures, can be summed up in the following propositions:

1. There is no evidence that the incidence of rural poverty has increased over time. However, both for India as a whole and for the individual states there have been substantial year-to-year fluctuations in the number of people below an arbitrarily defined "poverty line." (See Table 1.1.) The absence of any discernible trend of relative poverty implies, of course, that the absolute numbers of the rural poor have increased significantly because of increases in population. (Ahluwalia estimates the increases have amounted to approximately 5 million people per year.) The total size of the population living below the so-called "poverty line" in 1977 would probably be on the order of 235 million or roughly 40% of the rural population.

Table 1.1

NSS Based Estimates of Rural Poverty in India

Year	Percentage of Rural Population in Poverty		Size of the Poverty Population (millions)	
	Estimate I[1/]	Estimate II[2/]	Derived from Estimate I	Derived from Estimate II
1956-57	54.1	N.A.	181	N.A.
1957-58	50.2	53.4	171	182
1958-59	46.5	N.A.	162	N.A.
1959-60	44.4	48.7	158	173
1960-61	38.9	42.0	141	152
1961-62	39.4	42.3	146	157
1963-64	44.5	49.1	171	189
1964-65	46.8	50.4	184	198
1965-66	53.9	51.1	216	205
1966-67	55.6	57.4	231	235
1967-68	56.5	57.9	235	241
1968-69	51.0	53.5	217	227
1970-71	47.5	49.1	210	217
1973-74	46.1	47.6	214	221

1/ Obtained by applying the all-India poverty line for various years.

2/ Obtained as a weighted sum of the estimated percentages of poverty in individual states.

Source: Montek S. Ahluwalia, Rural Poverty and Agricultural Performance in India, Development Research Center, World Bank, December, 1977, mimeo.

Admittedly, as Ahluwalia (and others) have pointed out, there are a number of difficulties with this type of "poverty line" analysis. These include the use of a single price deflator to eliminate the effects of rural inflation, the assumption that an "average" calorie requirement accurately describes nutritional deficiencies, and the like. However, even if the criteria that have been used to define poverty were to be reduced substantially, the resulting magnitudes would continue to drive home the major policy point, namely, that there is no conceivable way in which welfare measures alone could make a dent in the number of people categorized as being "poor." Only with the involvement of larger numbers of the poor majority in productive and remunerative employment and/or some redistribution of wealth, can the number living below the poverty line be expected to decline.

2. A second proposition of the Ahluwalia study is that, on the whole, as agricultural growth increases poverty decreases. The evidence is strongest when all-India data are used in the regression model.

Seven of the fourteen states also show a clear negative relationship between agricultural output per head and the incidence of poverty. These seven states--Andhra Pradesh, Bihar, Karnataka, Madhya Pradesh, Maharashtra, Tamil Nadu, and Uttar Pradesh--comprise nearly 56% of the rural population in India and about three-fourths of the rural population that falls below the poverty line.

The disconcerting finding in Ahluwalia's study is that data from certain states in which agricultural growth has been most rapid, e.g., Punjab and Haryana, do not show the expected inverse relationship between growth and poverty. This suggests that land fragmentation, tenancy conditions, and, possibly, the migration of labor from less prosperous areas, were powerful enough to overcome any effects that growth might have had on the incomes of the so-called "weaker sections" of the community. More generally, there is also the implication in these calculations that the failure of the marginal economic groups to improve their absolute situation when agricultural income per head was growing, must have led to increasing income inequalities. Curiously, Ahluwalia's efforts to pursue this line of reasoning

by calculating Gini coefficients for the distribution of income suggest that there has been a decline in inequality, not only for India as a whole, but for such high growth states as Punjab and Haryana.

For the moment, no resolution of the inconsistency of data purporting to show high growth rates, a constant percentage of people below the poverty line, and decreasing income inequality has been attempted. There are several bits of evidence, e.g., several studies showing that there have been significant increases in real agricultural wages in the Punjab, that cast doubt on the validity of calculations based on consumer expenditure data which tend to show the opposite.1/ Under any circumstances, the extent to which growth does trickle down in the rural areas is of the utmost importance in assessing India's approach to the poverty problem. Investigating the anomalies revealed in the calculations of relating growth to the incidence of poverty in the richer states would appear to have a high research priority.

Determinants of Poverty

The available evidence on the characteristics of India's poor is consistent with expectations. Economic activity in the countryside is organized around the institutions of private property, and inevitably those who control land, water, and capital resources will be the most direct beneficiaries of high yielding varieties, irrigation projects, fertilizers and the like. The rest of the population benefits only indirectly through the derived demand for their services.

According to Table 1.2, nearly 9.0 million households (roughly 50 million people) are completely landless. Dandekar-Rath and Minhas both estimate that virtually all households in this category, comprising

---

1/See, for example, D. Lal, "Agricultural Growth, Real Wages and the Rural Poor in India", Economic and Political Weekly, Review of Agriculture, June, 1976.

Table 1.2

Agrarian Profile for India (1977)

Classification	Numbers (million)	Percent of Total Rural Households	Percentage of Cultivated Area Operated
1. Rural population	503.0		
2. Rural households	89.8	100	
3. Landless households	9.0	10	
4. All cultivating households	80.8	90	100
5. Cultivating households with less than 1 acre	32.3	36	5.0
6. Cultivating households with 1 to 2.5 acres	13.7	15	6.0
7. Cultivating households with 2.5 to 5.0 acres	14.5	16	12.0

Source: IBRD "Economic Situation and Prospects of India", April, 1977 and GOI, "National Sample Survey No. 215", NSSO, New Delhi, 1976.

some 10% of the total, fall below a reasonably conservative poverty line.[1]

Equally important in the overall poverty picture, however, are households that cultivate so little land that they cannot provide a subsistence level of living for the family. This so-called "near landless" group increased enormously during the decade of the 1960s, and there is every reason to suppose that the land fragmentation and tenancy displacement that produced the increase in this size group has continued.

Farmers with slightly more land, i.e., with holdings of 1 to 2.5 acres, fall into what has come to be known as the "marginal" farmer category. Where farmers having less than 1.00 acres are, for all practical purposes, dependent upon wage employment, a significant amount of a marginal farmer's income may come from the land he tills. Indeed, for those fortunate enough to be located close to the urban markets for fodder and vegetables, 2 to 3 acres may suffice to produce a subsistence standard of living for a rural household.

Households with upwards of 5 acres are, of course, less likely to be below the poverty line than those in the marginal class. It is this so-called small farmer group that is often lifted above the poverty line with development projects that involve irrigation and other programs designed to improve cropping intensities. While a 5-acre holding in a dryland area is still too small to provide a living from agriculture alone, it can provide the basic needs of a family, provided supplementary water, improved seeds, and fertilizer are conscientiously applied.

Several authors have suggested that roughly 75% of the rural households cultivating less than 5 acres of land would fall below the poverty line. If this figure were converted to individuals by using the 5.6

---

[1] V.M. Dandekar and N. Roth, "Poverty in India: Dimensions and Trends", Economic and Political Weekly, January, 1971.

Minkas, "Rural Poverty, Land Distribution and Development Strategy: Facts" in Poverty and Income Distribution in India, Bardhan and Srinwasan (eds.), Statistical Publishing Society, Calcutta, 1974.

person per household figure drawn from the NSS consumer expenditure survey, it would give an estimate that is consistent with the 235 million figure reported earlier. A more accurate picture would probably be one in which a higher incidence of poverty was shown among the completely landless than among those who had at least some small area on which to produce food for the family. For example, a weighting scheme in which 90% of the completely landless, 65% of the near landless, 55% of the marginal farmers, and 35% of the small farmers were assumed to fall into the poverty category would produce roughly the same result.

The significance of disaggregating the households that fall under the poverty line is twofold. First, it underlines the limitations of arguments that the redistribution of land can carry the burden of rescuing those below the poverty line from their plight. Although this may differ by state, the percentage of land in large holdings is too small to make large numbers of miniscule holdings into viable agricultural units. (Obviously, this is not an argument against redistribution as one element in a rural development strategy.)

Second, the diversity of the "poverty" group underlines the need to bring several program instruments to bear on most poor families. That is, households having several acres of land may be able to increase the family's income both by improved employment opportunities and by measures that make possible increases in the productivity of the small plots that they do have.

The Environment of Poverty

The calculation of "poverty lines" and the enumeration of the determinants of poverty, while supplying a needed perspective, describe only one dimension of the problems of India's poor majority. It would be naive not to recognize two other crucial aspects of the rural environment that have important consequences for the distribution of development benefits, namely, the structure of political and social relationships that define the position of the poor in their villages, and the attitudes and perceptions that have developed among the poor, sometimes over a period of centuries.

Delving deeply into the social order of India's villages is well beyond the scope of this report.

However, evidence exists on both the effects of local power structures on development programs and on the perceptions that villagers have of their situation vis-a-vis changes that they might be encouraged to undertake.

With respect to the problem of implementing projects that are ostensibly aimed at the poor majority, the experience in India is no different from that encountered in most developing countries. For example, two studies done for USAID's Spring Review of Rural Credit show that the majority of the borrowers who obtain the subsidized credit available through government credit institutions are the wealthier members of the community. This result is not a matter, at least directly, of the need to possess substantial land holdings, since even the very small farmers would have found credit profitable when used to acquire such inputs as improved seeds, fertilizer and pesticides. It is clearly a function of the local social and political relationships that permit the powerful to manipulate local institutions for their benefit.

Similar results have been reported by the World Bank's agricultural extension project. In this case, the limited time of the village level extension agent was monopolized by the larger farmers in the community. Only by substantially altering the style and approach of the entire extension effort, i.e., by concentrating on groups instead of individuals, was it possible to make some headway against the inherent tendency of those who had the substantial resources to which improved technology could be applied, to receive the attention of the extension agent.

The situation is somewhat better in programs whose goals and objectives have been set up explicitly to serve the needs of the poor sections of the community. However, here too the practice of "skimming" is almost universal. Because such activities have been undermanned and underfunded, there are strong pressures to assist those farmers who do meet the program's criteria, but who have the best possible chance of achieving the agency's objectives. Thus, although the India Small Farmer Development Agency (SFDA) does, unlike many other such programs, make an effort to identify its target group, the distribution of assistance follows the distribution of assets. It is simply the "larger" small farmers who are the major beneficiaries.

It is to the government's credit that the inevitable "skimming" phenomenon has been recognized and another agency, the Marginal Farmers and Agricultural Laborers Development Agency (MFALDA) has also been established. Again, those already possessing considerable skills and abilities will be the major beneficiaries, but identifying target groups explicitly and giving the bureaucracy quantitative identification criteria, is a substantial improvement over a reliance on rural institutions that have no discriminatory element built into their mandate.

The lack of access to general development services is, however, the tip of the iceberg. It is merely a symptom. Underlying it are the fundamental relationships of economic and social dependency that exist between the poor and their wealthier or more high-born neighbors. For some, it is the exploitative relationship, in a land-scarce country, between the tenant and the landlord. For others, economic dependency involves their relationship with the local source of capital, i.e., with the village moneylender. Even if substantial material and administrative resources were effectively targeted on these "dependent" groups, attitudes and perceptions developed by generations of such relationships will be difficult to overcome.

An extraordinarily sensitive study of these issues is contained in the reports of a group of scholars and students from the Indian Institute of Management at Ahmenabad. Their activities were focused on several villages in one of the more backward districts of Rajastan and their objective was to assist two groups of artisans (weavers and leather workers) to improve their economic and social status. Many of the difficulties they encountered, ranging from a lack of technical skills to indifference on the part of those in charge of institutions who might have assisted the project, were to be expected. Less obvious at the outset were the difficulties encountered in gaining the confidence of those whom they were seeking to help and in persuading the various villages and sub-castes to work together for the common good. The survival of the poor and low-born has been ensured for generations by a basic mistrust of anyone and anything outside of the family unit. The idea of shifting their allegiances from the security of these traditional ties (including the moneylender) to a larger group was a slow and, at this date, not altogether successful process. Indeed,

as the IIM group observed, the small successes enjoyed by some individuals, rather than being a source of inspiration and solidarity, often became the base of exploitation by those who had formerly been exploited. Individuals were willing to work to change their position in the system, but the process did not necessarily produce new attitudes that in turn led to a commitment to change the structure that was the original source of exploitation.

ANNEX 3

Development and the Status of Women

An important aspect of the implementation of the Plan will be its effect on the status of women. Two key studies on the role of women in India include the Report of the National Committee on the Status of Women in India and a National Plan of Action for Women published by the Institute of Applied Manpower Research.

The Committee report emphasizes the vast heterogeneity in the status of women in India. It underlines the significant impact that inequalities inherent in a traditional society have on the role of women. The report also analyzes the direction of recent socio, economic, and political change and its impact on women.

As may be expected, the committee's examination shows that advances in education, political participation, and welfare measures have benefited both men and women. However, in some cases, men have benefited proportionately more. For example, for the period 1921-31 life expectancy for both sexes was 26 years. For the period 1961-71, it had lengthened roughly comparably to 46 years for women and 47 for men. On the other hand, progress in literacy was very uneven. By 1971 female literacy had risen to 18% in striking comparison with male literacy of 40%.

Even more discouraging is the fact that the status of women has actually deteriorated in some cases. In some areas, where large masses of women were once full partners in the traditional economy, modernization has eliminated this employment. At the same time, lack of literacy and training opportunities for women has often precluded absorption into the modern economy.

The committee report and the national plan of action contain many recommendations for reorganizing and giving higher priority to state programs which can benefit women in the fields of health, education, welfare and employment. The report also cites the need for increased grass roots organization and action to help poor and rural women.

It was this latter need that was particularly stressed to the team in an interview with a prominent Indian woman

leader. She noted that most women's voluntary organizations have been confined to urban areas and their membership has been drawn mainly from the educated middle class. Their impact on poorer women has been limited. However, new groups targeted to the poor are being founded. The Self employed Womens Association (SEWA) is a notable example. The group provides credit facilities for women cart pullers, weavers and others to assist them to become masters of their own fate rather than pawns of the money lenders. The team was also told of the importance of electing women to village councils, possibly through separate slates, to give women a greater political voice in rural areas.

In discussing the role of foreign assistance in promoting the status of women, the team was told that the main contribution would be in taking account of how the changes brought about by the proposed assistance would impact on women. The effort should not be to halt economic change but if women may be adversely affected, other possibilities should be found for them. As for financing special projects targeted at women, we were informed that the problem is usually more one of identifying projects that make sense and competent people to run them. Once this is accomplished, financing is not usually a problem. In any case, in its program development work, AID should consult with Indian women leaders to assure that it is doing what is possible to promote women's participation in development and to assure the AID programs take women's concerns adequately into account.