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STRATEGY STATEMENT**

FY 83

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Introduction

This Country Development Strategy Statement (CDSS) is an update of the full FY 1982 CDSS prepared in late 1979, which drew heavily from FY 1981 CDSS and the June 1978 report of the AID Strategy Team. This CDSS discusses the topics assigned by AID/Washington (country commitment, balance of payments, other donor assistance, proposed workforce), provides a brief summary of the new Sixth Five Year Plan (1980-1985), reviews further refinements in the strategy originally set forth by the AID Strategy Team, and describes proposed changes in the strategy for PL 480 Title II assistance.

Any U.S. effort to deal with poverty, growing imbalances between global population and resources, and the world food problem must devote substantial concern and resources to India. India accounts for more than half of the poor in AID-assisted developing countries, with its population of over 670 million and its per capita GNP of under \$200. By the year 2000, its population may be approaching 1 billion. As population and incomes rise, India's use of energy and other resources will increase even more rapidly.

Politically, India must be numbered among the "emerging middle powers" and continues to play its traditional role as a leader among Third World nations in North-South deliberations. It remains the world's largest democracy, and the most stable nation in a troubled region. U.S. support will indicate our interest in seeing India maintain her traditional commitment to democratic political processes and to evolutionary social and economic change. Sustained development progress could also enhance Indian ability to play a constructive role among Third World countries, especially on international economic issues.

India already provides a sizeable market for U.S. exporters, whose sales will reach an estimated \$1.7 billion in 1980. Rapid economic growth would make India a more important trading partner.

The appropriate policies and programs for poverty reduction in India are fairly clear, and were discussed in previous AID strategy papers. The overwhelming majority of India's poor reside in rural areas. The rural poor are generally small and marginal farmers, landless laborers, and artisans. They have few assets, face limited opportunities for productive employment, and have inadequate access to health and sanitation facilities, clean water and education. Reducing rural poverty requires rapid growth of food availabilities, expansion of agricultural and non-agricultural employment, alleviation of population pressures on land and other resources, and improved access to public services. The key to increased food availabilities and expanded rural employment and incomes is rapid growth of agricultural production (on the order of 4% annually, well above the historical trend growth rate). Achievement of this target will not provide all of the needed increases in rural incomes and employment, but it is a necessary condition for complementary income-producing and employment-generating activities such as livestock and dairy production, trade and manufacturing, and rural works. A more rapidly growing rural economy will contribute to lower fertility and provide added resources for the expansion of public services. More appropriate delivery of these services to the poor is also needed.

Preliminary indications are that the strategy of the Government of India (GOI) for increasing agricultural production growth is both technically and economically feasible and has a favorable impact on poverty, employment and income distribution. Many of the elements of the strategy are being implemented through established national and state-level institutions, which can manage expanding responsibilities at high levels of effectiveness. Program models for rural employment generation and expanded access to public services have been developed and tested, and are being replicated on a national scale.

USAID proposes to concentrate the major portion of its program over the CDSS period on expansion of food production and rural employment, improvements in

health, family planning and nutrition, and forestry and conservation. To maximize efficiency and minimize staff requirements, USAID will concentrate heavily in irrigation development within the agricultural sector, with subsidiary programs in agricultural research, cooperative development and fertilizer promotion. Concentration in the "core" areas of irrigation; health/family planning/nutrition and forestry/conservation will be supplemented by geographic concentration in the states of northern and western India to the extent possible, particularly for irrigation, forestry and conservation projects. The Development Assistance program will be complemented by a PL 480 Title II program at roughly constant tonnage levels increasingly integrated with USAID's development strategy. Such a program would have a significant impact by the middle to late 1980s on food production, employment, nutrition, population growth, and rural energy supplies.

After last year's CDSS review, AID/Washington approved an assistance planning level (AAPL) of \$750 million for India for Fiscal Year 1986, using the criteria of size of population, degree of poverty and commitment to development. This level was based on the assumption that funding availabilities for AID worldwide would grow substantially, and that no one country should receive more than 25% of the total. AID/Washington has carried forward the AAPL as the Indicative Planning Allocation (IPA) for FY 1987. While USAID has questions about the realism of expecting such substantial increases in funding, we have developed this CDSS on the basis of Washington instructions and the need and absorptive capacity for aid in India.

I. Analysis

A. Equitable Development: Commitment and Prospects

1. Development Progress and Prospects: Overview

India's growth performance since Independence has been steady but unspectacular. The annual compound growth rate of real national income between 1950-51 and 1980-81 was 3.5%; agricultural and industrial production have grown at 2.7% and 6.1% respectively. However, population growth for the three decades up to 1980-81 averaged 2.1%. Per capita GNP growth was thus only 1.3% per year, and per capita GNP as of 1978 was \$180. This has allowed an increase in per capita incomes of only about 50% since 1950.^{1/} By the GOI definition of poverty, 49% of the population is below the poverty line as of 1980.

India nevertheless has some impressive achievements to her credit. Foodgrain production growth has averaged about 3%, allowing a gradual increase in average calorie availability for a population which increased from 360 million in 1951 to 670 million in 1980.^{2/} Life expectancy increased from 32 years in the forties to over 50 years at present, indicating broadly-based improvements in nutrition and public health. Literacy rose from 17% as of 1950 to 30% in 1980.^{3/} Population growth, after peaking at a rate estimated at about 2.4% per annum in the sixties, has now declined to an estimated 1.9%.^{4/}

India's economic performance improved in the second half of the 1970s. During the period 1974-75 to 1978-79 agricultural and industrial output growth accelerated to 6.1% and 6.6% respectively, and real income growth rose to 5.8% per annum.^{5/} The data are not yet available for an assessment of the impact of the late-seventies growth spurt on poverty, but there are clear indications that employment growth accelerated and the unemployment rate declined.^{6/} The economy suffered a sharp reversal in 1979-80, due to a severe monsoon failure and increasing strains on power and transport infrastructure. Foodgrain production fell by 17% and real income fell by 5-6% (implying a 7-8% decline in per capita real income).

The 1980 monsoon has been fairly favorable and foodgrain output for 1980-81 could come close to the 1978-79 record level of 132 million tons. Industrial output is also recovering, leading forecasters to predict a 1980-81 real national-income growth rate in the 6-7% range.^{7/}

The Indian economy has the potential for the achievement of higher growth and relatively rapid inroads into poverty, hunger and poor health. Realization of this potential will depend upon the nature of the GOI's commitment to equitable growth and upon the GOI's success in mobilizing domestic and external resources. Although there have been periods in the past when absence of appropriate policies and priorities was a serious constraint to equitable growth, GOI commitment is now reasonably satisfactory, particularly with respect to food production, rural employment, and population. Consequently resource availability has emerged as the most serious constraint.

Additional resources are especially crucial for continued agricultural growth. India's impressive agricultural production efforts have paid off in recent years in self-sufficiency in cereals, but the food-population balance is still precarious. Increased production of wheat and rice has been accompanied by stagnation or decline in oilseeds and pulses production, and many of the relatively easy and rapid gains from the use of fertility and high-yielding varieties (HYV) are now being exhausted. Moreover, a large percentage of the population still suffers from various degrees of malnutrition. Resource availability will be similarly critical for continued progress in reducing population growth. Family planning programs themselves will require additional resources, and future increases in the percentage of family planning acceptors are likely to be increasingly dependent on improved access to modern health and nutrition services.

Unfortunately, India's overall resources position is not as favorable as it was in the late 1970s. Inflationary pressures and rapidly rising foreign exchange expenditures associated with petroleum price increases are making domestic and external resource mobilization increasingly difficult. The needed structural

adjustment in India's balance of payments will be impeded by the generally poor medium-term prospects for the world economy. India will need access to increasing levels of both public and private external support if there are to be any prospects of more rapid progress in reducing unemployment and poverty.

2. Commitment to Equitable Development

In last year's review of GOI progress, commitment and performance, USAID concluded that India's commitment to equitable development was "above norm" (a rating of 3 on a scale of 1-4).^{8/} A similar conclusion had been reached earlier by the AID Strategy Team.^{9/} These judgements were confirmed by AID/W in the assignment of overall performance ratings for the FY 1982 Indicative Planning Allocation.^{10/}

Since these assessments were made the previous government has been replaced by a new Indira Gandhi administration, and the original Sixth Five Year Plan for 1978-83 has been dropped in favor of a new Sixth Five Year Plan covering the period 1980-85. Some aspects of the new Government's commitment to equitable development are difficult to gauge at this time, in that the details of new Sixth Plan's allocations have not been released and the government has not yet submitted a budget based on the new Plan. During its first year in office, however, the new government has moved far enough on several fronts to make it possible to discern its policies and priorities in broad outline. USAID's present assessment of GOI commitment to equitable growth is summarized in the next few paragraphs with further background provided in the Annex.

The new administration has maintained the trend of the past fifteen years toward an increasingly strong commitment to rapid agricultural growth, supported by favorable pricing policies and high levels of expenditure on production inputs and agricultural infrastructure. There is room for further rationalization of prices for particular crops and for marginal adjustments in investment priorities but the GOI's agricultural pricing policies are basically sound, as are investment patterns.^{11/} Perhaps more importantly, the GOI has recently moved to expand and

consolidate its rural development programs targeted directly on small farmers and landless laborers. Most of these programs had first been implemented on an operational scale during the previous Indira Gandhi administration in the early 1970s. They were continued under the Janata regime, and are now moving into the phase of nationwide replication.^{12/}

In the areas of health, family planning and nutrition, the new government has also maintained the trends established over the past decade or so. Most programs in these areas fall under the Minimum Needs Program, which was initiated under the Fifth Five Year Plan in 1974 and continued by the Janata government.^{13/} Because the Janata government was somewhat ambivalent in its attitude toward family planning, this is the field in which the commitment of the new government could show the most marked improvement.

The GOI's commitment to equitable growth is less impressive with respect to industrial policies and general macroeconomic policies. Efforts at domestic resource mobilization have probably been somewhat above average for low-income countries, as have fiscal and monetary management. Efficiency in the utilization of resources has been much less satisfactory, and has been reflected in low rates of both output and employment growth.^{14/} A good deal of progress has been made in the past decade in rationalizing prices, however; this applies particularly to foreign exchange rates, interest rates, and energy prices.^{15/} The new government has introduced a variety of industrial policy measures aimed at further liberalization, but the net effect of these measures is not yet clear.^{16/}

In summary, we believe that GOI commitment to equitable growth is "well above norm" in agriculture and rural development, "above norm", population and family planning, and average with respect to macroeconomic and industrial policies. On balance, overall commitment should be rated "above norm."^{17/}

3. Sixth Five Year Plan (1980-85)

A Plan Framework for the new Sixth Five Year Plan was approved by the National Development Council (NDC) at the end of August 1980.^{18/} The NDC is scheduled to

meet in February 1981 to consider the new draft Plan. If no major problems develop, the new Sixth Five Year Plan will be issued by the beginning of GOI FY 1981-82 (April 1981).

The details of the new Sixth Plan are being closely held pending NDC approval. The Plan Framework discusses GOI objectives and broad program strategies and provides estimates of total resource requirements and availabilities, but does not propose allocations among or within sectors. According to press reports, the broad sectoral allocations recommended by the Planning Commission differ relatively little from the allocations proposed in the old Sixth Five Year Plan.^{19/} However, an analysis of shifts in emphasis as reflected in actual allocations will have to await the release of the approved Sixth Plan in March or April 1981.

The statement of objectives in the Plan Framework differs only slightly from the statement of objectives in the Janata draft Sixth Five Year Plan, although there is greater emphasis in the Plan Framework on energy conservation, ecological balance and improved efficiency throughout the economy. The only broad objectives which are quantified are the overall growth rate - 5.0 - 5.3% during the Sixth Plan and 6% during the Seventh Plan) and the annual growth rates for agriculture (4%) industry (8-9%) and export volume (10%).

The Plan Framework states that the "removal of poverty and unemployment will be the major thrust of all plan programs". The most interesting features of the Plan Framework proposals for rural employment and reduction of rural poverty are the plans for a new integrated Rural Development Program (IRDP) and for a National Rural Employment Program (NREP). The former would build on ongoing programs (particularly the Small Farmer Development Agency and block-level planning), and would use a mechanism to identify the poorest households for participation in the program developed under the "Antyodaya" program.^{20/} According to recent press reports, the Planning Commission target for the new IRDP is to reach 600 households in each of the 5,000 development blocks per year, for a five-year total of 15 million households (or about 85-90 million people). The National Rural Employment

Program (NREP) would combine the features of the GOI Food for Work program and Maharashtra's Employment Guarantee Scheme (EGS), and would likewise be based on improved block level and village planning.

The major emphasis of the Plan Framework's agricultural section is the twin effort to improve utilization of existing irrigation facilities and to expand the area under irrigation by 15 million hectares (as measured against 57 million hectares already developed). The Plan Framework also proposes particular efforts to accelerate pulses, oilseeds, and horticultural production.

The Plan Framework proposes the continuation of the Minimum Needs Program (elementary education, rural health, rural water supply, rural roads, rural electrification, house sites for landless laborers, urban slum improvement, and nutrition), but states no targets. The Plan Framework also notes that family planning programs have "lost the momentum built up in earlier years," and calls for reversal of this "dismal trend". The target suggested is a net reproduction rate of 1 by 1995, which implies a population of roughly 918 million by the year 2000.

In addition to "massive investments" in coal, electricity generation and petroleum exploration and production, the Plan Framework proposes major efforts to promote conservation, biogas development, and an Intensive Forestry Development Program (including energy plantations).

B. Resource Requirements and Availability

1. Resource Requirements

The Plan Framework projects total investment requirements for the Plan at \$212 billion, of which \$113 billion will be required for public sector outlays under the Plan. The Planning Commission estimates that public sector resources available at 1979-80 rates of taxation are on the order of \$78 billion, including \$5 billion in deficit financing. The additional \$35 billion needed to meet Plan objectives will have to come from increased taxation, external assistance, reduced

budget, subsidies, and better performance of public sector enterprises. The GOI estimates that increased taxation by the central government and the states could yield \$9 billion, and that net external assistance disbursements could total \$10 billion. This would leave \$16 billion to be mobilized through reduced subsidies and increased net revenues from public sector corporations.

Additional resource mobilization of this order of magnitude will be difficult. Taxation already accounts for about 20% of GNP, which is high for a country at India's level of development. Moreover, Planning Commission studies indicate that the Indian fiscal system does not adequately compensate for inflation, so that continued inflation at the 1979-80 rate would erode the real resources available from taxation. Similarly, it will be politically difficult to reduce subsidies and increase returns from public sector enterprises, since this generally requires charging higher prices for various goods and services such as food transport, and electricity. Nevertheless, the Gandhi government demonstrated its willingness to reduce subsidies recently by increasing fertilizer prices by 40% and by passing on most of the increase in oil prices.

2. External Resource Availability

Even if the GOI is successful in mobilizing adequate domestic resources, the external resource situation is likely to remain extremely difficult throughout the Plan period. India's balance of payments has been very hard hit by recent oil price increases. The cost of imports of petroleum and petroleum products (POL), which had risen from \$265 million in 1972-73 to \$1.45 billion in 1974-75, increased fairly slowly thereafter to slightly over \$2 billion by 1978-79. In 1979-80, however, the POL import bill doubled to nearly \$4.2 billion, and in 1980-81 POL imports (due partly to disruption of production and refining operations related to political disturbances in Assam) are projected to cost \$7.3 billion.^{21/} (See Table 1.) At this level, POL will account for over one-half of India's imports by value and absorb over 80% of India's export earnings. Due largely to the increased cost of

POL imports, the trade deficit will probably increase from \$3.2 billion in 1979-80 to over \$6 billion in 1980-81. Reserves including gold are likely to decline to \$6 billion or less than 6 months' imports by the end of the Indian fiscal year (net of the August 1980 \$1.04 billion drawing from the IMF).^{22/}

The GOI's balance of payments projections for the 1980-85 Plan period are not yet available.^{23/} The estimates in Table 1 project a decline in reserves to a critical level of less than three months' imports by 1982-83. These projections are designed to illustrate the consequences of current trends, and assume no sharp improvement in export performance, no breakthrough in reduction of imports of products where India is already a low cost producer (oilseeds, steel, cement, etc.) and no significant shifts in energy consumption patterns away from petroleum. Substantial progress in any of these areas could slow the decline in reserves, as would an increase in levels of remittances and tourism earnings.

On the other hand, the projections may be optimistic in assuming that aid commitments will remain constant at their 1978-79 level. Although the IBRD has called on donors to increase commitments in real terms, several bilateral donors (particularly the U.K.) are reducing their assistance levels, and few donors appear prepared to substantially increase their real commitment levels. Also, the IBRD itself may find it difficult to maintain assistance levels for India if China becomes a major borrower. There is some scope for increased borrowing from the World Bank on IBRD rather than IDA terms, and India's relatively low debt service ratio of 14 % would make expanded commercial borrowing a possibility. The International Monetary Fund could also be a major source of financing. Nevertheless, increasing levels of concessional assistance will be necessary for some time in order to avert a balance of payments crisis and the attendant threat of slower growth.^{24/}

3. Other Donor Assistance

Development assistance to India from external donors during 1979-80 was approximately \$1.9 billion in disbursements and \$2.3 billion in new commitments. (See Table 2.) The major donor is the World Bank group (IDA and IBRD), accounting for more than one-half the total aid commitments and disbursements. The major bilateral programs are the United Kingdom, the United States, West Germany, the Netherlands, Sweden, Canada and Japan. The major multilateral donors after the World Bank are the World Food Program (WFP), the International Fund for Agricultural Development, UNICEF, the United Nations Development Program, UNFPA, WHO and FAO(See Tables 2 and 3.)

A major portion of India's external assistance is import support and commodity aid. However, responding to the improved balance of payments situation after 1976, many donors increased the proportion of aid for projects in the rural and social development sectors which traditionally disburse slowly. This has produced a large aid pipeline of \$5.3 billion. With the deterioration of India's balance of payments, the World Bank has called on donors to raise disbursement rates by increasing the non-project share of aid, providing more local cost financing and raising the donor share of total costs of any given project.

Donors generally agree that GOI policies are reasonable. This combined with GOI sensitivity to any suggestion of outside influence on basic policies limits donor attempts to exert "leverage" at the broad policy level. The World Bank, because of the magnitude of assistance and its special role within the Consortium, does however conduct dialogues with the government on some issues of general economic policy. There is nevertheless substantial scope for donor influence on GOI and state government policies and practices at the sectoral and sub-sectoral levels, particularly through careful project design, monitoring and evaluation. By maintaining a resident technical staff, USAID is involved with the GOI in the design and monitoring of projects on a continual basis and has broad opportunities

for the development with the GOI of more effective approaches to project design, implementation, and evaluation. New ideas adopted by the GOI or state governments through collaboration will have widespread impact as they can be incorporated into programs in a specific sector and implemented on a statewide or national basis.

Donor assistance programs in India complement each other. The Government coordinates all development assistance within the context of its five year development plans and its available resources. The World Bank resources are largely directed towards the infrastructure and agriculture sectors. Most donor commodity assistance is directed towards industrial and infrastructure development. Project aid tends to be concentrated on agriculture and social development sectors. This distribution of resources appears to be satisfactory to both the GOI and donors.

USAID maintains close working relationships with other donors, especially those working in sectors USAID is assisting. However, there are no concrete possibilities at this juncture for co-financing with any donor outside of the ongoing collaboration in the Gujarat Medium Irrigation project with the World Bank.

4. Economic Relations with the U.S.

Total trade between the U.S. and India in 1979 was \$2.2 billion, roughly balanced between U.S. exports to India (mainly machinery and transport equipment chemicals, and oils and fats) and Indian exports to the U.S. (principally precious and semi-precious stons, textiles and apparel, and coffee and tea). The U.S. accounted for 12% of India's exports in 1979. U.S. direct investment in India as of the end of 1979 was \$350 million.

The Overseas Private Investment Corporation (OPIC) is not active in India at present in respect to direct investment. It continues, however, to have a fairly large portfolio of insurance on U.S. ventures here and several new ventures are

insured each year. AID has held discussions with the GOI concerning the use of Housing Investment Guarantees (HIG) as a relatively attractive form of commercial borrowing. The GOI has indicated a possible interest in participating and is currently reviewing the details of the HIG program.

The GOI and Indian exporters have voiced growing concern at what they perceive as a trend to greater protectionism in the U.S. since 1977, and a tendency to treat India unsympathetically despite its low-income status. Indian exports have benefitted from the U.S. Generalized System of Preferences (GSP), particularly for handicrafts, engineering products and leather goods. Some Indian exports (cotton textiles, sugar and footwear) are subject to U.S. quota and other restrictions. In several recent years, however, Indian exporters have not been able, owing to weakness of U.S. markets or supply difficulties in desired categories, to export up to some quota limits.

II. AID Assistance Strategy

A. Objectives and Strategy

1. Objectives and Strategy Overview

USAID does not propose any change in the objectives stated in Section II.A of the FY 1982 CDSS. The general goal of U.S. assistance to India is to contribute to the meeting of basic needs and reduction of poverty on a sustained basis through support of the objectives of rapid growth in food production, expansion of rural employment, broadened access to health, family planning, and nutrition services, reductions in fertility and mortality, and expansion of rural energy supplies. The USAID strategy to attain these objectives consists of three complementary elements. The first element is substantial support for accelerated agricultural production and rural employment. This effort builds upon the institutional base which has been established over the past quarter century with significant help from the United States. It provides opportunities for renewed collaboration on difficult technical problems constraining agricultural growth such as crop production techniques, soil and water management, and post-harvest processes.

This program element emphasises expanding access to irrigation, fertilizer and credit necessary to take maximum advantage of improved technologies, notably high yielding variety seeds. The second element is the strengthening of the institutional infrastructure for the provision of family planning, primary health and nutrition services, primarily through improving village health facilities and training workers. This element is aimed at raising the proportion of family planning acceptors and maintaining the trend toward smaller desired family size. The third element is support for India's efforts to deal with the energy crisis. This element concentrates on stabilization of the firewood situation and includes technical collaboration in other critical energy arms, principally alternative energy technology for rural application.

The proposed USAID strategy has undergone some refinement since the FY 1982 CDSS, particularly with respect to the Food Supply and Rural Employment component and PL-480 resources. These refinements are briefly summarized below with the rationale discussed in more detail in the relevant sections.

Regarding Food Supply and Rural Employment, USAID thinking has been influenced by several factors, including the initial meetings of the Indo-U.S. Joint Subcommittee on Agriculture, the visit of the Asia Bureau's Irrigation Review Team, the release of the Asia Bureau Statement on Energy, and a USAID analysis of rural employment programs and prospects. As a result, USAID is proposing a stronger emphasis on technology transfer and discontinuation of support for rural electrification. USAID has also decided not to attempt to develop, at this juncture, new activities in rural works or rural industry.

The program category entitled "special AID concerns" has been deleted and a new category of Energy, Environment and Forestry has been placed on a par with the Food Supply and Rural Employment and the Fertility and Mortality Reduction categories. Women in Development, as described in a separate section below, will be a general mission concern rather than a separate funding category.

USAID strategy will undergo continual refinement as the Mission implements the series of program and project evaluations outlined in the Analysis and Evaluation Plan. These evaluations will have a direct impact upon the future course of action in program and project areas.

2. Program Concentration

THE USAID program proposed for FY 1983 to FY 1987 is heavily concentrated in three priority areas - irrigation development, health/family planning/nutrition, and forestry and conservation. USAID technical staff and technology transfer activities will be focussed on these three "core" areas, and long-term efforts will be supported by funding at substantial levels. Two of the subsidiary program areas - agricultural research and education, and alternative energy resources - also offer significant technology transfer opportunities and will require well qualified technical staff in USAID or contractors if their technology transfer potential is to be fully realized. Technology transfer for cooperative development is provided by CLUSA under an OPG. The remaining subsidiary program areas - fertilizer promotion, and Title II rural works - offer limited scope for technology transfer and do not require technical support by resident U.S. technical staff.

The Mission will seek to complement this sectoral concentration by a geographic concentration to the extent practical of two of the "core" program areas - irrigation and forestry/conservation-in the central and western states of Gujarat, Madhya Pradesh, Maharashtra and Rajasthan. Because opportunities for technology transfer are generally greatest vis-a-vis state-level institutions, it is helpful to limit the number of states involved in these sectoral areas and to provide for as much continuity as possible. The rural areas of all four states are very poor; they all have under-exploited potential for similar kinds of land and water resources development; and they all have governments which are relatively competent and committed as well as receptive to working with U.S. experts. From USAID's

point of view, they also have the advantage of forming a contiguous group and being relatively accessible from New Delhi. These factors can facilitate the development of a better understanding by USAID staff of the factors affecting rural poverty and their implications for AID-assisted programs.

A geographic concentration in either southern India or eastern India would be possible, but each region has its drawbacks. The southern states are already further ahead in development of their water resources potential and social services, and are much less accessible from Delhi. The eastern states are probably the poorest and least developed, but administrative capacities are limited and the receptivity to U.S. assistance is probably limited as well.

There are practical limits to area concentration, however. USAID has informed the GOI Irrigation Department of our desire for geographic concentration. While agreeing that some further concentration would be desirable, the GOI has made it clear that, being a democracy, they are under heavy pressure to share the benefits of aid more broadly. Furthermore, they see collaboration with USAID as a means of improving irrigation procedures, which they would like to achieve on a wider national basis. These factors, plus considerations of project readiness and availability of state resources, may cause some expansion from the present states.

In the other sectoral areas of concentration, USAID will limit the emphasis on geographic concentration to cases in which there are strong advantages in terms of technology transfer or USAID workload. For instance, we would plan additions to the rural health scheme in the five states in which we are already working (Gujarat, Maharashtra, Himachal Pradesh, Haryana and Punjab).

On the other hand, Title II programs are operated by five voluntary agencies throughout India; CARE alone has program agreements with 14 states. Confining school feeding and food for work to states in which USAID has irrigation programs would offer no advantages in terms of technology transfer or USAID workload.

Furthermore, it would be strongly resisted by the GOI and the voluntary agencies administering the programs. However, in upgrading Title II MCH programs, we will consider first areas with large existing programs, readiness to change, and complementarities with USAID's five rural health scheme states.

Other program areas of agricultural research and education, alternative energy resources development, and fertilizer promotion are India-wide in character and this focus is inherent in project design.

3. PL-480 Resources

Recent AID/W guidance on Title II has emphasized the need for better evidence of program impact and greater integration with the balance of the AID program. With this in mind, the mission has reviewed the four major components of the ongoing Title II program: promotion of oilseed cooperatives, food for work (FFW), maternal child health (MCH) and school feeding (SF). Our conclusions are summarized here with details provided in the appropriate sections below.

The National Dairy Development Board's cooperative oilseed production and processing project, supported by local currency generations from Title II vegetable oil, is directly related to the Food Supply and Rural Employment aspect of the USAID assistance strategy, as are the food for work programs. They require close monitoring to assure their effectiveness, but they are an integral part of the USAID strategy.

The MCH program contributes to the mission's health, family planning and nutrition goals. USAID is assessing existing program models and considering the development of alternatives through a new nutrition project now under design and possible grants to the participating voluntary agencies.

With regard to the school feeding program, USAID does not believe we have sufficient positive evidence available regarding the impact of school lunch or its relationship to mission goals to continue at current levels and locations. We, therefore, are considering a phase down of perhaps 50% over 3-5 years to enable a GOI phase in. This program is further discussed in Section II C, below.

Regarding other PL-480 resources, the GOI has requested a resumption of Title I vegetable oil shipments and a proposal for a Title I vegetable oil program was included in the FY 82 Annual Budget Submission (ABS). Since USAID assumes that the prospects for AID/W approval of a Title I vegoil program for India are virtually nil, no Title I is being proposed for the CDSS period.

4. Women in Development

Last year's CDSS strategy concerning Women in Development stressed the promotion of women's employment as essential for India's development. As projected in the CDSS, USAID has made special efforts to include women's concerns in the development of our new projects. An Indian anthropologist was contracted to assure that women's concerns were adequately addressed in the design of the Madhya Pradesh Social Forestry Project which directly impacts so heavily on women. USAID subsequently has hired her on a full time basis to improve our capability to assure that these concerns are adequately addressed in the design and evaluation of other projects as well.

USAID has been less successful in convincing the GOI that there could be a useful direct role for USAID participation in studies and/or projects specifically directed towards women in development issues. The official reaction has been that India already is addressing issues of discrimination of race, creed and caste. The Government is not at this time willing to focus significant attention on still another "minority" group.

However, there are grounds for encouragement. A senior official (and a woman) in the Ministry of Social Welfare is officially charged with following women's concerns. The Planning Commission has appointed an advisory group to help assure that women's concerns are included in the planning process. The GOI has also approved two centrally funded WID activities. A DS/UD-financed study of the pioneering Self-Employed Women's Association (SEWA) in Ahmedabad should assist AID to learn from Indian experience. PPC has also funded a training program to improve management skills for action oriented women. We hope there will be more such

opportunities and will actively search for them.

5. U.S. and Indigenous Private and Voluntary Sector

The FY 1982 CDSS described the already considerable role played by US Voluntary Agencies using PL 480 Title II and AID resources to assist a large and vital private sector in India. During the past year USAID has found more opportunities to work through the official bilateral program in support of Indian PVO activity than previously contemplated. As mentioned in last year's CDSS, USAID is designing in cooperation with the Ministry of Health and Family Welfare a special foreign currency project which will make grants to private sector health institutions to enable them to extend their rural health outreach programs. During the past year the GOI has concurred in the development of a Land and Water Conservation project which will support a private organization, the Bharatiya Agro Industries Foundation, in programs of integrated development of small watersheds in what now are poverty stricken areas. USAID is also discussing a village energy component of the proposed FY 1982 Alternative Energy Development Project which if approved, would be implemented by Indian voluntary organizations.

USAID continues to believe that U.S. PVOs can operate most effectively in India through centrally financed programs such as matching grants. Other centrally-financed intermediaries such as A.T. International and FPIA also can have a significant role over the long run. The clarification of the Section 612(b) determination that centrally-financed development assistance activities in India can use dollar support without purchase of U.S.-owned rupees has relaxed one major impediment to effective U.S. PVO support of India programs. USAID now is exploring with the Ministry of Finance whether other approval procedures can be simplified.

B. Food Supply and Rural Employment

USAID proposes to continue its support of the GOI's objectives for accelerated agricultural production and rural employment by assisting programs in the subsectors of irrigation, agricultural research and education, fertilizer promotion, rural employment and cooperative development.

1. Irrigation

USAID resources proposed for surface irrigation and for ground water and land development for the period 1983-87 would irrigate approximately 1.2 million hectares of land, increase annual grain production by an estimated 1.6 million metric tons and benefit 375,000 farm families, 50 to 60% of whom are now below the poverty level. Income of 150,000 farm households would be raised above the poverty level. Also, it would provide 1.6 million person-years of construction employment and an additional 600,000 person-years of permanent agricultural employment.

The crucial importance of irrigation lies in the fact that it enables the economic use of new agricultural technologies such as fertilizer responsive high yielding varieties. Additionally, it stimulates increased seasonal cropping intensity, and enables multiple cropping and shifts in cropping patterns from low to high value crops. Both intensification of technology and multiple cropping are major factors in increasing employment.

USAID's irrigation strategy reflects the experience gained in recent years in Rajasthan and Gujarat and continuing discussions with GOI and State Ministry of Irrigation officials. It is also responsive to the priorities of the GOI Plan Framework, the recommendations of Indo-U.S. Subcommittee on Agriculture and the Asia Bureau irrigation review team. Appropriately, all support a common direction toward increased technology transfer in water management and promotion of supporting agricultural services in irrigation command areas.

The Plan Framework gives priority to improving low utilization rates of public surface projects by improving reliability of delivery of water and supporting services. It also emphasizes the accelerated completion of on-going schemes, improved management capability, and strengthened training programs at the central and state levels.

USAID's program in the irrigation sector has important technological transfer elements. The Central Government believes USAID and other international donors can assist them in introducing changes in states' policies and procedures through more

rigorous engineering and technical specifications, and implementation standards associated with the collaboration of foreign donors. There is increased scope and receptivity for training, especially at the implementing level. The GOI has requested assistance in developing a university water management curriculum, and has endorsed a Colorado State/Utah State University water management training course in Gujarat. Enlarged grant components for studies, training and provision of short term experts will be included in physical infrastructure projects. These efforts will be augmented by a proposed Water Management Training and Support Project to upgrade central and state technical and administrative capacity and provide training for more efficient water management.

The GOI has been very receptive to USAID support to on-farm development works in the command areas of medium irrigation projects to assure full utilization of investments. In Rajasthan, agreement on PID issues has already been reached. Medium and minor irrigation as well as command area development will be expanded into other states and "Phase two" medium irrigation projects will be considered for Rajasthan and perhaps Gujarat.

About one-third of India's irrigation is from wells. Wells have the advantage of rapid development and efficient utilization of water. Being privately financed, mostly through institutional credit, public subsidies are lower than for surface irrigation. USAID support of long term credit through the Agriculture Refinance and Development Corporation (ARDC), which goes mostly for wells, will continue through the CDSS period. Technology transfer for ground water development financed by this credit will be through water management training and credit related components of USAID supported command area development and minor irrigation projects.

Development of the irrigation sector, as with all sectors, will be influenced by availability of other material resources - cement, fertilizer and electricity for pumping. Shortages on a nationwide basis will continue. However, USAID will closely monitor the situation and expects the GOI to allocate the resources required

to utilize effectively the levels of assistance USAID is proposing.

2. Agricultural Research and Education

The rationale for AID support of agricultural research in a limited number of high priority problem areas is set forth in the FY 1982 CDSS. It is based on a U.S. comparative advantage in those areas recognized by the Indian Council for Agriculture Research (ICAR), the opportunity for technology transfer at low AID administrative cost, the availability of an appropriate assistance mechanism (Title XII), and the existence in India of a mature university-linked agricultural research system with associated extension capability. The first Indo-U.S. Agriculture Joint Subcommittee meeting in New Delhi in September, 1980 identified twelve research problem areas for joint work by the US and India. Eight of the twelve have been selected by ICAR for the proposed AID Agricultural Research Project: soybean processing and utilization, groundnut production, integrated plant nutrient management with emphasis on both symbiotic and non-symbiotic nitrogen fixation, energy management in agriculture, agro-forestry (silvipastoral development of suitable food, fodder, fuel, etc.), management of meloidogyne nematode crop pests, plant hormones and bioregulants, and soil and water management. In water management, ICAR laboratory and field station research would be supported under the Agricultural Research Project, with implementation and application supported by AID under irrigation sector grants and loans. Indian agricultural universities and national research centers will participate in the project, which will include substantial training and professional exchange components.

Further AID support for agricultural university improvement and expanded agricultural research will remain under active consideration. Implementation of the research project presently under design will help to crystalize both Indian and U.S. interest in these activities.

3. Fertilizer Promotion

Fertilizer has been a very important factor in India's recent agricultural growth, contributing an estimated 70% of input-induced agricultural growth in recent years.

Fertilizer prices were increased 40% in June 1980 to reduce GOI subsidy costs and are expected to increase again as a result of the latest OPEC increase in petroleum prices. Financial benefit/cost ratios for fertilizer still range up to 3:1 depending on the crop and its response to fertilizer. The impact of price increases on fertilizer sales is not yet known.

Increased food supplies due to fertilizer have exerted a downward pressures on foodgrain prices beneficial to India's poor. Further, available evidence shows small farmers adopt fertilizer use almost as rapidly as larger farmers and tend to use more per hectare; also, proportionately more small than larger farms use fertilizer in India.^{25/}

The GOI has a reasonably well functioning fertilizer production, import and distribution system but with recognized flaws and deficiencies. Fertilizer use tends to be concentrated in more developed areas with irrigation, power, and transport infrastructure. These areas can take maximum advantage of fertilizer for yield increases. Remote areas have not been as well served. They lack whole-sale and retail infrastructure; transportation costs are high, and storage facilities are inadequate. While rainfed areas do not have as great a potential as irrigated areas, fertilizer use can nevertheless be profitable. The GOI has taken a policy decision that block headquarters be substituted for the rail head as the terminal point for government subsidized transportation. This will have a major beneficial impact on fertilizer availability in remote areas and substantially increase access to fertilizer. Effects of this decision can be partially assessed in the fall of 1981.

AID's expenditures in the fertilizer subsector are for imports. The GOI gives a high priority to such fast-disbursing assistance. The fertilizer proposed for financing by AID will increase foodgrain production by an estimated 150,000 metric tons per year.

4. Rural Employment

India's labor force of nearly 300 million is growing at slightly over 2% per

year. In order to absorb the 6-million new job-seekers annually and reduce the backlog of unemployment, the original Sixth Five Year Plan projected total employment creation of 46 million during the period 1978-1983. It was assumed that over 80% of these jobs would have to be created in rural areas, and that non-plantation crop production would create only about 10% of the jobs needed. Other employment opportunities would have to be found in rural enterprises, rural works, and allied agricultural activities (animal husbandry, especially dairying; horticulture; fisheries; forestry).

As noted above, the GOI is launching two major rural programs consolidating the approaches which proved successful in the 1970s, and using a more precise "Antyodaya" targetting mechanism for identifying the poorest. USAID reviewed many of the constituent programs of the new Integrated Rural Development Program (IRDP) for the FY 1982 CDSS and recently carried out a review of all other major rural employment programs. With respect to rural works and the National Rural Employment Program (NREP), the GOI has not indicated any interest as yet in donor food aid or financial support. The GOI would probably welcome additional assistance for rural enterprises and allied agricultural activities, but in neither case are there obvious assistance opportunities for AID. Opportunities for AID may become clearer following publication of the new Sixth Plan and further elaboration of particular programs. For the present USAID does not plan to proceed to identify new project possibilities, particularly given current constraints on staffing and project development funding.

The Title II Food for Work (FFW) programs implemented by U.S. voluntary agencies are in the private sector and are devoted primarily to the construction of small irrigation and land development works, feeder roads, and some low-cost rural housing. Based on a preliminary field review of the program and an assessment of the evaluation studies available on similar programs, USAID believes that Title II FFW has a significant favorable impact on rural incomes and employment, and should be continued at current or slightly increased levels. At its present level, the

program creates 100,000 person-years of construction employment annually.

5. Cooperative Development

The Title II program is continuing to finance the import of U.S. vegetable oil to provide local currency generations for the development of oil seed production, processing and marketing cooperatives under the aegis of the National Dairy Development Board (NDDB). AID is also supporting the program through an Operational Program Grant to the Cooperative League of USA (CLUSA). If successful, USAID will consider expanding the CLUSA/NDDB model to cooperative development in other areas.

Over the CDSS period, the ongoing project is expected to increase oilseeds production by 150,000 metric tons, benefit some 350,000 producers, result in 450,000 additional person-years of employment, and establish an operational production, processing and marketing system for oilseed cooperatives.

C. Fertility and Mortality Reduction

USAID proposes to continue its support of the GOI's objectives for reduced fertility and mortality by assisting programs in rural health and family planning systems development, other population activities with emphasis on commercial and retail sales of contraceptives.

1. Rural Health and Family Planning Systems

The government's "Model Plan" for basic health and family planning services adopted in 1977 is the main organizational strategy for delivering such government services to rural India from now to the year 2000. The current government rural infrastructure is clearly inadequate to effectively reduce fertility and mortality. For the first time in India's history, the rural systems, after Model Plan implementation, will provide a minimally adequate provider/population ratio to deliver effective basic health and family planning services on a sustained basis.

USAID, through a \$40 million grant project begun in FY 1980 is assisting the Government of India's Ministry of Health and Family Welfare to implement its Model Plan in 13 districts in five states. Major components are training of additional workers; construction of additional peripheral service units and quarters for

females; start up salary support; and improved and expanded support systems. Several other donors are also supporting the expansion of government rural health and family planning infrastructure at the present time, including the World Bank, UNFPA, DANIDA, and British ODA. Close cooperation among the donors and the GOI is ensuring that rapid diffusion of information about system improvement occurs. USAID is having an impact on this project in several areas, particularly with respect to planning based on epidemiological principles, and improvement of training, management, and communications systems. This is being accomplished through USAID staff in Delhi who are experienced in these areas plus selected use of U.S. institutions and organizations for assistance in solving key technical problems.

USAID's current Integrated Rural Health and Population Project is assisting 13 out of the 80 districts in the states of Gujarat, Maharashtra, Haryana, Himachal Pradesh, and Punjab. Based on the knowledge gained by the GOI, USAID and other donors during implementation of current projects, USAID will consider a major expansion of support for further implementation of the Model Plan in rural areas where development is most needed and where fertility and mortality are highest. During the FY 1983-1987 period USAID proposes to support an additional 56 districts in rapid and effective implementation of the Model Plan. Improved health and population services in the districts assisted by AID would result in an estimated 9 million births averted and 3.7 million infant and child deaths averted by the year 2000.

The expanded project is also expected to include an additional component concerned with research on one or more key public health problems affecting rural development. This component is likely to have substantial technology transfer potential. USAID will explore with the GOI a financing plan which would provide loan funds for the construction elements of the project and grant financing for such components as research and training.

USAID also is providing support to the private health sector. As mentioned earlier, USAID is developing a project in cooperation with the Ministry of Health and Family Welfare which will provide grants to private hospitals and health institutions to expand their rural health facilities.

USAID is prepared to explore whatever evidence can be found that the Title II School Feeding program may contribute to reduced population growth, and has consequently included SF under the Fertility and Mortality Reduction category. The link between female literacy and reduced fertility is well established, as is the fact that enrollment, attendance, and retention rates are much lower for girls than for boys. What is not clear is whether primary school feeding programs actually influence enrollment, attendance, and dropout rates, particularly for girls.

Both CARE and Catholic Relief Service (CRS) have major SF programs in rural areas with high percentages of Scheduled Tribe population. They believe they may enhance enrollment rates, particularly for girls. USAID has discussed informally with CARE, CRS and the GOI a proposal for an orderly phase down over 3-5 years of roughly 50% of the SF program, accompanied by a concentration in the poorest rural areas. In the meantime, during the phase down of the CARE program, the Mission will investigate methods by which the impact of Title II foods can be demonstrated in SF programs in the poor areas. If such impact can be shown, a case will be made for continuance of the program by CARE using Title II foods beyond the planning period. Otherwise the program will be terminated.

2. Other Population Activities

USAID is developing a Project Implementation Document (PID) for a project to substantially increase the commercial and retail sales of contraceptives in small towns and rural areas of India. The purpose of the project is to strengthen and expand Government-sponsored and private distribution of contraceptives through commercial channels. These distribution systems are critical to increasing the availability of clinical contraceptives as well as condoms, vaginal contraceptives,

and under some conditions, low dose oral contraceptives which do not require a prior health examination. These channels are also important for increasing referral to the Government health and family planning services, particularly for follow-up for oral pills; for intra-uterine devices, and for voluntary sterilization. Major components of this project are expected to include subsidized retail sales of a broad range of contraceptive products through the private commercial sector, introduction of new or improved product lines, support for strengthened marketing analysis and sales programs, improvements in contraceptive technology for new or existing product lines with special emphasis on reducing sideeffects of oral contraceptives and on packaging; general educational campaigns in support of contraceptive methods; and other innovative/analytical activities for enhanced fertility reduction. This project should generate a considerable technology transfer.

The strengthening of both clinical and non-clinical private sector delivery systems that provide a profit to the distributors and a reasonably priced item to the purchasers has great potential for fertility impact. The government health and family planning system will provide minimally adequate basic clinical health and family planning services to the rural areas on a sustained basis. In addition to the government systems, there exists in small towns a network of private practitioners of health and family planning services who rely on commercial and retail outlets for their supplies. This project will strengthen the ability of the private medical and family planning sector to supply their clients adequately with clinical contraceptives.

To strengthen this vital sector, USAID proposed to work with the Government of India to develop a project along the lines described above. At the level of funding requested, USAID expects that an estimated 7.2 million births will be averted between 1983 and the year 2000.

3. Nutrition.

India has an aggregate per capita food supply that is about 10% less than the minimum needed for everyone to have an adequate diet (based on WHO/FAO

recommendations). However, the food is not equally available to all income groups and there are vast differences in intrafamily food consumption. The FY 82-86 CDSS described this more fully and quoted various studies showing that families below the GOI poverty line consume from 32-72% less than the WHO/FAO recommendations and, in most of these families, pregnant and lactating women and young children have very low food consumption while men and older children are better off. USAID estimates that at least 60 million women and children 0-4 years of age are nutritionally deprived enough to have increased risks of illness and death. Reducing maternal malnutrition is important as the low birth weight baby in India may contribute about 40% of all deaths in the first year of life and is perhaps the main reason that the infant mortality rate in India is so high and has not declined significantly over the past thirty years.

The major resource available to USAID to reduce malnutrition is Title II food provided for Maternal Child Health (MCH) programs. CARE is assisting state governments in Special Nutrition and other programs in about 2000 blocks. CRS is assisting a large number of private/voluntary sector programs. CARE and CRS programs are reaching six million mothers and children at this time.

Experience to date with Title II programs indicates that improvements are needed to maximize their potential for reaching the nutritionally deprived groups at highest risk -- pregnant and lactating women and children 0-3 years of age. USAID began a series of evaluations in 1979 of Title II MCH programs and is continuing efforts in FY 81 to see if programs operated by CRS, the GOI, and joint GOI-CARE programs can be upgraded to achieve nutritional impact at a reasonable cost.

USAID is now developing an integrated nutrition project with the GOI generally following the Integrated Child Development Services (ICDS) model which is already operational in 200 blocks. The GOI plans during the Sixth Plan to extend the ICDS by 100 blocks each year with its own resources. The AID project will cover up to another 100 blocks (or 1 million women and children) where existing MCH programs,

many now assisted by CARE, will be upgraded to the integrated model. It is expected that considerable technology transfer will occur in the areas of nutrition planning, nutrition education, operations management of effective nutritional programs, field research about maternal malnutrition and low birth weight, and nutritional evaluation. Based on the expectation of an effective expansion of the ICDS program meeting USAID's project purpose to achieve a nutritional impact for children 0-3, USAID is proposing additional grant funds to expand nutritional interventions throughout the CDSS period. There clearly is need for an increased AID support effort.

CARE Title II food as well as GOI food will be used along with USAID development assistance support under our planned FY 81 project. However, CARE and CRS also are supporting a variety of other MCH programs as well, most importantly the Special Nutrition Program. USAID will encourage CARE and CRS in the continuation and expansion of those programs which have integrated health and education services and which are targeted at pregnant women and children who are severely and moderately malnourished. Those MCH programs which are simply feeding programs will be expected to be upgraded into nutrition impact programs or phased out. USAID will assist the PVO's in this upgrading through grants. USAID proposes to continue Title II food for MCH at existing levels during the current evaluation and upgrading period with modest increases in tonnage levels if warranted for the upgrading program.

D. Energy, Forestry and Conservation

In the FY 82 CDSS, this area was considered under the program category of Special Aid Concerns. However, in view of the increased emphasis and resources allocation proposed by USAID, energy, forestry and conservation have been designated a major program category.

Forestry and environmental problems in India are made more acute by growing energy demands. All three problems have the same root cause: population expansion. Agricultural land, firewood, fodder, small timber for housing, agricultural implements and bullock carts and other forest products (fruits, herbs etc.) are in increasingly short supply. In a country where 80% of the population lives in

villages, increasing demand has resulted in depletion of much of the communal and privately owned forest land. Similarly, severe encroachment and widespread degradation have occurred to government reserves. The GOI's need for revenue from commercial sales has also placed enormous pressure on forests. The GOI has not been able to stem the increasing losses of forest land despite clear recognition given to the problem in policy statements.

It is estimated that 4.2 million hectares of the forest land base have been lost since 1952. Nearly 37 million hectares, as Protected Forest, received no systematic management. Hence out of the 75 million hectares officially classed as forest, many hectares are not producing anywhere near their potential either in terms of revenue or for rural needs. Land stabilization needs in the Himalayan foothills and associated drainage systems in the central uplands also present pressing problems. The combination of steep slopes, high intensity monsoon rainfall and depletion of vegetative cover from overgrazing and poor agricultural conservation have been devastating in some areas. Land and water management problems are serious now and will become more critical by 2000.

On a national scale the magnitude of the natural resource problem described above is massive. Government action programs in reforestation and erosion control on this scale can succeed but will require many years and funding levels substantially above those provided in the past. USAID has proposed initiatives which emphasize institutional development and include modest but significant funding for reforestation and/or erosion control efforts. Social forestry and land and water management projects will be used as vehicles for institutional development, technical assistance and operational demonstrations. These program elements will be used to motivate and train people at the village, block and state level to achieve self sustaining programs to meet their own needs.

In addition to the already programmed social forestry projects in Madhya Pradesh and Maharashtra, a third social forestry project will be developed for northwest India; and follow-on funding for Madhya Pradesh is planned. The FY 1982 Land and

Water Conservation project is the initial effort in village level land and water management; two additional projects are planned.

During the past year USAID produced an analysis of India's energy problems,^{27/} the Asia Bureau released a Statement on Energy, and the Phase I design team for the FY 1982 Alternative Energy Resources Project reviewed assistance possibilities. There clearly is strong interest on the part of both the GOI and AID for collaborative activity. Although a number of specific GOI energy concerns are not appropriate for USAID support, USAID expects that there will be scope for continued modest AID support for the development of alternative rural energy supplies in India, particularly energy from biomass, a topic shortly to be reviewed for project activities by a National Academy of Sciences team. USAID is proposing bilateral funds for the FY 1983-- FY 1987 period and also expects to draw on centrally-funded projects to support other energy activities.

E. USAID Analysis and Evaluation Plans

USAID has planned a series of analytical efforts to provide the basis for further strategy refinement and improvements in program and project design. These plans are discussed in detail in the USAID/India Analysis and Evaluation Plan completed in October 1980. The major activities for 1981 will be literature reviews and preparation of sectoral strategy papers for the three "core" program areas; the initiation or continuation of evaluation studies covering all four Title II components; the initiation of baseline data collection for several major projects; and an update of the literature review on the impact of agricultural and rural development on poverty.

III. Assistance Planning Level

A. Proposed Assistance Planning Levels

The FY 1987 Indicative Planning Allocation (IPA) figure is \$750 million, which also was the Approved Assistance Planning Level (AAPL) for FY 1986. Based on the IPA criteria of size of population, degree of poverty and commitment, USAID agrees that this is a reasonable figure to use as the Proposed Assistance Planning Level (PAPL) for FY 1987. USAID also recognizes that it may be extremely difficult for

AID to achieve the budget levels which would permit the allocation of \$750 million to any one country.

USAID proposes that the Development Assistance Levels approach the PAPL in roughly \$100 million increments beginning from an FY 1981 OYB of \$104 million and a Congressional Presentation level of \$195 million for FY 1982. The level proposed for FY 1983 is \$275 million. Commitments at the proposed FY 1983 level would be welcomed by the GOI, since they would come at a time when an increase in donor commitment levels and disbursement levels will be extremely important in helping India stave off an off-related balance of payments crisis.

The composition of the Development Assistance and PL-480 assistance proposed for FY 1983 to FY 1987 is shown on the following table. The distribution among program categories is roughly the same as last year's with Food Supply and Rural Employment accounting for 70%, Fertility and Mortality Reduction for 20%, and Energy, Forestry and Conservation for 10%. The three "core" program areas - irrigation, health/family planning/nutrition and forestry/conservation - account for 82% of the Development Assistance Proposed.

Fertilizer would be the only major foreign exchange item in the proposed Development Assistance program. The foreign exchange component of the proposed program would decline from 20% to 12% from FY 1983 to FY 1987. If Title II is included in the program totals, the foreign exchange component is on the order of 35% to 55%.

B. USAID Workforce

The basic assumptions upon which the FY 1982 CDSS and ABS staff projections were based remain unchanged. While a four-fold increase in Development Assistance program levels is projected between FY 1982 and FY 1987, it should require only a 30% increase to U.S. Direct Hire staff and USAID Foreign National Staff. The U.S. staff will be made up of experienced generalists and senior, highly qualified technicians supplemented by Foreign National Staff. USAID will augment its staff with U.S. contractors to work on specific activities, with TDY assistance from

AID/Washington and with Indian consultants and institutions to carry out analysis, design and evaluation work. The program will concentrate on selected sectors permitting USAID staff size to be limited. A major portion of new activities programmed beyond FY 1982 will expand upon models of projects currently being designed and implemented. At present, the sector in which the greatest growth in USAID assistance is anticipated is irrigation and water management. Expansion in other areas such as health/family planning/nutrition and forestry/conservation is also expected but at lower levels.

The actual distribution of USAID resources will be determined by the experience derived from projects commencing in 1981 and 1982. Similarly, the staff levels and mix of technical personnel will depend upon developments in these sectors and USAID assistance levels. The table below sets forth our estimate of the Mission's staffing requirements at the funding levels proposed.

USAID/INDIA: PROPOSED FUNDING AND STAFFING,
FY 1983 - FY 1987

Proposed Assistance Planning Level

<u>Program Area</u>	<u>Planning Levels (\$ million)</u>					<u>Total</u>
	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	
<u>Food Supply and Rural Employment</u>						
Surface Irrigation	120	135	165	175	225	820
Groundwater Irrigation	40	65	100	120	170	495
Ag. Research and Education	10	10	15	25	25	85
Fertilizer Promotion	55	70	70	75	90	360
Food for Rural Works, Title II	(50)	(60)	(70)	(80)	(90)	(350)
Food for Cooperatives, Title II	(30)	(30)	(40)	(50)	(50)	(250)
<u>Fertility and Mortality Reduction</u>						
Rural Health & Family Planning Systems ^{a/}	15	40	45	65	90	255
Other Population Activities	5	20	30	40	50	145
Nutrition Interventions	10	10	25	30	30	105
Food for Maternal Child Health Title II	(85)	(95)	(110)	(115)	(125)	(530)
Primary School Feeding, Title II	(70)	(59)	(40)	(35)	(35)	(235)
<u>Energy, Forestry and Conservation</u>						
Forestry and Conservation	20	40	50	60	70	240
Energy	-	10	-	10	-	20
Total (Development Assistance)	275	400	500	600	750	2,525
Total PL 480 Title II ^{b/}	(235)	(240)	(260)	(280)	(300)	(1,315)

Projected USDH and FSDH

<u>Fiscal Year</u>	<u>FY 81</u>	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>
USDH	19	21	23	25	26	28	30
IDI	0	1	1	1	1	1	1
FNDH	52	55	57	59	61	63	65
DH/PIT	5	5	5	5	5	5	5

a/ Funding split 33/67 between Population and Health accounts

b/ Title II amounts shown are non-additive

GOI COMMITMENT TO EQUITABLE DEVELOPMENT

The sections below respond to the questions on country commitment set forth in State 309900 (November 22, 1980). The questions are grouped under four broad headings, and are listed at the beginning of each sub-section. Because of the space limitations, the responses are necessarily brief. We assume that USAID will have the opportunity to provide additional information during CY 1981 as country commitment profiles are developed. USAID will be able to assess GOI commitment in greater detail following the release of the Sixth Five Year Plan (1980-1985) in February or March, 1981 and the presentation of a budget based on the Plan for India's FY 1982 (April 1981 - March 1982).

I. Political and Administrative Factors

How Responsive is the Political Structure to the Needs of the Poor?
(Paragraph H)

Myron Weiner, who has written extensively about India, described its political development in the following way:

Except for a twenty-month interlude during the latter portion of Prime Minister Indira Gandhi's rule, India has been an open, competitive political system, with political parties contending for power within an electoral process. Human rights, especially freedom of the press and legal protection against political arrests, have been widely observed; virtually all major political groups, including those in opposition, view governmental authority as legitimate; participation in the political system at the local, district, state, and national levels has been remarkably widespread for a country with a low level of literacy and urbanization; the power base of the governing elite has been fairly broad, encompassing both rural and urban interests; a dynamic balance has been established between various levels of governmental authority, especially between the state and central governments; (and) the role of the military and the police in the political system in the developing countries, authority has been relatively nonrepressive...^{1/}

With regard to the participation of the poor in the Indian political process, recent social profile data for different political involvement types have demonstrated that low status people have a heavy proportionate involvement in

politics.^{2/} Some 63% of persons with low or no education and 39% of lower caste groups are politically active in campaigns.^{3/} Similar findings emerged with other forms of political involvement such as participating in demonstrations, self-initiated meetings with political officials and interest in joining political parties.

The participation of the poor in the planning and implementation of development activities is still quite limited, as political and administrative systems operate largely in a top-down fashion. However, the opportunity for participating in this process is gradually increasing through such avenues as village and district political institutions, voluntary associations, caste associations, kinship groups and trade unions.^{4/}

How Mobile is the Society? (Paragraph I)

Contrary to the older stereotype of India as a rigidly hierarchical society, increasing individual and group social and economic change is taking place.^{5/} This change is partially due to the influence of education, mass communication, new technology, politics and urbanization.^{6/} While social and economic change permitted by Indian society is not very rapid, it is significant. For example, high caste groups and traditional rural elites are increasingly being pushed aside in state and local politics by emerging coalitions of middle and lower caste groups.^{7/} "Ex-poor" castes in many parts of India have used land consolidation and new agricultural technology to carve out positions of economic and political power.^{8/} This phenomenon has transformed politics in northern India. In areas where the Green Revolution has been successful, gains have been made by the middle and scheduled caste groups through increased employment opportunities and rising real wages which have sometimes been translated into greater economic power, social prestige and political influence.^{9/}

It is generally admitted that the extent to which disadvantaged and lower class and caste groups can improve their social and economic status is limited when compared to the middle and upper levels of society. Furthermore, the

middle and higher classes tend to predominate in positions of political and administrative power. Nevertheless, the political and economic system does provide the means for disadvantaged groups to improve their present positions and it does not totally exclude an significant ethnic, linguistic, religious, regional or economic classes or groups from development. The central and state governments have relied heavily on affirmative action, such as providing quotas for scheduled castes and backward classes in political and educational institutions and employment, to enable representatives of these disadvantaged groups to become active participants in the political arena and in decision-making. It has also established such institutions as the panchayatiraj system, which has enabled transmission of power to the lower and more disadvantaged groups.

How Much Control is There of the Flow of Information? (Paragraph J)

There is a free and critical press in India. New and controversial ideas are openly discussed. There is a free flow of information from the center to the periphery with minimal censorship. Dissent has been accommodated by the Government, except for the censorship imposed during the Emergency in 1975-1977. While radio and television are controlled by the Government, a wide range of publications provide both Government and opposition viewpoints on contemporary issues.

How Effective is the Administrative System? (Paragraph E)

The level of administrative capabilities, when compared to other developing countries, is high.^{10/} Senior level administrators and technocrats, especially in sectors of USAID involvement, are quite capable of implementing Government policies and programs. There are, however, other sectors in which civil servants have been less effective, such as public enterprises. The performance of the lower levels of the administrative system varies considerably from sector to sector and from state to state.

With periodic scarcity of controlled commodities opportunities for bribery and corruption in the administrative system exist.^{11/} While payoffs are

acknowledged to occur, they appear to be accepted as an irritating but minor feature of the public distribution system. Our impression is that compared with other developing countries, the level of corruption is not high and does not cause substantial diversion of resources from the poor to other groups in society.

India is committed to the process of planned economic development. Since its establishment in 1950, the Planning Commission has been responsible for preparing, in consultation with central ministries and state planning boards, five years plans aimed at attaining self-sustaining economic growth. The Planning Commission is staffed with qualified economists and technicians. Implementation of these plans, however, has been more problematic. Targets have often not been achieved. The Planning Commission performs more an advisory than a management control function.^{12/} Constraints include competing political and economic interests, unforeseen disasters (such as droughts), external factors (such as escalating oil prices), and periodic center-state tensions. Nevertheless, India possesses an effective planning infrastructure which formulates the framework within which the Government allocates resources for development purposes.

Statistical information regarding population and socio-economic performance is reasonably accurate and readily available for planning and monitoring implementation of the Government's development policies and programs. The quality and variety of Indian statistical data are recognized to be among the highest in developing countries.

II. General Economic Policies

To what extent do macro economic factors inhibit or enhance the ability of the poor to raise their incomes? (Paragraph A).

Is the government involved in increasing employment, and do the pricing system and other government policies work so as to encourage employment generation? (Paragraph B)

The GOI's policies have become gradually more favorable to accelerated labor-intensive growth since the late 1960s. The exchange rate, which remained substantially overvalued even after the sharp devaluation of 1966, is now

reasonably realistic. The balance of payments position has been strengthened by remittances from overseas Indians and by export promotion efforts which have contributed a substantial boost in the growth rate of exports (7% per annum by volume in the 1970s as compared to roughly 0.3% per annum in the 1950s and 4% in the 1960s). Interest rates have been adjusted upwards in several stages; leading rates now range from 14 to 21 percent, although credit is available for some "priority" sectors (agriculture, small-scale industry) at lower rates. Gross domestic saving and investment have risen from 10-15 percent of Gross Domestic Product (GDP) in the 1950s and early 1960s to 22-24 percent in the late 1970s. Inflation has been kept relatively well under control, although supply constraints and rapid rise in petroleum prices contributed to rapid inflation in 1979-80 after four years of relative price stability; the wholesale price index rose by about 17 percent in 1979-80 and is projected to increase by 18% in 1980-81. Pricing policies toward agriculture and energy have been generally appropriate, particularly during the late 1970s.^{13/}

While this gradual reorientation in policy and the growth spurt of 1974-75 to 1978-79 are both encouraging, GOI policies are still not providing maximum support for equitable growth. The GOI has not yet found ways to improve the efficiency of public sector enterprises to acceptable levels. This not only reduces the direct contribution of the public sector to resource mobilization and employment generation but also acts as a serious brake on agriculture and the private industrial sector (as was illustrated by the "infrastructure crisis" of 1979-80, attributable to poor performance of the public sectors coal mining, railway, and power generation enterprises). Moreover, administrative controls of various kinds still hamper the private sector, particularly in manufacturing. Thus, private sector industrial employment has grown at less than 1% per year since the mid-1960s, with the result that employment in manufacturing actually accounted for a smaller percentage of the labor force in 1971 than it did in 1951.^{14/} Employment in the modern sector (public sector plus non-agricultural private sector employers

with 10 or more workers) increased at only 2.5% per annum during 1966-1979 or at roughly the same rate as labor force growth.^{15/} This represents perhaps the single most important failure of India's development strategy. The low rates of industrial and "organized sector" output and employment growth have shifted an unduly larger share of the burden of employment - creation to other sectors.

The GOI has had some impressive success recently in generating non-industrial employment and is now implementing agricultural and rural development programs which could largely eliminate rural unemployment within the decade (see discussion below). However, equitable growth will be achieved over the long run and on a sustained basis only with accelerated industrial growth. Much of this acceleration will have to come from the private sector. Employment in private enterprises in the organized sector increased at only 0.4% per year between 1966 and 1979, although employment growth jumped to about 2.5 percent in 1978 and 1979.^{16/} The task before India's policy-makers is to assure that the growth spurt of the second half of the 1970s becomes established as a new trend line for growth, and does not become merely a short-term aberration.

III. Agricultural and Rural Development

Is access to productive resources (particularly land, but also infrastructure, water, credit, research and extension networks) widespread? If access is limited what is being done about it? (Paragraph C)

The net result of GOI programs launched over the past 15 years has been the creation of increasingly widespread access to productive resources and employment in rural India, both among regions and among groups. Land reform has made only a relatively minor contribution to improved access, however. The abolition of the semi-feudal "zamindari" or large landlord system following Independence was generally successful, and increased the proportion of land in owner-operator systems from 40 to 75 percent.^{17/} Subsequent efforts to reform tenancy relations and redistribute land have been less successful, although nearly 1.5 million hectares of land have been declared surplus and about 0.7 million hectares have been distributed to 1.2 million landless laborers. Consolidation of fragmented holdings

has been more successful, and had been completed on 46 million hectares by 1979 (as compared with India's net sown area of about 140 million hectares).^{18/}

The GOI has nevertheless made impressive progress in providing access to inputs, infrastructure and productive assets other than land (e.g. livestock). Rural electrification as of 1979-80 has reached 44 percent of villages, as compared with 8 percent in 1965-66. Fertilizer consumption during the same period increased from 0.8 million tons to 5.3 million tons (or from 5 kilograms per hectare to 30 kilograms per hectare), use of improved varieties from 2% to 40% of the area planted to cereals, gross irrigated area from 33 million hectares to 52 million hectares, and institutional credit for agriculture (in terms of loans outstanding) from about \$1 billion to \$8.8 billion.^{19/} Although small and marginal farmers were slower to adopt agricultural innovations initially, they now use water, fertilizer and credit at least intensively as medium and large farmers, and in many cases more intensively.^{20/} This implies that markets and institutions are now generally effective in providing access to infrastructure and inputs regardless of size of holdings, and are unlikely to generate a large-farmer bias as increased investment permits improved access for less advanced regions.

Although these agricultural programs have primarily benefitted farmers, they have also benefitted the landless by exerting downward pressure on food prices and by generating employment. It has been estimated that irrigation development and expanded fertilizer use now generate about 450,000 permanent jobs per year, in addition to the employment provided during the construction period.^{21/} Perhaps more importantly, the experience with the rural development programs launched in the 1970s has been highly encouraging.^{22/} In 1978-79, several of these programs - the Small Farmer Development Agency, the Antyodaya program, dairy development (Operation Flood), the Employment Guarantee Scheme (EGS) in Maharashtra, and GOI Food for Work - generated an estimated 3.7 million person-years of employment, equivalent to more than 50 percent of total annual labor force growth of roughly 7 million.^{23/} India now has the means to increase incomes on a substantial scale

for the landless, who are the poorest and have been the most difficult to reach.

How is the government dealing with natural resource depletion where this is a problem? (Paragraph F)

See CDSS narative, Section II.D

IV. Human Resources

What have been the trends of government budget allocations to the health and education sectors, and is there equitable access to health and educational services? (Paragraph D)

1. Budget Allocations - General

In 1979-80 human resources expenditures accounted for an estimated 15.1 % of total central and state development expenditures, with education receiving 11.6% of the total, health and family planning some 3.4 %, and nutrition programs 0.1%. This was slightly below the allocations for 1977-78 (15.6%) and 1978-79 (16.3%).^{24/} This decrease reflects the worsening of the GOI's overall budget situation, and the fact that capital expenditures for human resources programs tend to be deferred when resources become scarce.

2. Education

Progress in providing access to basic services has been more rapid in education than in health, but the obstacles to further progress are in some ways more difficult. Access to primary school facilities is virtually universal and enrollment in 1977-78 was 85 % (as compared with 22% in the early 1950s). However, enrollment among girls was only 68% (as compared to 100% reported for boys) and the overall dropout rate by grade 5 was about 70%.^{25/} Because of the high dropout rate, literacy is still low among young teenagers, particularly girls. The state governments are implementing several programs aimed at improving the quality and efficiency of primary education. Progress will depend heavily on further changes in attitudes toward education by poor rural households; attitudes in turn will shift most rapidly in the presence of rising rural incomes and employment.

3. Health Services

The distribution of health services within India has shown improvement in recent years, particularly since 1974. At Independence, rural health services were practically non-existent. Urban services for Indians were available, but were poorly financed and of poor quality. Although the philosophy for a decentralized rural health was articulated as early as 1946 (the famous Bhole Report), government expenditures through the early 1970s were largely for urban - based hospital services plus the massive malaria program which served both urban and rural areas. The government added village-based workers in the late 1970's who would "bring health care to the doorstep of the people". Primary health centers, subcenters and village workers now form the basic structure of the "Model Plan" which is the pattern planned for the next 20 years.^{26/}

The allocation of resources within the health budget has changed in the last six years and the proportion going to rural basic services has increased from 5-10% to almost 20% of health-related expenditures. Malaria still consumes over 50% health budget and urban services and administration/training/research utilizes the remaining resources. Since health is a state subject, inter-state variability in expenditures for health is wide.

Access to the government health system is supplemented by the availability of traditional medical services. Two-thirds of the traditional practitioners, who roughly equal the number of Western-style practitioners, reside in rural areas (whereas only one-third of Western-style doctors live in rural areas).^{27/} Various efforts are being made to improve the effectiveness of traditional medicine and to integrate the modern and traditional systems more fully but it is not clear how successful this has been.

4. Nutrition

India suffers from an aggregate percapita food supply gap estimated at 10% of total consumption, based on the minimum recommended by WHO/FAO if everyone were to have an adequate diet. Furthermore food is not equally available to all

income groups and individuals. USAID estimates that moderate and severe malnutrition affect up to 60 million people, primarily children under age three and pregnant and lactating women.^{28/} In addition to the strategies to increase food supply and incomes, the government has tried a variety of nutrition intervention programs over the last twenty years to attack malnutrition in economically deprived groups. This includes the Applied Nutrition Program begun in the 1960's, the Special Nutrition Program begun in 1971, the Integrated Child Health Scheme begun in 1975, and various other schemes at the state level and below. These programs have had varying degrees of success but demonstrate continued government interest in improving the nutritional status of the poorer sections of the population.^{29/} Food aid from external donors, such as PL 480, have made an important contribution to these programs.

How well do government policies and programs address the problem of high fertility rates (Paragraph 6)

The distribution of family planning services has paralleled the distribution of health services. Prior to 1977, there were both separate family planning service units and health units which offered family planning services. Since 1977, the provision of family planning services in rural areas has been completely integrated with health services, under the "Model Plan", mentioned previously.

The resources for family planning account for 11% of the health ministry budget. Since family planning is a federally sponsored program, the state allocations for family planning are smaller so that total expenditures for family planning are probably only 5-7% of all state and federal expenditures for health. The trend in family planning expenditures has been quite erratic, depending on the successes and disappointments of the government's efforts.

The mix of family planning services emphasizes female acceptance although about 20 percent of all sterilizations are male sterilizations. The service mix in India strongly favours sterilization over other family planning methods but interest in non-terminal methods to meet family planning demand within the under 30 age group is growing and should result in a more balanced program in the

coming years.

India's family planning performance has been creditable, particularly given the magnitude of the problem and the relatively unfavorable socio-economic environment. By the mid-1960s, total family planning acceptors had increased to 2 million, covering somewhat less than 10% of the relevant group and both the crude birth rate and population growth rate began to decline. The percentages of couples protected reached a peak of 24% in 1976-77, then dropped slightly in subsequent years because of negative reactions to the mass sterilization campaign of the Emergency period. By 1979, the crude birth rate was 33 per thousand (versus 41 per thousand in 1966-67) and 22% of couples were protected. Births averted since 1961 totalled over 34 million.^{30/}

Unlike many other countries, neither increase in marriage age and nor improvements in health, education and economic status seem to have made a major contribution to fertility reduction thus far; the decline in the birth rate has been largely due to government family planning efforts.^{31/} Further progress will depend heavily on improvements in rural health, education, employment and incomes, and on continued improvement and expansion of delivery services. Over the short term, family planning performance is likely to continue to recover from the sharp declines in acceptors in 1977-78, and should benefit from the fact that the present government is less ambivalent in its attitudes toward family planning than the previous government.

FOOTNOTES

I. Analysis

- 1/ The projected per capita GNP for 1980-81 at current prices is \$231. The 1978 figure is used here because 1978 is the latest year for which comparable international data are available: See IBRD, World Development Report, 1980. Growth rates refer to the period 1950-51 to 1980-81, and are taken from Centre for Monitoring Indian Economy (CMIE), "India's Growth 1950-51 to 1980-81", December 1980. The GOI definition of the poverty line is discussed in the India FY 1982 CDSS, pp. 2-4. Note that the discussion on "progress" is very brief and general. USAID assumes that the progress indicators mentioned in the AID/W CDSS Guidance (State 309900) but not received as of the CDSS submission date will permit a more comprehensive comparative analysis.
- 2/ CMIE, op. cit. The growth rate given for foodgrain output from 1951-52 to 1979-80 was 2.9%; wheat output grew at 5.9% and rice output at 2.8%, while growth rates for coarse grains and pulses were much lower. See CMIE "Basic Statistics Relating to the Indian Economy: Volume I, All India, "October 1980, Table 12.9.
- 3/ Life expectancy figures are from GOI Planning Commission, Draft Sixth Five Plan 1978-1983 (Revised); literacy figures refers to total literacy; adult literacy is about 40%.
- 4/ The averages cited in the first two paragraphs conceal the considerable degree of variation in growth performance among states. For indicators broken down by state see the FY 1982 CDSS, Annex 2, Table 3.
- 5/ CMIE, "Basic Statistics...." Tables 12.1, 13.4 and 7.1.
- 6/ According to the Planning Commission's Annual Plan 1979-80, employment grew at an estimated rate of 3.15% in 1978-79, which is well above the labor force growth rate of about 2%. Also, comparison of National Sample Survey (NSS) estimates for 1972-73 and 1977-78 shows a drop in "daily status" unemployment from 8.5% to 8.0%.
- 7/ For an excellent review of India's current economic situation, see U.S. Embassy, New Delhi, "Economic Trends Report: India," November 1980. USAID has also drawn upon CMIE, "Indian Economy: Recent Trends and Prospects," December 1980.
- 8/ USAID, "Section 102 (d) Progress and Commitment Data," September 27, 1979.
- 9/ AID, "U.S. Bilateral Assistance to India. A Strategy for the Early 1980s," June 1, 1978. See especially Sections I.D. and V.C.
- 10/ State 034701, dated February 8, 1980.
- 11/ For a fairly comprehensive recent discussion of India's agricultural pricing policies and investment allocations, see IBRD, "Economic Situation and Prospects of India," May 1, 1980, Chapter 2.
- 12/ For further details, see the Annex 9 and Section I.A.3 below; see also USAID/India, "Targeted Rural Development Programs in India," CDSS Supplement, February 1980.

- 13/ For the targets adopted under the "Revised Minimum Needs Program" by the previous government, see the FY 1982 CDSS, Table 14.
- 14/ Low growth should not be blamed entirely on inefficiency and inappropriate macroeconomic and industrial policies, however. Hollis Chenery, in a recent comparison of projected versus actual growth rates for the period 1962 - 1975, singled out India as "the principal case in which slow growth can be attributed to a substantial extent to the limited supply of external capital. "See Hollis Chenery, Structural Change and Development Policy, (New York, Oxford University Press 1979), p 449.
- 15/ See Annex 2 for a further discussion of these points.
- 16/ For a listing of the measures and a brief assessment of their possible impact, see CMIE "Indian Economy: Recent Trends and Prospects" December 1980, Appendix C.
- 17/ USAID expects to be able to substantiate this in greater detail following the release of the new Sixth Five Year Plan (1980-85) and the GOI budget for Indian Fiscal Year 1982 (April 1981 - March 1982).
- 18/ GOI, Planning Commission, Sixth Five Year Plan 1980-85. A Framework, August 1980. The National Development Council (NDC) is made up of the central government cabinet ministers and the Chief Ministers from the states.
- 19/ For analyses of the original Sixth Five Year Plan, see AID, "U.S. Bilateral Assistance to India: A Strategy for the Early 1980s," June 1, 1978, Chapter 1-3; IBRD, "Economic Situation and Prospects of India," April 9, 1979, Chapter 2; and the FY 1982 India CDSS, pp. 21-23 and Table 14.
- 20/ For a brief analyses of the Small Farmer Development Agency (SFDA), block level planning, and the Antyodaya program, see USAID/India, "Targeted Rural Development ...," pp. 4-10. The "Antyodaya" program (defined as "uplifting of the last person"), originally implemented in the states of Uttar Pradesh, Rajasthan, and Bihar, involved the selection of the poorest five families in a village by village assemblies, and the channelling of resources from existing programs to the designated households. It is essentially a targeting mechanism.
- 21/ The evolution of India's external resources position since the early 1970s is analyzed in detail in IBRD "Economic Situation and Prospects of India," May 1, 1980, Chapter 4.
- 22/ For a more detailed discussion of the current balance of payments situation, see U.S. Embassy/New Delhi, "Economic Trends Report India," November 1980. The role of petroleum in the economy is described comprehensively in U.S. Embassy/New Delhi, "Industrial Outlook: Petroleum - India 1980," Department of State Airgram A-52, July 21, 1980.
- 23/ For the analysis of long-term balance of payments projections and external resource requirements appended to the FY 1982 CDSS, see USAID/India, "Resource Requirements, Absorptive Capacity and Other Donor Assistance," February 1980.
- 24/ For the IBRD analysis and recommendations, see IBRD, ibid. Chapter 4.

II. AID Assistance Strategy

- 25/ See USAID/India, "Fertilizer Promotion Project," Project Paper, July 1979.
- 26/ For further background on rural employment in India and a discussion of some of these programs, see Peter Thormann and M.C. Gupta, "Employment in India: An Overview with Special Emphasis on Off-Farm Employment," USAID/India.
- 27/ See USAID/India, "Energy Environment and Forestry - India," prepared for the Asia Bureau Conference on Energy Environment and Forestry, Manila, 1981 November 12-16, 1979.

Annex: GOI Commitment to Equitable Development

- 1/ Myron Weiner, "Political Evolution - Party Bureaucracy and Institutions" in India: A Rising Middle Power, ed. John Møller (Boulder: Westview Press, 1979) p. 15.
- 2/ Samuel Eldersveld and Bashiruddin Ahmed, Citizens and Politics (Chicago: The University of Chicago Press, 1978) p.195. A seven country comparison of participation and political equality found a close similarity between the U.S. and India insofar as the relation between relative socio-economic status and political participation was concerned. Sidney Verba, Nie, Kim, Participation and Political Equality (Cambridge, England: Cambridge University Press), pp 63-65.
- 3/ Ibid., pp 195
- 4/ Marcus Franda, Small is Politics (New Delhi: Wiley Eastern Limited, 1979). While Dr. Franda points out that the transition of power to the most disadvantaged has been very slow, these are the major groups through which such a change is taking place.
- 5/ Yogendra Singh, "The Changing Pattern of Social Stratification in India", in Dimensions of Social Change, eds. M.N. Srinivas, et. al., (New Delhi: Allied Publishers Private Limited, 1978). See also Andre Beteille, Caste, Class and Power, (Bombay: Oxford University Press, 1966); Beteille, Castes: Old and New (New Delhi: Asia Publishing House, 1969); Rajni Kothari, ed. Caste in Indian Politics, (New Delhi: Orient Longman, 1970); G.S. Ghurye, Caste and Race in India (Bombay: Popular Prakason, 1969). Harry Blair, Voting, Caste Community, Society, (New Delhi: Young Asia Publishers, 1979); Owen Lynch. The Politics of Untouchability (Delhi: National Publishing House, 1974).
- 6/ Sachchidananda, The Harijan Elite, (Thomson Press (India) Limited, 1976). See also, Inder P. Nijhawan, "Socio-political Institutions, Cultural Values and Attitudes" in India's Economic Problems, ed. J.S. Uppal (New Delhi: Tata McGraw Hill), 1978, pp. 67-88.
- 7/ Susanne and Lloyd Rudolph, "The Centrist Future of Indian Politics", Asian Survey, (June 1980), pp. 588-592.
- 8/ Francine Frankel, India's Political Economy, 1947-77, (Princeton: Princeton University Press, 1978), pp. 203; John Montero, Corruption, (Bombay, 1966), pp. 386.
- 9/ Partap C. Aggarwal, "Green Revolution and Employment in Ludhiana, Punjab,

India" in Edger O. Edwards, (ed.) Employment in Developing Nations (New York: Columbia University Press, 1974), pp. 377.

10/ Weiner, op cit p. 15

11/ Ram L. Chugh, "Black Money and the Indian Economy" in India's Economic Problems, ed. J.S. Ippal (New Delhi: Tata McGraw Hill Publishing Company Limited, 1978), p. 395. Other articles are available which deal with the causes of corruption. According to S.K. Das, planning and development which involve high level expenditure provide a source of corruption. "Water, Corruption and Nepotism in India," Modern Review (Vol. 106: August, 1959). P.S. Muhar holds that the poor pay of civil servants is the main cause of corruption. "Corruption in Public Service," Journal of Patna Institute of Public Administration (December, 1957). K.L. Punjabi traces the roots of corruption to shortages in all commodities, low salaries, collection of party funds and caste pressures. "Corruption in Public Administration," Public Administration (January, 1964).

12/ Charan Wadhva, "Performance Appraisal of Centralized Economic in Some Problems of India's Economic Policy" ed. Charan D. Wadhva (New Delhi: Tata McGraw Hill Publishing Company Limited, 1980), pp. 137-151.

13/ The discussion in this paragraph is based on IBRD, "Economic Situation and Prospects of India, May 1", 1980, and CMIE, "Monthly Review of the Indian Economy," December 1980. This brief section does not attempt to discuss all of the variables listed on pp. 6 and 7 of "A.I.D. Macroeconomic Analysis at the country level: Implications of the 1982-86 CDSS Review," PPC/EA, June 1980. Most are covered in the FY 1982 CDSS, Part I, and the related tables. For additional data see IBRD, "Economic Situation and Prospects of India," May 1, 1980.

14/ According to the 1971 census, the percentage of the labor force in agriculture was 72.1 percent in 1971, or exactly the same as 1951; employment in "other than household industry" manufacturing was 6 percent in 1971 as compared with 9 percent in 1951. See CMIE "Basic Statistics Relation to the Indian Economy; Volume 1, All India" October 1980.

15/ Ibid., Table 8.13

16/ CMIE, "Basic Statistics..." Table 8.13. Wage rates are unlikely to be a major obstacle to more rapid and more labor-intensive industrial growth. Although minimum wage legislation and union pressure have been successful, in pushing wage rates up in the organized sector (particularly in public sector enterprises), the unorganized sector has not been affected; the unorganized sector accounts for 90 percent of all employment, including virtually all rural employment.

17/ Susanka K. Ray, Ralph W. Cummings, Jr. and Robert Herdt, Policy Planning for Agricultural Development (New Delhi: Tata-McGraw Hill, 1979), p.22.

18/ GOI Ministry of Rural Reconstruction, Annual Report 1979-80.

19/ CMIE, "Basic Statistics.., Volume 1; All India" and Reserve Bank of India, Statistical Statements Relating to the Cooperative Movement in India (1976-77, Part I).

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- 25/ See USAID/India, "Fertilizer Promotion Project," Project Paper, July 1979.
- 26/ For further background on rural employment in India and a discussion of some of these programs, see Peter Thormann and M.C. Gupta, "Employment in India: An Overview with Special Emphasis on Off-Farm Employment," USAID/India.
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- 7/ Susanne and Lloyd Rudolph, "The Centrist Future of Indian Politics", Asian Survey, (June 1980), pp. 588-592.
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- 10/ Weiner, op cit p. 15
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- 13/ The discussion in this paragraph is based on IBRD, "Economic Situation and Prospects of India, May 1", 1980, and CMIE, "Monthly Review of the Indian Economy," December 1980. This brief section does not attempt to discuss all of the variables listed on pp. 6 and 7 of "A.I.D. Macroeconomic Analysis at the country level: Implications of the 1982-86 CDSS Review," PPC/EA, June 1980. Most are covered in the FY 1982 CDSS, Part I, and the related tables. For additional data see IBRD, "Economic Situation and Prospects of India," May 1, 1980.
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- 15/ Ibid., Table 8.13
- 16/ CMIE, "Basic Statistics..." Table 8.13. Wage rates are unlikely to be a major obstacle to more rapid and more labor-intensive industrial growth. Although minimum wage legislation and union pressure have been successful, in pushing wage rates up in the organized sector (particularly in public sector enterprises), the unorganized sector has not been affected; the unorganized sector accounts for 90 percent of all employment, including virtually all rural employment.
- 17/ Susanka K. Ray, Ralph W. Cummings, Jr. and Robert Herdt, Policy Planning for Agricultural Development (New Delhi: Tata-McGraw Hill, 1979), p.22.
- 18/ GOI Ministry of Rural Reconstruction, Annual Report 1979-80.
- 19/ CMIE, "Basic Statistics.., Volume 1; All India" and Reserve Bank of India, Statistical Statements Relating to the Cooperative Movement in India (1976-77, Part I).

- 20/ For evidence on input use by farm size, see Inderjit Singh, "Small Farmers and the landless in South Asia," World Bank Staff Working Paper No. 320, February 1979.
- 21/ Cited by Raj Krishna, "The Economic Development of India," Scientific American, September 1980, p. 178.
- 22/ According to Raj Krishna, "After a long period of trial and error India today has the knowledge and the field experience acquired in about half a dozen successful approaches to the reduction of rural poverty and unemployment on a substantial scale." (ibid).
- 23/ FY 1982 CDSS, p.4 and note 79. See also the discussion of the individual programs in Raj Krishna, op. cit.
- 24/ Figures are from the Reserve Bank of India, Bulletin, various issues.
- 25/ Roger Grawe, "Human Development in South Asia," in "Poverty and the Development of Human Resources" World Bank Staff Working Paper No. 406, July 1980, pp. 108-112. See also the FY 1982 CDSS, pp. 9-10 and tables 3 and 9.
- 26/ For useful background discussions, see FY 1982 CDSS, pp. 8-9, GOI, Draft Sixth Five Year Plan 1978-83 (Revised). Chapter 27 and R.H. Cassen, India: Population Economy Society (New York: Holmes and Meier Publishers Inc., 1978), Chapter 3; the "Model Plan" is analyzed in USAID/India "Integrated Rural Health and Population Project" Project Paper, August 1980.
- 27/ Cassen, op. cit., p. 200
- 28/ There is a good deal of controversy surrounding these estimates. For a brief review of some of the alternative estimates, see USAID/India, "Agricultural Progress in AID-assisted countries" (New Delhi 11633, dated June 11, 1980).
- 29/ For a brief review of the status of the programs, see GOI, Draft Sixth Five Year Plan 1978-83 (Revised), Chapter 29
- 30/ For additional details, see the FY 1982 CDSS, pp. 6-7 and the excellent recent review of population and family planning which appears as an appendix in IBRD, "Economic Situation and Prospects of India", May/1980. For additional background see Cassen, op. cit. Chapter 2.
- 31/ ibid., p. 116 and 130

Table 1

BALANCE OF PAYMENTS

	<u>1977/78</u> (Actuals)	<u>1978/79</u>	<u>1979/80</u> (Estimates)	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u> (Projections)
Merchandise Exports ^{1/} (fob)	6,315	6,978	7,700	9,000	10,400	12,000
Merchandise Imports ^{1/} (cif)	-7,188	-8,519	-10,900	-15,300	-15,425	-17,650
of which:						
Foodgrains	(-121)	(-144)	(-)	(-)	(-)	(-)
Fertilizer	(-441)	(-597)	(-770)	(-1,000)	(-1,075)	(-1,400)
POL	(-1,811)	(-2,043)	(-4,150)	(-7,300)	(-5,900)	(-6,600)
Edible Oils	(-829)	(-649)	(-800)	(-800)	(-850)	(-1,000)
Others	(-3,986)	(-5,086)	(-5,180)	(-6,200)	(-7,000)	(-7,950)
Contingency					(-600)	(-700)
<u>Trade Balance</u>	<u>-873</u>	<u>-1,541</u>	<u>-3,200</u>	<u>-6,300</u>	<u>-5,025</u>	<u>-5,650</u>
Net Invisible Receipts	1,680	2,041	2,450	2,500	2,400	2,400
Current Account Balance	<u>807</u>	<u>500</u>	<u>-750</u>	<u>-3,800</u>	<u>-2,625</u>	<u>-3,250</u>
Net Aid Disbursements ^{2/}	983	993	1,158	1,520	1,775	2,030
of which						
Gross Aid Disbursements ^{2/}	(1,628)	(1,695)	(1,845)	(2,250)	(2,550)	(2,850)
Principal Repayments	(-645)	(-702)	(-687)	(-730)	(-775)	(-820)
Use of IMF Credit (net)	-330	-158	-	1,000	-	-
Errors and Omissions	616	199	-208	880	-447	-300
Use of Reserves (-- increase)	-2,076	-1,534	-200	400	1,297	1,520
Reserve Levels (end of year)	5,823	7,357	7,557	7,157	5,860	4,340
Months of Imports covered ^{3/}	(8.9)	(9.1)	(6.9)	(5.6)	(4.3)	(2.8)

^{1/} Rupee trade figures were converted into dollars by using period average IMF market rates (rupees per US dollar): 8.563 for 1977-78, 8.206 for 1978-79, 8.076 for 1979-80 (all actuals) and estimated 8.00 for subsequent years.

^{2/} Based on the assumption that aid commitments will remain constant in real terms at their 1978-79 level.

^{3/} Calculated by dividing the end-of-year reserve level by average of that and the next year's level of imports.

Table 2

OTHER DONOR ASSISTANCE: SUMMARY OF 1979-80 FLOWSAND 1980-81 COMMITMENTS
(\$ million)

<u>Western Countries</u>	<u>Gross Disbursements 1979-80</u>	<u>Net Transfer 1979-80</u>	<u>Aid Pipeline March 31, 1980</u>	<u>New Aid Commitments 1980-81</u>
Austria	0.5	-3.4	9.6	9.5
Belgium	5.6	3.8	22.2	11.9
Canada	38.9	24.8	4.2	38.5
Denmark	18.4	16.6	30.6	2.3
EEC	101.9	101.9	25.8	111.3
France	44.7	-6.4	92.9	--
Germany	149.7	-9.4	423.6	197.2
Italy	--	-3.4	--	--
Japan	82.3	-20.4	36.1	11.1
Netherlands	94.7	74.8	144.2	81.7
Norway	22.9	22.9	26.0	21.0
Sweden	57.9	57.9	34.3	68.0
Switzerland	20.7	15.9	15.6	24.1
U.K.	239.9	172.4	571.7	345.5
U.S.	<u>168.1</u>	<u>4.7</u>	<u>124.0</u>	<u>232.1</u>
Sub-total	1,046.2	452.7	1,560.8	1,154.2
IBRD/IDA	<u>693.3</u>	<u>521.7</u>	<u>3,785.1</u>	<u>1,059.0</u>
Sub-total	1,739.5	974.4	5,345.9	2,213.2
East European Countries	44.9	-32.5	557.9	a/
OPEC Countries	<u>86.2</u>	<u>-23.3</u>	<u>471.4</u>	<u>37.3</u>
Total	1,870.6	918.6	6,375.2	2,250.5

a/ Not available

Source: IBRD, "Economic Situation and Prospects of India" May 1, 1980, Tables 4.2 (b) and 4.3 (b), and IBRD report on Consortium Meeting.

Table 3

DONORS INVOLVED IN USAID-ASSISTED PROGRAM AREAS

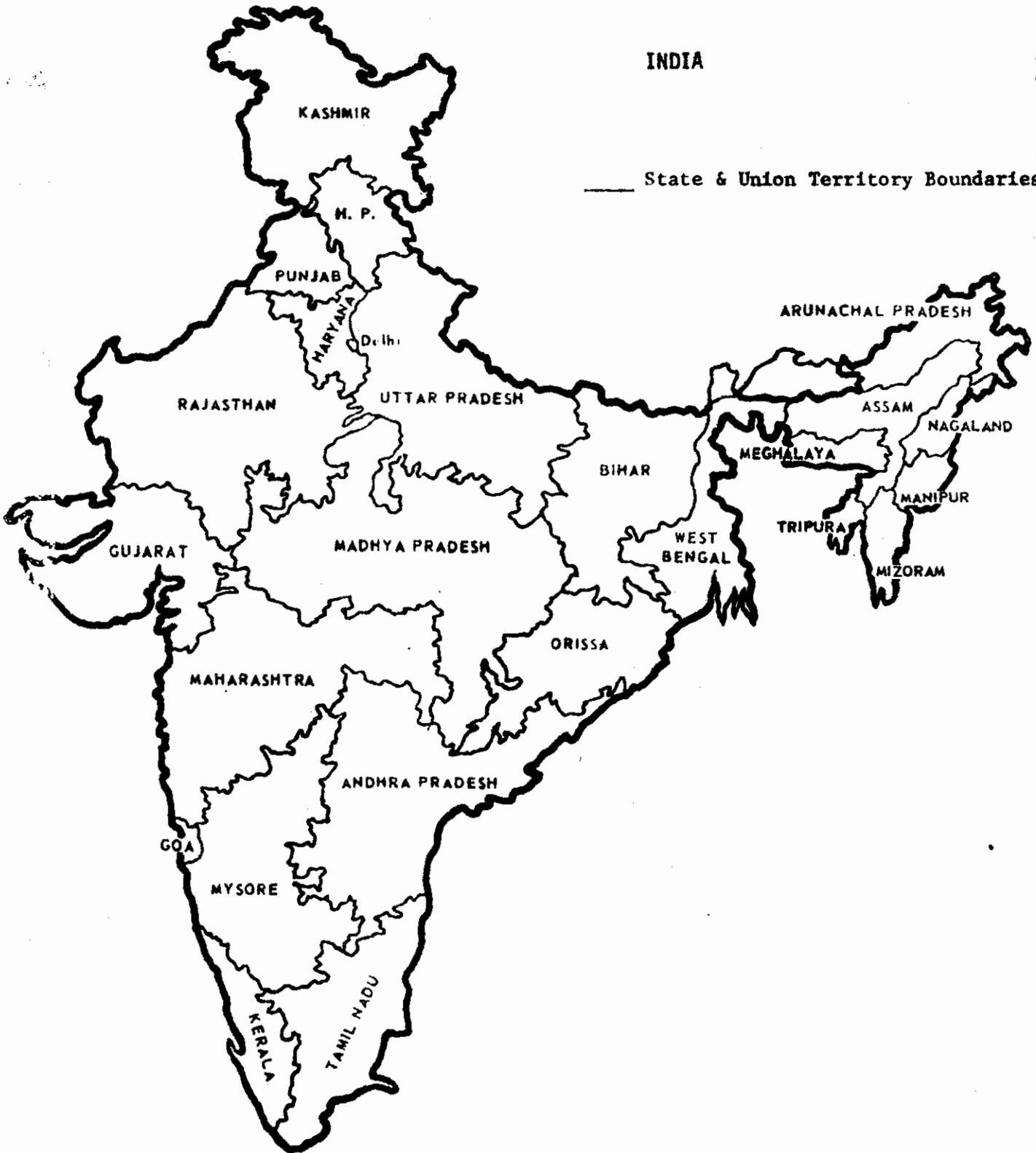
<u>Program Area</u>	<u>Donor</u>	<u>Type of Assistance</u>	<u>Present Project Levels</u>	<u>New Project Under Consideration</u>
<u>A. Food Supply</u>				
1. Irrigation	IBRD	Command Area Development (CAD)/surface irrigation in Maharashtra, Gujarat, Andhra Pradesh (AP), Karnataka, Punjab, Haryana, Rajasthan, Madhya Pradesh (MP) and Orissa. New: MP Major Irrigation and Medium Irrigation, Kallada Irrigation and Karnataka tanks.	1,300.0	400.0
	WFP	CAD Maharashtra and Karnataka, Rajasthan Canal and Irrigation works in MP	35.6	10.1
	Germany/U.K.	CAD Maharashtra and Groundwater Exploration	22.0	-
		(Sub-total)	(1,357.6)	(410.1)
2. Agricultural Research & Education	IBRD	National Agricultural research and Agricultural Universities	35.0	-
	FAO	Plant protection, Grassland and Wool Development, Mushroom cultivation, Agri. and Rural Development, Education and Research.	9.1	0.5
	U.K./Canada/Switzerland/Sweden/Ford	Dryland Farming, Hoof and Mouth Vaccine production, Dry Zone Farming, Sericulture Development and Agricultural research including nuclear.	14.6	n.a.
		(Sub-total)	(58.7)	(n.a.)
3. Fertilizer Promotion	IBRD	IFFCO Fertilizer and Fertilizer Industry. New: Hazira Fertilizer and Paradeep Fertilizer	464.0	550.0
	FAO	Storage improvement	0.1	-
	U.K./Germany	Fertilizer products, New: Thal Fertilizer, Hazira Fertilizer and Fertilizer Education.	2.5	120.0
		(Sub-total):	(466.6)	(670.0)

Program Area	Donor	Type of Assistance	Present Project Levels	New Project Under Consideration
4. Rural Credit	IBRD	Loans to ARDC	250.0	250.0
	Canada/Germany/ Switzerland/U.K.	Loans to ARDC	330.4	313.0
		(Sub-total):	(580.4)	(563.0)
5. Cooperatives	IBRD	National Cooperative Development Corporation (NCDC); New: NCDC, Phase II.	30.0	100.0
B. <u>Fertility and Mortality Reduction</u>				
1. Health & Population	IBRD/UNFPA/ UNICEF/WHO	Population Project II, Sterilization, Training, Health and Family Welfare, Education & Research.	99.8	n.a.
	Norway/Denmark/ U.K./Ford	Family Planning, Preventing of Blindness, Education and Research and Orissa Family Welfare. New: Pilot WHO Schemes in Gujarat and Tamilnadu (U.K.)	48.0	n.a. + 4.0
		(Sub-total):	(147.8)	(n.a.)
2. Nutrition	WFP/UNICEF/IBRD	Vulnerable groups in ten states, Pre-school feeding in Karnataka and Maharashtra, ICDS and Higher Education.	150.1	n.a.
C. <u>Energy, Forestry and Conservation</u>				
1. Energy	Netherlands/Switzerland/UNTCDF/IBRD/WFP/FAO	Geothermal and Wind power, Solar Pumps	2.4	n.a.
2. Forestry and	IBRD/WFP/FAO	Social Forestry in Gujarat, Maharashtra, M.P. and U.P.; New: Commercial Forestry in M.P. and Social Forestry in West Bengal and Maharashtra, and Forest Fighting.	71.0	41.5 + n.a.
	Sweden/New Zealand/ Switzerland/Germany/ Ford	Training and Community Forestry; New: Social Forestry in Bihar and/or Tamilnadu, Watershed Management in U.P. and Himachal Pradesh.	5.1	
		(Sub-total)	(76.1)	(41.5 + n.a.)
		TOTAL	(2,869.7)	(1,789.1 + n.a.)

Source: Report on Development Assistance - 1979, India by UNDP, New Delhi, October 1980; and Discussions with Donor Organizations in New Delhi

INDIA

____ State & Union Territory Boundaries



The boundaries shown do not imply and judgment on the part of the U.S. Government on the legal status of any territory or any endorsement or acceptance of such boundaries.