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THE WORLD BANK

Washington, D.C.

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INDIA - Agriculture & Agricultural
Projects Gen. - IV /1967



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 India - Agriculture and Agricultural Projects - General - Correspondence 1967 - Volume 4



Consortium MeetingAgriculture Projects General - IV 1967

S No.	Subject	Date
1.	Memo from G. Votaw "Taxes on Agriculture"	Feb. 23, 1967
2.	Memo from S.S. Katz "Agriculture"	Feb. 24
*3.	Confidential: Economic Committee "Sub-Committee Meeting - India" Memo to Files	Feb.28
4.	Cross Reference Sheet from Pantanali - Seeds Projects	Mar. 28
5.	Letter from A.A. Johnson to Donald Mitchell (Chief of Irrigation - World Bank)	Apr. 6
6.	Letter from D.S. Mitchell to A.A. Johnson	Apr. 13
*7.	Memo from Bilsel Alisbah "Some Agricultural Thoughts in Connection with Debt Relief"	Apr. 14
*8.	Cross Reference Sheet from Mr. Bohr "Summary of Discussion between Mr. Friedman and Indian Officials - New Delhi - Apr. 18, 19"	May 8
*9.	Memo from GB Votaw "Mr. Woods Meeting with V. Naik, Chief Minister, Maharashtra, May 4"	May 9
*10.	Memo from J. David Dudd "Agricultural Input Service companies - H. P. Nanda's Proposal"	Jun. 20
*11.	Letter from Romano Dautanali to G. B. Votaw (Meeting with Ashok Mehta, Financing of Irrigation Projects)	Jun. 20, 1967
*12.	Memo From L. T. Sonley to Mr. Taskashahi - Agricultural Input Services - H. P. Nanda's Proposal"	Jun. 23
13.	Memo From Chief Office of International Activities WRD (U. S. Dept. of Interior) to Mr. L. W. Bartdsch, IBRD "Water Resources Investigation Program for upper Gangetic Plain"	Jun. 23
*14	Memo From L. J. C. Evans "India - Economic Mission - Agriculture Terms of Reference"	Jun. 23

15. Letter from L. W. Bartsch to Mr. G. C. Taylor
(U. S. Dept of Interior) Jun. 26
- *16. Memo From R. Pantanali - Mr Woods Meeting with
Mr. Jagivan Rain, Minister of Food &
Agriculture May 6. May 10
- *17. Letter from Damano Pantacali to G. B. Votaw
(Follow up on Meeting with Mr. Mehta) May 22
- *18. Letter from J. B. Crawford to I. P. N Cargill
(Indian Agricultural Development) May 22
19. Outgoing Wire from Votaw (Irrigation Lending) Jun. 2
20. Incoming Wire from Pantanali (Irrigation Projects) Jun. 5
- *21. Letter from Romano Pantanali to Mr. G. B. Votaw
"U P Agricultural Development Project" Jun. 5
- *22. Letter from Romano Pantanali to G. B. Votaw -
Irrigation Loans Jun. 6
23. Letter from G. Votaw to Sir Crawford (Mission
to India) Jun. 30, 1967
- *24. Letter from G. Votaw to Romano Pantanali
(Canadian Government and tubewell development
in Bihar State) Jul. 3
- *25. Letter from L. J. C. Evans "Agricultural Input
Service Companies - H. P. Nanda's Proposal" Jul. 3
- *26. Memo From G. Votaw "Completion & Management of
Major Irrigation Projects" Jul. 3
- *27. Memo From L. B. Bartsch "Completion and
Management of Major Irrigation Projects" Jul. 11
- *28. Memo From J. D. Dodd "Agricultural Input
Services - H. P. Nanda's Proposals" attached
Booklet on "Reach the Technical and Agricultural
Inputs to the Small Farmer through organized
agricultural input service Comapnies" Jun. 20
- *28. Memo From L. J. C. Evans "Agricultural Input
Service Comapnies - H. P. Nanda's Proposal" Jul. 3
- *29. Memo From G. Votaw "Canadian Aid for
Agricultural Development Projects" Jul. 20

30. Memo From G. Votaw "The 1966/67 Harvest" Jul. 20
- *31. Memo From J. Channugam "H. P. Nanda's pamphlet on Agriculture Input Service Companies" Jul. 25
32. Correspondence Record form Jul. 25
- *33. Memo From R. Picciotto "Economic Mission (Interium) - Agriculture Back to Office Report Aug. 2
34. Letter from S. R. Sen to Mr. Baneth Jul. 31
35. Letter from William M. Gilmartin to S.R. Sen Aug. 16, 1967
- *36. Letter from E. L. Peterson, Senior Agriculturist, to Mr. M. C. Mehta Agriculture Advisor, Syndicate Bank, Mysore (Mr. Haderlie's Visit to India).
- *37. Memo From E. L. Peterson "Agricultural Developments in India" Jun. 9
38. Letter from N. C. Mehta to E. L. Peterson (Tungabhadra Irrigation Project) Jun. 27
39. Letter from John Oliver to Mr. G. Votaw Sept. 5
40. Cross Reference Sheet "Preferences for Domestic Suppliers" Sept. 6
41. Cross Reference Sheet "Educational Projects" Sept. 8
- *42. Memo From Stanley Please "Fiscal and Financial Market Studies in India & Pakistan Sept. 8
43. Memo From Peter G. Nelson Sept. 13, 1967
44. Letter from Kenneth A. Bohr to Sir John Crawford Sept. 15
- *45. Memo From L. J. C Evans "Agricultural Projects in India - Conditions for Lending" Sept. 20
46. Correspondence Record Form Sept. 22
- *47. Letter from William M. Gilmartin to Sir John Crawford (Report on India - comments) Sept. 28
- *48. Memo From R. Picciotto "Income and Price Elasticities of Foodgrains Demand" Oct. 4
- *49. Memo from R. Picciotto "Foodgrains" Oct. 10

50. Letter from G. Votaw to James Taylor Oct. 13
51. Memo From L. W. Bartsch "Program Reports" Oct. 13
- *52. Tables: India - Agricultural Exports -
Re Exports and Imports
- *53. Memo From G. Votaw "Possibility of Sweden
Joining Consortium" Oct. 17
54. Cross Reference Sheet "Senior Staff Meeting" Oct. 23
- *55. Memo From B. R. Bell "Conditions for Lending
to India" Nov. 2
- *56. The Companies Act, 1956 - Public Limited
Company Limited by Shares - Memo of Association
of Agricultural Finance Corporation Limited."
- *57. Letter from R. Pantanali to G. B. Votaw
"Agriculture Finance Corp." Nov. 2
58. Memo From Chadenet "Conditions for Lending
to India" Nov. 6
59. Letter from Basil Kavalsky to Mr. Robert
Picciotto" Nov. 8
60. Memo From A. F. Kirk "Agricultural Finance
Corp." Nov. 9
- *61. Memo From G. Von Goutard "Agricultural
Finance Corp." Nov. 17
62. Memo From I. R. Ezgas Dir. FAO/IBRD Cooperative
Program - "Mineral and Ground Water Survey in
Selected Areas of Orissa" Nov. 10
63. Letter from G. de Lusignan, Programme
Coordination Officer FAO/IBRD Cooperative
Program to Peter G. Nelson Nov. 18
64. Memo From Basil Kavalsky "Fertilizer Use and
Record Harvests" Nov. 21
- *65. Memo From W. H. Cummings "India's Crop Forecast,
1967/68 Crop Year" Nov. 28, 1967
- *66. Letter from I. H. Ergas to L. J. C. Evans Asst.
Dir., Projects, IBRD - "Discussions with Indian
Delegates." Dec. 5

- *67. "Notes on the Processing and Marketing of Cashew Nuts in Portuguese India" (written in 1937) Dec. 13
- 68. Letter from Shirley Ogburn, Mr. Votaw's Secretary to Jean Baneth Dec. 19
- *69. Memo From Davison L. Budhoo "Agricultural Credit" Dec. 21
- *70. Letter from Robert Picciotto to G. B. Votaw. (Comments on Canadian Task Force, etc.) Dec. 22
- *71. Letter from William Gilmartin to G. B. Votaw (Proposal of Kusum Nair on Agricultural Improvement in India) Dec. 26

CONSORTIUM MEETINGS

①

FILE NO.

FROM.

TO.

AGRICULTURE PROJECTS GEN — TV — 1967.

SN	SUBJECT	DATE
1.	Memo from G. Notaw "Taxes on Agriculture"	Feb 23, 1967
2	Memo from SS Katz "Agriculture"	Feb 24
* 3	Confidential: Economic Committee "Sub Committee meeting - India" - Memo to files.	Feb 28
4	Cross Reference Sheet from Bantamah - Seeds Projects	Mar. 28
5	Letter from AA Johnson to Donald Mitchell (Chief of Irrigation - World Bank)	Apr. 6.
6	Letter from DG Mitchell to AA Johnson.	Apr. 13.
* 7	Memo from Bilal Bilsel Ahsbah "Some agricultural thoughts in connection with debt relief"	Apr. 14
* 8	Cross Reference Sheet from Mr Bohr "Summary of Discussions between Mr. Friedman and Indian officials - New Delhi - Apr 18, 19. "	Apr May 8.
* 9.	Memo from GB Notaw "Mr. Woods meeting with V. Naik, Chief Minister, Maharashtra, May 4"	May 9.
* 10	Memo from J. David Dudd "Agricultural input Service Companies - H.P. Nanda's Proposal"	Jun 20.

CONSORTIUM MEETINGS

②

FILE NO.

FROM.

TO.

SN	SUBJECT	DATE
* 11.	Letter from Romano Kutevski to GB Votaw (meeting with Ashok Mehta, financing of irrigation projects) -	Jun 20, 1967
* 12	Memo from LT. S. Sonley to Mr Takashahi. - "Agricultural Input Services - H. Nanda's proposal"	Jun 23.
13	Memo from Chief office of Int'l Activities WRD (US dept of Interior) to Mr. LW Bartsch, IBRD. "Water Resources Investigation Program for upper Gangetic plain"	Jun 23
* 14	Memo from LTC Evans "India - Economic Mission - Agriculture Terms of Reference"	Jun 23
15	Letter from LW Bartsch to Mr. GC Taylor. (US Dept. of Interior)	Jun 26

CONSORTIUM MEETINGS

3

FILE NO.

FROM.

TO.

S No	SUBJECT	DATE
* 16	Memo from R. Pantanali - Mr. Woods meeting with Mr. Jagjivan Rain, Minister of Food & Agriculture - May 6.	May 10.
A 17	Letter from Romano Pantanali to GB Votaw (Follow up on meeting with Mr Mehta)	May 22.
* 18	Letter from JB Crawford to IAN Cargill (Indian Agricultural Development)	May 22.
19	Outgoing Wrie from Votaw. (Irrigation lending)	Jun. 2.
20	Incoming Wrie from Pantanali (Irrigation Projects).	Jun 5.
* 21	Letter from Romano Pantanali to Mr. GB Votaw "UP Agricultural Development Projects"	Jun. 5.
* 22	Letter from Romano Pantanali to GB Votaw - Irrigation Loans.	Jun - 6.

CONSORTIUM MEETINGS

④

FILE NO.

FROM.

TO.

SN	SUBJECT	DATE
23	Letter from G. Notaw to Sir. Craispid. (mission to India)	Jun 30, 1967
* 24	Letter from G. Notaw to Romano Pantunah: (Canadian Govt. and tubewell development in Bihar State)	Jul. 3.
* 25	Memo from LJC Evans. "Agricultural Input Service Companies - HP Nanda's Proposal"	Jul. 3.
* 26	Memo from G. Notaw "Completion & Management of Major Irrigation Projects"	Jul. 3.
* 27	Memo from LW Bartoch "Completion and Management of Major Irrigation Projects"	Jul. 11.
* 28	Memo from TD Dodd "Agricultural Input Services - HP Nanda's Proposals". attached - Booklet on "Reach the Technical and Agricultural and inputs to the Small Farmer through Organized Agricultural input Service Companies".	Jun. 20.

CONSORTIUM MEETINGS

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FILE NO.

FROM.

TO.

SN _o	SUBJECT	DATE
* 28	Memo from dTC Evans "Agricultural Input Service Companies - HP Nanda's proposal".	Jul. 3.
* 29	Memo from G Volaw "Canadian Aid for Agricultural Development projects".	Jul. 20.
30	Memo from GP G Volaw "The 1966/67 Harvest".	Jul. 20.
* 31	Memo from J. Channugam "HP Nanda's pamphlet on Agriculture Input Service Companies".	Jul. 25
32	Correspondence Record Form.	Jul. 25
* 33	Memo from R. Picciotto "Economic Mission (Interim) - Agriculture Back-to-office-report".	Aug 2.
34	Letter from SR Sen to Mr. Baneth	Jul. 31

CONSORTIUM MEETINGS

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FILE NO.

FROM.

TO.

SN	SUBJECT	DATE
35	Letter from William W. Gilmartin to SK Sen.	Aug. 16, 1967
* 36	Letter from El Peterson, Senior Agriculturist, to Mr. NC Mehta, Agriculture Advisor, Syndicate Bank, Mysore (Mr. Haderlie's visit to India).	Jun '9.
* 37	Memo from El Peterson "Agricultural Developments in India"	Jun '9.
38	Letter from NC Mehta to El Peterson (Jungabhadra Irrigation Project)	Jun 27
39	Letter from John Oliver to Mr. G. Notaw	Sept. 5.
40	Cross Reference Sheet "Preferences for Domestic Suppliers"	Sept. 6.
41	Cross Reference Sheet "Educational Projects"	Sept 8.
* 42	Memo from Stanley Rease "Fiscal and Financial Market studies in India & Pakistan"	Sept 8

CONSORTIUM MEETINGS

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FILE NO.

FROM.

TO.

SN	SUBJECT	DATE
43	Memo from Peter G Nelson.	Sept. 13, 1967
44	Letter from Kenneth A Boher to Sir John Crawford.	Sept. 15
* 45	Memo from LTC Evans. "Agricultural projects in India - Conditions for lending"	Sept. 20
46	Correspondence Record Form.	Sept. 22.
* 47	Letter from William W. Gilmarin to Sir John Crawford (report on India - comments)	Sept. 28.
* 48	Memo from R Piccolto "Income and Price elasticities of Foodgrains Demand"	Oct. 4.
* 49	Memo from R Piccolto "Foodgrains"	Oct. 10.
50	Letter from G. Votaw to James Taylor.	Oct. 13.

CONSORTIUM MEETINGS

⑦

FILE NO.

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51	Memo from LW Bartsch "Program reports".	Oct 13.
*	52 Tables :- India - Agricultural Exports - Re Exports and Imports.	
*	53 Memo from G. Votaw "Possibility of Sweden Joining Consortium".	Oct 17
54	Cross Reference Sheet "Senior Staff Meeting".	Oct 23.
*	55 Memo from BR Bell "Conditions for lending to India".	Nov 2.
*	56 "The Companies Act, 1956 - Public limited company limited by shares - Memo of Association of Agricultural Finance Corporation limited".	
*	57 Letter from L. Pantanali to GB Votaw - "Agriculture Finance Corp".	Nov 2.

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CONSORTIUM MEETINGS

FILE NO.

FROM.

TO.

S No	SUBJECT	DATE
58	Memo from Chadenet "Conditions for lending to India".	Nov 6.
59	Letter from Basil Kavalsky to Mr. Robert Picciotto #.	Nov 8.
60	Memo from AF Kirk "Agricultural Finance Corp".	Nov 9.
* 61.	Memo from G. Von Goutard "Agricultural Finance Corp".	Nov 17.
62	Memo from IR Ergas # Dir. FAO/IBRD Cooperative Program # - "Mineral and Ground Water for Survey in selected areas of Russia".	Nov 10.
63	Letter from G de Lusignan, # Programme Coordination Officer FAO/IBRD Cooperative Program to Peter G. Nelson.	Nov 18.
64	Memo from Basil Kavalsky "Fertilizer Use and Record Harvest".	Nov 21.

CONSORTIUM MEETINGS

(10)

FILE NO.

FROM.

TO.

SNo

SUBJECT

DATE

*

71

Letter from William Gilmartin
to GB Notaw

Dec. 26

(Proposal of Kusum Nair on
Agricultural improvement in
India)

GENERAL FILES AND COMMUNICATIONS

THIS FILE IS CLOSED AS OF DECEMBER 31, 1967

FOR FURTHER CORRESPONDENCE PLEASE SEE VOLUME V / 1968

Headquarters:
Washington, D.C., U.S.A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
RESIDENT REPRESENTATIVE IN INDIA

7 Sardar Patel Marg · New Delhi

Telephone 30152, 30153 · Cable Address - INTBAFRAD NEW DELHI · Postal Address - P.O. Box 416

*Ind Agri Prog
OP files*

Letter no. 334 ✓

December 26, 1967

Mr. Gregory B. Votaw
Asia Department
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington D.C. 20433

Dear Greg,

I am writing about a proposal of Kusum Nair. She is leaving here the end of this month for a one year appointment at Michigan State University in East Lansing. After the year is over, i.e. at the beginning of 1969, she would like to take on a one year assignment for the Bank in India, and she wonders if the Bank would be interested.

What she would like to do is a detailed examination of the high-yielding varieties program and other programs of agricultural improvement including, not only an assessment of progress, but also the implications for farmers outside as well as within the program and for the longer term course and structure of Indian agriculture. She says that within this general idea she would be quite willing to tailor her terms of reference according to the Bank's wishes.

She would propose to spend six months or so on village investigations, a la Blossoms in the Dust, and the remainder of the year in whatever further research would be necessary and in writing a report.

This idea of using Mrs. Nair here for such assignments was mentioned to me some time ago in Washington by Professor Mason. I expressed interest and expected some follow-up from Mrs. Nair but nothing happened until last week when she made the above proposal.

She brought the proposal up at the beginning of an evening's discussion, and I thought at first that it sounded like a good idea. In the course of the evening, however, I began to have some doubts. These doubts arose from her account of her new book (not yet published) which is mostly about Japanese and American agriculture. The implication of the book for India, she said, is that the only hope for Indian agriculture lies in development along Japanese lines, i.e. highly intensive cultivation of small scale holdings. Just how this could be brought off will be left for a later book; and, while admitting she is not too clear on this at present, she is convinced that Japanese patterns will be possible in India only if there is a major reorganization of the agricultural structure - land ownership arrangements, financial relationships, etc. Until this is done, she is convinced that any programs of agricultural improvement,

including the high-yielding varieties and other current programs, can produce only limited and inadequate results.

The point of all this is not whether she's right or wrong (although the Japanese-style transformation is a little hard to envisage), but the strong conviction with which she holds the thesis that her way is the only way to agricultural salvation and that self-sufficiency by any other way, including the present programs, is a will-o-the-wisp. In this frame of mind she may not be the most objective reporter of what's going on.

Nevertheless, I'm not suggesting that we turn down her proposal for 1969 without further consideration. It is most discouraging here to try and get a clear picture of what is happening in agriculture, and a well planned grass-roots survey by Mrs. Nair could well be enlightening and useful, provided it weren't slanted in support of a pre-conceived thesis.

You know Mrs. Nair better than I do and you might also talk about this with others who know her. I think it would be particularly useful to talk about it with Mason. I believe he has read Mrs. Nair's manuscript and discussed it with her. Perhaps he would have an opinion about whether she is so wedded and committed to her thesis that this might unduly colour any assessment she might make of current agricultural policies.

I left it with Mrs. Nair that I would inform the Bank of her proposal and that someone would be in touch with her about it after she gets to Michigan State University. She will be there in early January. Her address will be:

c/o Asian Study Center
Michigan State University
East Lansing
Michigan 48823.

She said she would be glad to come to Washington if the Bank wanted further discussions with her. She would like to get some reaction from the Bank in the near future because she wants to start working on other plans for 1969 if the Bank is not interested. I told her of the Bank policy which precludes staff members from working on their own countries and said that this might stand in the way of her proposal.

I hope that after getting Peter's, Mason's and perhaps others' views ~~on~~ ~~this~~ you will be better able than I seem to be to come to some decision on this. If so, let me know and I will inform Mrs. Nair - or you can tell her directly. If you want to pass the buck back here, then also pass us yours and others' reactions.

It was very thoughtful of you to send us the Christmas greetings and everyone here joins me in saying likewise with thanks and our best wishes to the India Division for the New Year.

Sincerely,



William M. Gilmartin

c.c. Mr. Votaw

Headquarters:
Washington, D.C., U.S.A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
RESIDENT REPRESENTATIVE IN INDIA

7 Sardar Patel Marg · New Delhi
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Op. File*

Detailed reply

Letter No. 331

December 22, 1967

Mr. Gregory B. Votaw
Asia Department
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433

*Approved
for 5/2
(UPJ-subll)*

Dear Greg:

Thanks for sending a copy of Mr. Evans' December 11 memorandum to you on UP Tubewells. Both Gil and I would be interested in seeing a copy of the full mission's report when it becomes available. While I have my hands full with the food outlook, HYVP, seeds, fisheries and statistics, I could try and help on UP, if something can be done from here to facilitate further project missions.

Alex Kirk will report to you in detail about our conversation with Mathur re: seeds. He will also tell you about the very encouraging response of ICI with respect to a possible link-up between Terai and Kanpur. Strangely enough, both the Ministry and ICI seem to be urging us to take a look at credit in seed-receiving areas. I have summarized ICI's point of view in the memo about my talk with Connolly. As for the Ministry, its motivation is not only to increase the size of the project but also to get a long-awaited World Bank endorsement for what it calls the "integrated regional development approach".

Incidentally, the Canadian task force seems to take a bearish view of the current minor irrigation boom. At a briefing session which Wolf, Ken and I attended on December 7, they stressed the high cost of water supplied by small wells, warned that unbridled exploitation of the shallow aquifer carries the danger of premature depletion of supplies and noted that water re-circulation eventually causes salinity. In sum, they joined the chorus and insisted that a detailed survey of groundwater resources was needed. But there was substantial agreement that India cannot afford to wait for results of long-term studies before promoting private tubewell development in suitable areas.

Best regards,

Sincerely yours,

Robert

ack Jan 5

Robert Picciotto

cc: Messrs. Evans
Kirk
Gilmartin

RP:mb

none.
clear from K...??
on dec?
of IARD 1966
IARD refused? Govt cancelled

Agri 92
4. Credit
For
Sunder

OFFICE MEMORANDUM

TO: Files

DATE: December 21, 1967

FROM: Davison L. Budhoo *B*SUBJECT: INDIA - Agricultural Credit

1. The following notes were taken at a meeting organised by AID and held in the State Department on September 15, 1967 to brief the Canadian Team for India on the status of the current AID program for agricultural credit there.
2. An amount of Rs.50 crores is earmarked from U.S. Government's counterpart funds for improving agricultural credit facilities in selected bottleneck fields. Credit will be channelled as follows:
 - (i) For agricultural development through new institutions - Agricultural Development Corporations - to be created at the district level in various states (Rs. 10 crores).
 - (ii) For fertilizer, seeds and pesticides distribution through the Fertilizer, Seed and Pesticides Guarantee Fund which will be administered either through an existing national institution or a new institution to be set up specifically for that purpose (Rs.20 crores).
 - (iii) For private tubewell development through existing Land Development Banks - cooperative institutions operating at the local and district level (Rs.20 crores).

Agricultural Development Corporations

3. Agricultural Development Corporations (henceforth referred to as ADCs) were conceived of as new, private institutional channels for the distribution of credit to farmers. ADCs, it is expected, will function like agricultural banks making loans on strictly commercial criteria. Lending will be for agricultural development in a narrow rather than in a broad sense; for "bottleneck breaking" in strategic sectors - as determined by local Board of Directors - rather than for dispersal over wide fields.^{1/} Amortization periods will be for up to seven years with a minimum interest rate of 10-12 percent.
4. It is expected that states interested in the scheme would submit applications to the DEA for AID funds; this would entail an undertaking on their part to set up ADCs to administer the funds. Each ADC would be a public corporation in its own rights with a Board of Directors consisting of representatives from developmental institutions in the area and from members of the business community ("We would get the 'spark plugs' of the district on the Board" - AID). There will be a minority of government directors on each Board and representatives of the cooperative movement in areas where the latter is strongly entrenched. AID reports that Punjab and UP have already submitted applications for loan funds and have put forward proposals for organising the Board of Directors for the ADCs in the respective states.

^{1/} The AID team specifically mentioned private tubewell development as an area where the ADCs were expected to play a considerable role.

4. The original capital of each ADC would be provided from PL-480 counterpart funds, and growth would be financed by profit blough-back. It is still a moot point whether AID should try to get the government to provide matching funds for the ADCs; the consensus of opinion, however, seems to be that this would tend to compromise the concept of freedom from official control and may lead to undesirable delays in getting the scheme started. In India little thought had been given so far to the possibility of ADCs accepting deposits but this was a distinct possibility. It was anticipated that Rs. 10 crores would be quite sufficient, given the volume of expected acceptable loan business in the initial period, for operations during the first two years of the scheme. No decision had as yet been taken as to whether the initial AID outlay was to be a once and for all 'shot in the arm' or whether more funds could be provided for further expansion in future years.

Fertilizer, Seed and Pesticides

5. Guarantee Fund - Rs. 15 crores of the Rs. 20 million crores earmarked for this fund will be used to provide refinance facilities for loans made by commercial banks to private wholesale distributors of fertilizer, seeds and pesticides. The remaining Rs. 5 crores will be utilized as a guarantee fund providing risk guarantee of 65 percent on loans made, again only to wholesalers. No guarantee is provided the latter for credit extended to retail customers.

6. A decision has not as yet been taken as to the best existing organization with which to lodge this function. The Agricultural Refinance Corporation had seemed a likely candidate but recently a difference of opinion between AID and the Corporation had emerged as to the desirability of splitting the guarantee between the Fund and other non-Bank financial intermediaries which had shown some interest in this field. As a consequence, AID would either have to look elsewhere for a suitable medium or set up a new national organization itself.

7. Rs. 20 crores will be distributed to existing Land Development Banks - cooperative institutions operating in the medium and long term end of the agricultural loans market - for relending to enterprises concerned with the sinking and development of private tubewells ("by so doing we hope to prevent them from buying Russian equipment" - AID). AID hopes to enlist the services of the Central Land Development Banks' Cooperative Union - a trade association of cooperatives - as a medium for the provision of technical services and advice to recipients of loans made out of the AID allocation.

General

8. The Government of India favored the refinance and guarantee fund idea and the use of existing Land Banks to distribute credit rather than the establishment of new institutions as implied in the concept of ADCs. AID expressed the wish, however, to "get on with detailed negotiations with the Indians simultaneously along all three fronts." AID wants to begin all three programs at the same time in order to have a 'maximum impact effect' on agricultural credit in its chosen fields. Release of the funds for the above purposes does not require congressional approval.

cc: Messrs. Evans, Votaw; New Delhi Office.

9-d Agri.
9-

December 19, 1967

Letter No. 300 ✓

Mr. Jean Baneth
International Bank for
Reconstruction and Development
P. O. Box 416
New Delhi, India

Dear Mr. Baneth:

Enclosed please find the original translation and one photostat copy of "Notes on the Processing and Marketing of Cashew Nuts in Portuguese India."

As you will recall Mr. Goodman brought the original report with him when he returned to Washington, and it was sent back to you immediately after translation.

We are retaining copies for Operational Files and our Division Files.

Wish everyone in the office a Merry Christmas and a Happy New Year!

Sincerely yours,

Shirley Ogburn
(Mr. Votaw's Secretary)
Asia Department

Enclosures (2)

S/O
/sao
IBRD

NOTES on CASHMERE
Mktg. Portuguese INDIA

(Written in 1937)

NOTES ON THE PROCESSING AND MARKETING OF CASHEW NUTS
IN PORTUGUESE INDIA

The cashew nuts exported through the customhouses of India fall into two types: unshelled and shelled.

The table of cashew exports over the past five years, presented later, shows that exports of rough, i.e. unshelled, cashews have been declining steadily.

There is a clear tendency for cashews to be marketed after shelling, so much so that in the year just ended (1936) no unshelled cashew nuts at all were exported.

The shelled cashew nuts are marketed following preparation in the nine factories located in various parts of Goa, in places with ready access to the waterways and where the labor needed to process them can be hired without difficulty.

As raw material for processing, these factories buy local cashews grown in Goa, as well as nuts imported from Mozambique. Import volumes are given in the table at the end. Part of these imports, up to 1935, took place under a system of temporary importation.

After purchase of the nuts, which are packed in jute sacks each containing 4 mãos (1 mão = 32 lbs) of Goa cashew nuts and 5 mãos of Mozambique nuts, they are stored in the factory storehouses to prevent spoilage during the rainy season.

I

PROCESSING

1. Parching of the nuts

From storage the nuts are sent for parching (assadura = prercoasting), which is done in a corrugated zinc drum 3 m long and 1 m in diameter, the entire surface of which is perforated with 1-cm diameter holes spaced 30 cm apart.

This drum, which is renewed each month, is placed slightly tilted (at 20 to 25 degrees) over an oblong pit and supported on two steel spindles; the drum is then rotated by means of a crank, with leverage supplied by a system of gears.

In the pit is a very large brazier, the fuel being supplied by the shells of the nuts themselves. About one hour before parching begins, the flame is lit, after which it burns continuously.

Once the drum is well heated, the nuts are put inside, and rotation continues. The nuts are checked for parching through the opening at the lower end of the drum. On leaving the drum after parching, the nuts pass through a jet of water from a manually operated pump.

2. Shelling the nuts

The parched nuts are then taken to a large shed with a cement floor, containing flat-topped blocks of granite or quartz two meters apart (the tops of these blocks measure 20 cm square). Seated by each block is a woman or child with a heavy round stick of bamboo or some other wood (rather like the truncheons or nightsticks used by the police).

Next, the nuts are distributed among all the people working in the shed.

Each person then places the nuts one at a time on top of the stone block and splits them with the stick to separate the shell (pericarp) from the nut.

This is done on a piecework basis, 2-1/2 tangas ^{ms} being paid for every 6 lbs of nuts obtained from the split pericarps; thus, in an 8-hour working day a woman or child can earn a wage of 4 to 6 tangas, depending on output.

In the monsoon season, when a factory of the capacity described below is fully occupied, from 375 to 400 women and children are employed in this operation alone.

3. Roasting the nuts

After the pericarp has been split and the cashew nut separated, the nuts are placed in perforated oil drum halves or in wire baskets, which are put into a special oven or stove and conveniently arranged. The nuts are then lightly roasted, which at the same time makes it easier to remove the skins.

The furnace or stove is a masonry structure with a cement lining on the inside walls. Above the boiler is a large steel box divided into a number of shelves or compartments.

The halves of the drums or wire baskets containing the nuts are placed in the compartments of the metal box, where they are exposed for about four hours to a slow heat, which produces light roasting but does not remove their whitish color; this process has to be carefully controlled by a person with practical experience in the art.

4. Skimming

After roasting, the nuts are cleaned by removing the skin (epicarp); this is done at a piecework rate.

* T.N.: Webster gives a tanja as equivalent to 1/16 of a rupee.

For this purpose, the nuts are first weighed and then handed over to the workers, again women and children, who take them to their homes each day in quantities that they can clean with the help of other family members. The payment for this work is at the rate of 6 reis (pl. of real) for every pound of whole nuts cleaned. In calculating the payment due, any nuts broken during cleaning are disregarded although the broken nuts also have to be returned to the factory.

On this operation, which is laborious, each factory of the kind described below will employ from 400 to 450 persons a day, most of them women, during the peak period.

5. Selection and grading of nuts

When the nuts have been returned to the factory after skinning and are completely clean, they are sorted for grading purposes, taking account of size, color, quality, whether whole or broken, etc.

They are then divided into the following nine grades:

Grade 1: Jumbo Whole (205-215 count)

(For each pound weight this grade must contain 205 to 215 whole nuts free of flaws.)

Grade 2: Extra Fancy Whole (235-245 count)

(Contains 235 to 245 whole nuts, free of flaws, per lb.)

Grade 3: Raja Whole (300-320 count)

(Contains 300 to 320 whole nuts, free of flaws, per lb.)

Grade 4: Standard Whole (360-400 count)

(Contains 360-400 whole nuts, free of flaws, per lb.)

Grade 5: Fancy Broken Tips

(Comprises nuts which, though almost whole, have minor flaws, such as small pieces missing or small ridges, etc.)

Grade 6: Fancy Splits

(Comprises halves split crosswise across the center.)

Grade 7: Fancy Broken

(Comprises halves split lengthwise.)

Grade 8: Standard Broken

(Comprises halves of Grade 6 nuts.)

Grade 9: White Chips

(Comprises very small pieces of nuts broken off during preparation and cleaning.)

This very delicate and important job is done under the supervision of a foreman skilled at the trade; it employs 50 to 60 women a day, who are paid at piecework rates, i.e. on the basis of output.

6. Packaging and boxing for export

After grading, the nuts in each grade are packed in tinsplate cans holding 25 lbs each, which are then marked with the corresponding inscriptions in accordance with the specimens attached to this report.

The cans containing the nuts are then vacuum-sealed. (Conventional process).

Next, the cans are packed into pine boxes, two in each. The boxes, which are made from pine planks imported from Cochin (British India), are of the following dimensions: 21 inches (54 cm) long, 10-1/2 inches (27 cm) wide, and 1 1/4 inches (36 cm) deep.

The cans, which are the same size as the oil drums (cap. 4 gallons), are bought by some factories from Standard Oil Co. or Burmah Shell Co. in Mormugão. Other factories make the cans they need in their own workshops, using tinsplate imported direct from Bombay.

7. Use of byproducts (waste)

During the parching process a viscous oil is released. However, since the quantity involved is too small to permit large-scale exploitation, additional oil is extracted from the pericarp or shell after the nut has been removed. For this, a very simple process is used: steel pipes or barrels (crude oil drums) are filled with cashew shells, after the bottoms of the drums have first been drilled with holes 5 mm in diameter. The barrels are placed above pits and subjected to relatively high temperatures. Next, the fire is extinguished and a receptacle placed on the ashes to catch the oil draining out of the barrels.

To increase the oil recovery rate, the shells in the barrels are stirred (or kneaded) under pressure.

Cashew oil is a powerful insecticide and an effective wood preservative. It sells locally for Rs 3:08:00 per 4-gallons can. 20 sacks of cashew shells are needed to produce one such can of oil. The cost of extracting the oil works out at about Rs 70 per 100 cans of oil.

The skin around the nut and all other processing wastes are utilized as organic fertilizers.

II

COST OF ESTABLISHING A FACTORY; ITS ECONOMICAL CAPACITY

The data on the number of persons employed in the various operations mentioned above were obtained from a factory which cost roughly Rs 20,000 to build.

Apart from this labor force, which is variable in size and is paid piecework rates, the factory employs 20 to 25 skilled operatives, 6 to 8 foremen and inspectors, and a manager, all of whom are regular employees on a monthly salary.

It is during the monsoon season that the factory is busiest. At this time, 50 to 60 sacks of cashew nuts are parched daily, each sack containing 4 to 5 mēos, or from 128 to 160 lbs.

The total volume of unshelled cashew nuts processed in the same factory averages 720 to 750 tons annually; in this particular case, some 40 percent of the nuts is locally grown (Goa) and 60 percent imported from Mozambique. Some other factories used a greater proportion of local cashew nuts.

Starting from the above volume of cashew nuts in the raw state (unshelled), the factory in question produces 8,000 to 9,000 boxes of shelled nuts, containing 16,000 to 18,000 25-lb cans, which are exported to the United States, France and Germany (New York, Boston, Marseilles and Hamburg).

III

COST OF BUYING AND PROCESSING LOCAL CASHEWS

The expenditure in Goa itself can be estimated as follows:

a) Cost of a <u>candil</u> (20 mēos or 640 lbs) of raw cashew nuts:	45:00:00
b) Cost of transportation to factory	1:08:00
c) Cost of shelling and processing	10:00:00
Total	<u>56:08:00</u>

The expenses incurred by the companies in British India on each candil are greater than the expenses incurred in Goa on account of the freight to the port of Mormugão, which is the collecting point for the Guntur district (British India). The cost differential works out at about 8 or 9 rupees per candil of shelled cashew nuts.

It should be mentioned that in British India the cost of processing the cashew nuts is lower than in Goa by from 1:08:00 to 2 rupees per candil.

IV

COMPARATIVE YIELD OF CASHEW NUTS FROM GOA
AND MOZAMBIQUE WHEN PROCESSED

a) Upon processing, a candil of Goan cashew nuts yields from 20 to 25 percent on a weight basis, whereas cashews from Mozambique invariably yield from 4 to 5 percent less.

b) Because of its superior quality the Goan cashew sells at a premium of 7 to 10 shillings a hundredweight (42 lbs - sic) in the American and European markets.

c) Whereas a candil of Goan cashews (640 lbs) yields 160 lbs of nuts, which after processing give 80 to 85 lbs of choice-quality and 50 to 55 lbs of inferior grade nuts, the cashews from Africa yield 65 to 70 lbs of top-quality nuts, although still inferior to those from Goa, and about the same quantity of nuts of ordinary quality.

V

EXPORTS OF CASHEW NUTS THROUGH CUSTOMHOUSES IN
PORTUGUESE INDIA IN THE LAST FIVE YEARS

Year	Unshelled cashew nuts		Shelled cashew nuts	
	Volume in m̄os*	Value in rupees	Volume in m̄os*	Value in rupees
1932	23,601	97,736	10,536	295,745
1933	(copy remaining figures, changing periods to commas)			
Average:				

* The Indian m̄os used in this table are equivalent to 37.32 kg.

VI

CASHEW NUTS FROM AFRICA

When it became apparent that local cashew production would be too small to keep the shelling and preparation workers more or less continuously employed, the Government authorized the temporary importation of unshelled cashews and granted a differential of 75 percent, upon re-export following processing, which was estimated to be the average difference between unshelled cashew nuts and the reduction needed to enable them to be exported at competitive prices with every guarantee of placement in the foreign markets concerned.

Re-exports of unshelled cashew nuts

Year	Volume in m̄os	Value in rupees
1932	10,619	312,110
(copy remaining figs.; points = commas)		

Volume of unshelled cashew nuts imported from Mozambique via Bombay by companies in Goa

Year	Volume in <u>ceiras</u> *	Value in rupees
1932	620,910	47,179
1933	(copy remaining figs., as above)	
1934		
1935		
1936		
Yearly average	15,456.5 Indian m̄os	56,233

* Evidently a ceira is one-fortieth of a m̄o (Indian "seco").



FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS

Via delle Terme di Caracalla ROME

Cables: FOODAGRI ROME

Telex: 61181 FOODAGRI

Telephone: 5797

Ref. BK-3/2.1 IND

Projects Dept. Correspondence

ANS'D BY -----

DATE -----

Letter No. 00381

DEC. 5 1967

*Collected 1/9
No. 6*

Dear Jim,

Subject: India - Discussions with the Indian Delegation

Last Friday, Mr. J.C. Mathur, Additional Secretary, Ministry of Food, Agriculture and Community Development, who was a member of the Indian Delegation to the FAO Conference, came to discuss with us the status of the agricultural projects presently under preparation or consideration for Bank financing. Mr. Mathur asked a number of questions which we tried our best to tackle, except the few that related to the Bank position. The main points that emerged in the course of his discussions are summarized in this letter.

U.P. Agricultural Development Project

Mr. Mathur was particularly anxious to know the stage of consideration of this project, having heard from some unknown and devious source that the Bank was thinking of withdrawing its interest in it. He mentioned that the Central Government was under pressure from the U.P. State Government to include this project in the next year's annual plan and provide budgetary resources starting from fiscal 1968-69. Under the circumstances, the Government of India is in a very awkward situation in making any commitments without knowing firmly whether the Bank would finance this project in some form or other. We on our part indicated to him that the appraisal report was still under preparation and that we were not aware of any negative decision having been taken in the Bank in respect of this project. Further, John Clark indicated to him some of the aspects of the project in respect of which further information was awaited. Mr. Mathur stated that the matter could certainly be expedited by him if copies of letters addressed to U.P. Government were also sent to him.

The discussion left me with one reaction, namely, that a high priority could be attached to finishing the appraisal report so as to enable the Bank to take a broad but final position on this project.

Mr. L.J.C. Evans
Assistant Director - Agriculture
Projects Department
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Dornell (2)/..
Votaw
Gunniers (second para)

Ind Agri Dept
x VP
x Seeds
x Fish
x Project

E

U.S.A.
 Washington, D.C. 20533
 1818 H Street, N.W.
 and Development
 International Bank for Reconstruction
 Projects Department
 Assistant Director - Agricultural
 Communications
 Mr. P.L.C. Evans

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1967 DEC -9 PM 12:00

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 Agricultural and Community Development, who was a member of the Indian Delegation
 last Friday, Mr. P.L.C. Mathis, Assistant Secretary, Ministry of Food,

Subject: India - Discussions with the Indian Delegation

Dear Sir,

DATE

AMSD BY

Projects Dept Correspondence

DEC 2 1967

Letter No. 00381

BK-3/S.I IND

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OF THE UNITED NATIONS
 FOOD AND AGRICULTURE ORGANIZATION

ORGANISATION DES NATIONS UNIES POUR
 L'ALIMENTATION ET L'AGRICULTURE



ORGANIZACION DE LAS NACIONES UNIDAS
 PARA LA AGRICULTURA Y LA ALIMENTACION

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U.P. Seeds Project

We informed Mr. Mathur that the Bank would be willing to appraise this project as soon as it received a letter from the GOI. We also suggested that in order to expedite matters, the GOI might consider sending a request to the Bank attaching the present project report prepared by the Programme, but at the same time indicating in the letter the aspects of the project on which they intended to make certain changes. This would save time because the Government would not have to re-do some of the calculations and prepare a new draft and would also serve to indicate to the Bank Appraisal Mission the Government's views about lines of change. Mr. Mathur took note of this suggestion and indicated his personal agreement with this approach.

Fishery Project

On the India fisheries project we showed him the position we have taken in my reply to Mr. Sivaraman, a copy of which has already been forwarded to you. Mr. Mathur, on his part, agreed that an appropriate time for the visit of the next mission from our side would be early 1968.

In the course of discussion Mr. Mathur also asked questions on the outcome of **consideration** of financing of the Punjab Flood Control and Irrigation Project. He said that GOI had taken action along the lines of negotiation with the Bank, and that it was now in a most embarrassing position. We took note but made no operational comment; there were none we could make.

With warm regards,

Yours sincerely,



I.H. Ergas
Director

FAO/IBRD Cooperative Programme

Mr. L.J.C. Evans (through Mr. Bartsch)

November 28, 1967

W.H. Cummings

INDIA's Crop Forecast; 1967/68 crop year

1. The minutes of the Senior Staff Meeting held on October 23 (paragraph 11) reports Mr. Subramaniam's statement that Delhi estimates are "nearer 100 million tons than the previous estimate of 95 million tons."
2. Undoubtedly a better documented report on India's crop prospects will come from the Delhi office once Roberto gets his bearings along with other new staff.
3. In the interim, I suggest that even a 95 million ton crop should be taken as an optimistic estimate.
4. The monsoon stopped abruptly in east India in the third week of September. More than two-thirds of the rice crop of West Bengal, Orissa, Bihar and U.P. is dependant upon rainfall. The lack of effective rainfall in late September and early October will reduce considerably the grain out-turn of the paddy crop which was in excellent condition up to that time. In Madras, there is considerable irrigated paddy, but the very light monsoon has not filled all the tanks and reservoirs. Three crop areas expect to produce two crops, double crop areas, one crop and the single crop areas may not realize a "normal" yield.
5. The forecast covers the rabi crop which is just being sown. The early break off of the rains has not left a high level of residual moisture in the ground. A good winter crop is dependant upon winter rainfall which is notoriously fickle. There were a few showers near Delhi on November 19 that benefited the rather limited area they covered.
6. With respect to fertilizers, the Sone Project area reported receiving about 50 percent of effective demand for the kharif crop. The stocks on October 31 for the rabi season were 36,000 tons for an area of about 600,000 acres. Farmers are reported to be sowing Mexican wheat only to the extent that they can get fertilizer.
7. I had a short discussion with Wolf just before leaving Delhi and he is somewhat concerned that Delhi is perhaps over optimistic about crop prospects this year and are saying that summer is here because someone has seen the first robin!

WHCummings/nm
IBRD

Agri

Mr. Gregory Votaw

November 21, 1967

Basil Kavalsky

Fertilizer Use and Record Harvests

Here are some back of the envelope calculations. Fertilizer distribution was 800,000 tons in 1965/66. It is fair to assume that it was about 20 percent less in 1964/65--say 720 million tons. In 1967/68 the projected fertilizer distribution is 2,150,000 tons. Thus about 1,430,000 tons more fertilizer will be used in order to get 6 million tons more grain production. The extra fertilizer will be almost all imported at a foreign exchange cost of \$280 million. Taking grain at an average price of \$60 a ton, the extra 6 million tons would be worth \$360 million so it could be looked on as yielding a return of nearly 30 percent, assuming (incorrectly) that the only additional input was fertilizer.

Having looked at the figures, the next thing to do is to forget them and ask Bob Picciotto to take a closer look at the whole question.

cc: New Delhi Office

BKavalsky/pop

[Handwritten signature]



J. d. Agui

FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS

Via delle Terme di Caracalla ROME

Cables: FOODAGRI ROME

Telex: 61181 FOODAGRI

Telephone: 5797

Ref. SF 4/1 IND/95

Of. Files

Letter No. 00350

Projects Dept. Correspondence

ANS'D BY _____

not required
Z.D.

NOV. 18 1967

DATE _____

Ad. 11/21 No. 373

Dear Peter,

Subject : India - Mineral and Groundwater Survey
in selected areas of Orissa

...

I have pleasure in enclosing herewith copy of our comments
on the above request.

Yours sincerely,

G. de Lusignan
Programme Coordination Officer
FAO/IBRD Cooperative Programme

Mr. Peter G. Nelson
Agriculture Division
Projects Department
IBRD
1818 H Street NW
Washington D.C. 20433

NOV 18 1967

COMMUNICATIONS

1967 NOV 21 AM 8:42

Washington D.C. 20433
1818 H Street NW
IBRD
Projects Department
Agriculture Division
Mr. Peter G. Nelson

EVO/IBRD Cooperative Programme
Programme Coordination Officer
G. de [unclear]

[Handwritten mark]

Yours sincerely,

on the above referred

...

I have pleasure in enclosing herewith copy of our comments

in respect of the above

Subject: India - Mineral and Groundwater Survey

Dear Peter,

[Handwritten notes and signatures]
DATE 11/15/67
VISED BY [unclear]
Projects Dept. Correspondence
[Signature]

NOV 18 1967

Letter No.

00320

Ref:

SE 4/1 31/67

Via delle Terme di Caracalla ROME

Carre: FOODAGRI ROME

Tele: 6111 FOODAGRI

Tele: 6111

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ALIMENTATION ET L'AGRICULTURE
ORGANISATION DES NATIONS UNIES POUR



PARA LA AGRICULTURA Y LA ALIMENTACION
ORGANIZACION DE LAS NACIONES UNIDAS

[Handwritten mark]

Mr. J.P. Huyser
Director, Technical Assistance Coordination

10 November 1967

I.R. Ergas
Director, FAO/IBRD Cooperative Program

India - Mineral and Groundwater Survey in selected areas of Orissa (IND/95)

With reference to the above project, I wish to advise you that it does not appear to be of any immediate interest to the Program and we have no comments to make.

SP 4/1 IND/95

cc. Bhattacharjee
Mahajan (EB) - C-358
de Laignan (2)
Reg. (4)

Agronomy
X Ind. Seeds
Proj.

Mr. Don Stoops

November 17, 1967

G. von Gontard *G*

see yellowed
ag. manual

INDIA - Agricultural Finance Corporation

1. Below are my comments on the attached Memorandum of Association of the new Agricultural Financial Corporation, whose formation was recently announced in the press. Members will be Indian private banks which will enter with the Corporation the agricultural investment field for the first time in a sizable scale.

2. The Memorandum of Association gives wide scope to investment banking including deposit banking in agriculture and closely associated operations. It is too early to form a judgment, but it would seem that the Corporation could be usefully involved in future Bank projects or be eligible for Bank assistance.

3. GOI favors the participation of public resources in the equity in the Tarai Development Corporation (TDC) of the proposed Indian seeds project. Our view is that this organization should be a private enterprise. The Agricultural Finance Corporation could, for instance, be invited to subscribe share capital in TDC.

GvonGontard:ceo
Bank

c.c. Messrs. Wapenhans
Darnell
Votaw

Enc:

Ind Agri?

Mr. L.J.C. Evans

November 9, 1967

A. F. Kirk

INDIA - Agricultural Finance Corporation

✓ h.w. 2

Attached for your information is a copy of Letter 272 from Romano Pantanali and the attachment referred to therein. We would appreciate having any comments you may have.

cc: Mr. Votaw on return
Mr. Budhoo

AFK/bj

DK.

Aquig

November 8, 1967

✓
No. 252

Mr. Robert Picciotto
International Bank for Reconstruction
and Development
7 Sardar Patel Marg
P. O. Box 416
New Delhi, India

Dear Bob:

I hope everything is going smoothly with your settling down in New Delhi. My present plans are to arrive on December 5th, and I look forward to seeing you then.

The enclosure was prepared by Sir John Crawford in response to a request from Greg Votaw and Ben King at the Economic Sub-Committee Meeting on the May report. The general question was "How can progress in Indian agriculture be assessed?" The response is in terms of what items should be looked at. Greg had hoped, however, for something more specific in terms of physical targets provided by Sir John with which actual achievements could be compared. He suggests that since you will be covering many of these aspects in your initial discussions in New Delhi, it might be possible for you to put something together along these lines. We have also been focusing at this end on the general problem of statistical gaps and inadequacies and any suggestions you have about this with specific reference to agriculture will be willingly received at this end.

Best regards to all,

Basil Kavalsky

Enclosure

BKavalsky/pop *[Signature]*

IBRD/lh

2 copies of memo -
X Transport
~~Agre~~
X Prof. Dr. S. J.
X Jule

November 6, 1967 *Conrad*

Mr. I. P. M. Cargill

B. Chadenet - B. Chadenet

Conditions for Lending to India

hw2

With reference to your recent conversation with Mr. Aldewereld about lending in India, I am sending you herewith a copy of the memorandum on this subject. Mr. Aldewereld has told me that on account of the importance of this matter he has sent copies to Mr. Woods and Mr. Knapp.

BChadenet:jfh

Attachment

c.c. Mr. Aldewereld

Mr.

Agricultural Finance
Corporation

Headquarters:
Washington, D.C., U.S.A.



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

RESIDENT REPRESENTATIVE IN INDIA

7 Sardar Patel Marg · New Delhi

Telephone 30152, 30153 · Cable Address - INTBAFRAD NEW DELHI · Postal Address - P.O. Box 416

*John, Kirk
Could you get
Mr. Evans a copy
of his (w/ attachment)
and request his
comments on what
IBRD might do
to help.*

November 2, 1967

Letter no. 272

DP files.

Mr. Gregory B. Votaw
Asia Department
International Bank for Reconstruction
and Development
1818 H Street, N. W.
WASHINGTON, D.C. 20433

Dear Greg,

Agricultural Finance Corp.

I took the chance of my brief visit in Bombay this week to look into this matter. I met there Mr. B.K. Dutt of the United Commercial Bank and Mr. Thackersey, Chairman of the Indian Bankers' Association.

Briefly, this is where the matter stands :

- (i) Attached is a copy of the Articles of Association of the new company, approved last Monday in Bombay;
- (ii) the Corporation will be registered before November 15. 5 crores of their equity capital will be paid up on that day;
- (iii) in the running for the Chairmanship are T.A. Pai and B.K. Dutt. I believe the chances of our friend from Mysore are better. B.K. Dutt, however, is a greatly impressive guy as well, a useful man to know for your future reference;
- (iv) The Corporation will use branches of existing Banks to do their business. It will start with a small central staff in Bombay; they are looking for agricultural experts to fill in some key positions;
- (v) it is not clear as yet if the SBI will participate. They have been invited;
- (vi) an invitation has been extended to foreign banks to join in as well. The matter is not yet settled.

CONSTRUCTION 2

see memo Sept 4 68

*see memo Nov 9
connect
memo. Nov 17
to Sloops from
Va Gated*

RECEIVED
INTERNATIONAL BANK
COMMUNICATIONS

Handwritten notes:
 1. [unclear] [unclear] [unclear]
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(A) Join in as well. The matter is not yet settled.
 An investigation has been extended to foreign banks to

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 It is not clear as yet if the RBI will participate.

(A) Administrative expenses for IIT in some key positions:
 central staff in Bombay: they are looking for
 to do their business. If IIT staff with a small
 The corporation will use branches of existing banks

(A) Large reference:
 imbricate and as well, a meeting was to know for long
 while the matter. B.K. Dutt, promoter, is a director
 B.K. Dutt. I received the services of our friend from
 in the meeting for the settlement with the I.V. but and

(A) first day:
 2 copies of their editorial committee will be held up on
 the corporation will be legislated before November 12.

(A) The new committee, approved last Monday in Bombay:
 Attached is a copy of the articles of association of

Private, this is where the matter stands:

and Mr. Dackert's chairman of the Indian Bankers Association
 into this matter. I met there Mr. B.K. Dutt of the United Commercial Bank
 I took the chance of my first visit in Bombay this week to look

Administrative Finance Corp.

Dear Sir,

WASHINGTON, D.C. 20522
 1818 H Street, N.W.
 and Delegation
 International Bank for Reconstruction
 and Development
 Mr. Gregory B. Lofam

Letter no. 525

Handwritten:
 2086 [unclear]

November 5, 1952

Handwritten notes:
 1. [unclear] [unclear] [unclear]
 2. [unclear] [unclear] [unclear]
 3. [unclear] [unclear] [unclear]

Telephone 30125, 30123. Cable address - INTBANKVD NEW DELHI. Postal address - P.O. Box 116
 1 Gandhi Patel Marg. New Delhi

RESIDENT REPRESENTATIVE IN INDIA

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



November 2, 1967

The other new development in the field of private banking and agriculture is the agreement of Commercial Banks to subscribe 28 crores worth of Land Mortgage Banks debentures for the current year. I'm not sure the papers are worth purchasing, but this move shows the willingness on the part of the Banks to get something done. Somebody would say: "the effectiveness of Morarji's threats".

All the best,

Yours sincerely,



Romano Pantanali

Encl:

c.c. Mr. Votaw

(THE COMPANIES ACT, 1956)

PUBLIC COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

OF

AGRICULTURAL FINANCE CORPORATION LIMITED.

I. The name of the Company is "AGRICULTURAL FINANCE CORPORATION LIMITED".

II. The Registered Office of the Company will be situated in the State of Maharashtra.

III. The objects for which the company is established are:

MAIN OBJECTS AND OBJECTS INCIDENTAL OR ANCILLIARY
THERE TO

- (a) To finance in all possible ways and means and in particular by lending or advancing moneys on such terms as may seem expedient whether with or without security, and by giving guarantees, agriculture and agricultural operations and all activities and operations connected in whatever manner with agriculture or agricultural operations or which may directly or indirectly promote support or maintain agriculture or agricultural operations or which may increase or facilitate the production or distribution of agricultural produce, and in particular the following activities and operations
- (i) mechanisation of agriculture and agricultural operations;
 - (ii) processing industries connected with agriculture, agricultural operations or agricultural produce and industries which process the agriculture produce;
 - (iii) constructions of warehouses, godowns, silos, and of buildings and structures for storing purposes.
 - (iv) Transport and conveyance by air, by land or by water of agricultural produce.
 - (v) Construction of markets to promote the sale and distribution of agricultural produce.

- (vi) Promotion, establishment and maintenance of food industries.
- (vii) Production, supply and distribution of agricultural produce.
- (viii) Production, supply and distribution of fertilisers pesticides and agricultural tools and implements of all kinds and descriptions
- (ix) Purchase and sale of live stocks and animals
- (x) All other activities and operations incidental to or connected with agriculture, agricultural produce or agricultural operations or any of the objects set out herein.

EXPLANATION:

The expressions "Agriculture" "Agricultural produce" and "agricultural operations" wherever they occur in these presents shall be given the widest possible constructions and meaning and without prejudice to the generality thereof the expressions would include amongst others the following:

- (i) The expression "agriculture" shall include
 - (a) horticulture, animal husbandery, dairy, farming, seed farming, pisciculture, piggery and poultry farming;
 - (b) ploughing and cultivation of land planting and farming;
 - (c) business and activities normally carried on by agriculturists, farmers and planters;
 - (d) business as agriculturists, farmers and planters and as producers of, dealers and traders in and as general merchants, exporters, importers, buyers and sellers of all kinds of agricultural produce.
 - (e) all activities and operations connected with or likely to promote any of the matters set out above.

(ii) The expression "agricultural operations" shall include:

- (a) improvement of land and irrigation thereof; providing of water to agriculturists farmers and planters installation of pump sets, lift irrigation; construction of wells, including tube wells
- (b) actual work and all operations done in fields and on the land at all stages from ploughing till harvesting of crops and all other incidental, related and necessary activities;
- (c) Construction ^{of} farms, farm houses, abattoirs, freezing houses, warehouses, sheds and other buildings for storing agricultural produce.
- (d) providing of and spraying of pesticides;
- (e) processing and preservation of agricultural produce;
- (f) production, processing, marketing sale and distribution of agricultural produce
- (g) production marketing, sale and distribution of manures, fertilisers pesticides, agricultural tools and implements.

(iii) The expression "agricultural produce" shall include:

- (i) Rice, wheat, grain, cereals, seeds, nuts, fruits, vegetables, sugar-cane, spices, tea, coffee, cinchona, rubber, timber, tobacco, cotton, jute and every produce of the soil.
- (ii) Dairy, farm and garden produce of all kinds, and in particular milk, cream, butter, cheese, and eggs.
- (iii) All kind of vegetable products, oils, starch, sugar, glucose and all other allied products, by-products and compounds thereof.

(iv) Cattle, cows, sheep, pigs, poultry, fish, game and other live and deal stock, meat, beef, pork and sausage.

(v) Hides, fat, tallow, greese, offal and all other produce.

(vi) Preserved food, foodstuff and provisions of all kind and description

(vii) timber and wood of all kinds.

(b) To render financial assistance to and to finance in all possible ways and means and in particular by lending or advancing moneys on such terms as may seem expedient whether with or without security and by giving guarantees, agriculturists, farmers, planters and individuals, families, firms, co-operative societies or body corporates carrying on business of agriculture or agricultural operations or any of the business or activities set out in sub-clause (a) above

(c) To establish and support or aid in the establishment or support of and to finance and render financial assistance to associations, institutions, body corporates, co-operative societies, funds, trusts, and conveniences calculated to promote agriculture, agricultural produce or agricultural operations.

(d) To advance deposit or lend moneys to or with such persons, firms or body corporates as the Company thinks fit, and on such terms as may seem expedient and to discount, buy, sell and deal in bills, notes, warrants coupons and any other negotiable transferable securities or documents and to guarantee the performance of any contract by any person.

- (f) To carry on and transact every kind of guarantee and indemnity business and to undertake obligations of every kind and description and also to undertake and execute trusts of all kinds.
- (g) To act as agents of any persons, firms corporations, body corporates, institutions and government or any public authority in connection with or relating to the transactions and business of agriculture, agricultural operations or any activities referred to and set out in sub-clause (a) above.
- (h) To grant loans finance and refinance the members of the Company and in particular in order to establish promote and maintain agriculture and agricultural operations and to promote production, distribution and marketing of agricultural produce.
- (i) To receive money, securities, valuables of all kinds on deposit or safe custody (not amounting to the business of banking as defined under the Banking Companies Act 1949) and to borrow or raise money in such manner as the Company shall think fit and in particular by issue of debenture stocks, (perpetual or otherwise) and to secure the repayment of any money borrowed, raised or owing by mortgage, charge or lien upon all or any of the Company's property (both present and future), including its uncalled capital and also by a similar mortgage, charge or lien to secure and guarantee the performance by the Company or any other person or body corporate of any obligation undertaken by the Company or any other person or company as the case may be.
- (j) To communicate with institutions and body corporates public bodies throughout the world and concert and promote measures for establishment and protection of agriculture and agricultural operations.

- (k) To carry on and undertake any business transaction or operation commonly carried on or undertaken by financiers, concessionaires or capitalists.
- (l) To contract for public or private loans and to negotiate and issue the same.
- (m) To promote, effect, insure, guarantee, underwrite, participate in managing and carrying out any issue, public or private, of State, Municipal or other loans or of shares, stock, debentures or debenture stock of any Company, Corporation or Association and to lend money for the purposes of any such issue.
- (n) To issue on commission, subscribe for, purchase or otherwise acquire and sell, dispose of, exchange, hold, and deal in shares, stocks, bonds, debentures, debenture stock, public, securities or other securities issued by any authority, Central, State, Municipal, Local or otherwise.
- (o) To guarantee the payment of money secured by or payable under or in respect of bonds, debenture stock, contracts, mortgages, charges, obligations and other securities of any Company or of any authority, Central, State, Municipal, local or otherwise, or of any person whosoever, whether incorporated or not incorporated and generally to transact all kinds of guarantee business, and to further transact all kinds of trust and agency.
- (p) To invest and deal with the money of the Company not immediately required in such manner as the Company deem fit.
- (q) To draw, make, accept, endorse, discount, execute and issue promissory notes, hundies, bills of exchange, bills of lading, warrants, debentures and other negotiable or transferable instruments.
- (r) To subscribe to, become a member of, subsidise and

co-operate with, any other association, institutions, body corporates and co-operative societies whose objects are either altogether or in part similar to those of the Company or to establish promote and assist the agriculturists, farmers and planters and agriculture, agricultural produce and agricultural operations, and to procure from and communicate to any such association, such information as may be likely to forward and promote the objects of the Company.

- (s) To purchase or otherwise acquire, and to sell, exchange, surrender, lease, mortgage, charge, convert, hold, turn to account, dispose of, and deal in real and personal property and rights of all kinds, and in particular lands, buildings, hereditaments, business, concerns and undertakings, debenture stocks, mortgages, debentures produce, concessions, options, contracts, patents, annuities, licences, stocks, shares, securities, bonds, policies, book debts and claims, privileges and chooses in action of all kinds, including any interest in real or personal property, and any claims against such property or against any persons or company, and to carry on any business concern or undertaking so acquired.
- (t) To improve, manage, develop, grant right or privileges in respect of, or otherwise deal with all or any part of the property and rights of the Company.
- (u) To vest any real or personal property rights or interests acquired by or belonging to the Company in any person or company on behalf of or for the benefit of the Company, and with or without any declared trust in favour of the Company.
- (v) To purchase, take on lease, exchange, hire or otherwise acquire any moveable or immoveable property and any right or privileges which the company may think necessary or convenient for the purpose of its business.

- (x) To apply for, purchase or otherwise acquire, protect and renew in any part of the world, licences and concessions, any secret or other information regarding any research which may seem capable of being used for any of the purposes of the Company or the acquisition of which may seem calculated directly or indirectly to benefit the company and to use, develop or grant licence in respect thereof, or otherwise turn to account the rights or information so acquired and to expend money in experimenting upon testing or improving any such patents, rights or inventions.
- (y) To acquire and undertake the whole or any part of the business, or liabilities of any person, firm or body corporate, carrying on or proposing to carry on any business which the company is authorised to carry on, or having property suitable for the purposes of the Company or which can be carried on in conjunction therewith or which is capable of being conducted so as directly or indirectly to benefit the Company.
- (z) To enter into any arrangements with any Government or any Authority, supreme, municipal, local or otherwise that may seem beneficial to any of the company's objects and to apply for, promote and obtain any act of Parliament, privilege, concessions, licence or authorisation of the Government or any other authority local or otherwise for enabling the Company to carry any of its objects into effect or for extending any of the powers of the company and to carry out, exercise and comply with any such act, privilege, concessions, licence or authorisation.
- (aa) To pay for any rights or property acquired by the Company, and to remunerate any person, company or public bodies whether by cash payment or by allotment of shares, debentures or other securities of the Company credited as paid up in full or in part or otherwise.

(ab) To amalgamate, enter into partnership or into any arrangement for sharing profits, union of interest, co-operation, joint venture or reciprocal concession, or for limiting competition with any person, firm or body corporate whether in India or outside carrying on or engaged in, or about to carry on or engage in, any business or transaction which the Company is authorised to carry on or engage in or which can be carried on in conjunction therewith or which is capable of being conducted so as directly or indirectly to benefit the company and further to enter into any arrangement or contract with any person, association or body corporate whether in India or outside, for technical collaboration, technical know-how or for such other purposes that may seem calculated beneficial and conducive to the objects of the Company.

(ac) To establish, promote, or concur in establishing any company or companies for the purpose of acquiring all or any of the rights, liberties and properties of the company or for any other purpose which may seem directly or indirectly calculated to benefit the company and to place or guarantee the placing of, underwrite, subscribe for or otherwise acquire all or any part of the share, debentures or other securities of any such other company or companies.

(ad) To establish promote, or concur in establishing or promoting any company or companies for the purpose of acquiring all or any of the rights, liberties and properties of the company or for any other purpose which may seem directly or indirectly calculated to benefit the Company and to place or guarantee the placing of underwrite, subscribe for or otherwise acquire all or any part of the shares, debentures or other securities of any such other company or companies.

(ae) To lease, let out on hire, mortgage, pledge, hypothecate, sell, or otherwise dispose of the whole or any part or the undertaking of the company or any land, business,

property, rights or assets of any kind of the company or any share or interest therein respectively in such manner and for such consideration as the company may think fit, and in particular for shares, debentures or securities of any other body corporate having objects altogether or in part similar to those of the Company.

(af) To pay any premiums or salaries and to pay for any property, right or privileges acquired by the company or for services rendered or to be rendered in connection with the promotion, formation of or the business of the company or for services rendered or to be rendered by any person, firm or body corporate in placing or assisting to place or guaranteeing the placing of, any of the shares of the company or any debentures or other securities of the company or otherwise either wholly or partly in cash or in shares, bond, debentures or other securities of the Company, and to issue any such shares either as fully paid up or with such amount credited as paid up thereon as may be agreed upon, and to charge any such bond, debentures or other securities upon all or any part of the property of the company.

(ag) To pay out of the funds of the company all costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.

(ah) To adopt such means of making known the business and interests of the company as it may deem expedient and in particular by advertising in the press, radio, television and cinema, by circulars, by purchase, construction and exhibitions of works of art or general interest, by publication of books and periodicals and by granting prizes, rewards and donations.

(ai) To procure the company to be registered or recognised in any part of the world, outside the Union of India.

(aj) To take into consideration and to approve and confirm and/or carry out all acts, deeds or things that may be done or entered into with any person, firm or body corporate by

the promoters of the company and further to enter into any arrangement, agreement or contract with the promoters and to reimburse them for all costs, and expenses that may be incurred by them in or in connection with the formation or promotion of the Company.

(ak) To establish and maintain or procure the establishment and maintenance of any provident fund or any contributory or non-contributory pension or superannuation fund and to give or procure the giving of donations, gratuities, pensions, allowances, amoluments, bonuses, profit sharing bonuses, benefits, or any other payment to any persons, who are or were at any time in the employment or service of the company or its predecessors in business or of any company, which is a subsidiary of the company or is allied to or associated with the company or with any subsidiary, or who are or were at any time directors or officers of the company or any of such other company as aforesaid and the wives, widows, families, dependent or connections of any such persons; and to provide for the welfare of all or any of the aforesaid persons from time to time by subscribing, subsidising or contributing to any institution, association, funds, clubs, trusts, profit sharing or other schemes and by building or contributing to the building of dwelling houses or quarters and by providing subscribing or contributing towards places of instructions and recreation, hospitals and dispensaries, medical and other attendances, and to make payments to or towards the insurance of any such person as aforesaid and to do any of the matters aforesaid either alone or in conjunction with any such other Company as aforesaid.

(al) To aid pecuniarily or otherwise any association, body or movement having for its objects the solution, settlements or summoning of industrial or labour problems or the promotion of industry or trade.

(am) To subscribe in or donate to or guarantee money for any

national, political, philanthropic, charitable, benevolent, public, general or useful object, fund or organisation, association, or institution or for any exhibition or for any purpose which may be likely directly or indirectly to further the objects of the Company or the interest of its members.

(an) To make donations to such persons and in such cases and either of cash or other assets as the company may think directly or indirectly conducive to any of its objects or otherwise expedient.

((ao) To make arrangements with persons engaged in any trade, business, or profession for the concession to the company's members, ticket-holders and their friends, of any special rights, privileges and advantages and in particular in regard to the supply of goods.

(ap) To undertake and execute any trusts either gratuitously or otherwise.

(aq) To distribute all or any of the property of the company amongst the members in specie or kind or any proceeds of sale or disposal of any property of the company but so that no distribution amounting to a reduction of capital be made except with the sanction (if any) for the time being required by law.

(ar) To do all or any of the above things in any part of the world as principals, agents, contractors, trustees, or otherwise by or through trustees, attorneys, agents or otherwise and either alone or in conjunction with others and to establish offices, agencies or branches for carrying any of the aforesaid objects in India or elsewhere in the world and to undertake the management of any company or companies having objects altogether or in part similar to those of the Company.

(as) To do all such other things as may be deemed incidental or conducive to the attainment of the above objects or any of them.

And it is hereby declared that the word "Company" in this clause except where used in reference to this Company shall be deemed to include any partnership or other body of persons whether corporate or unincorporate, and whether demociled in India or elsewhere and the company shall have the full power authority or right to carry out or undertake all or any of the objects set out in this clause in India or in any part of the world. The objects specified in each of the paragraphs of this clause shall be regarded as independent objects and accordingly shall in no wise be limited or restricted (except where otherwise expressed in such paragraphs) by reference to or inference from the terms of any other paragraph or the name of the Company.

IV. The liability of the members is limited.

V. The authorised share capital of the Company is Rs.1,00,00,00,000/- (Rupces hundred Crores) divided into 10000000 equity shares of Rs.100/- each and with such rights, privileges and conditions attached thereto as may be - determined by the Company in general meeting at the time of issued. The Company has power to divide the share capital, for the time being, into several classes and to increase or reduce its capital from time to time and to vary, modify or abrogate any rights, privileges or conditions attached to any class of shares in such manner as may for the time being be provided by the regulations of the Company.

We, the several persons whose names and addresses are subscribed below, are desirous of being formed into a Company in pursuance of these Memorandum of Association and we respectively agree to take the number of shares in the capital of the Company set opposite our respective names.

Names, address, description and occupations of subscribers.	Number of equity shares taken by each subscriber	Names, addresses descriptions and occupations of witnesses.
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Total:

Dated the

day of

196

Mr. S. Alderson
B. Chadenet and Bernard R. Bell
B. Chadenet and B. R. Bell

November 2, 1967

Conditions for Lending to India

1. We suggest in this memorandum certain conditions which the Bank and IDA should stipulate in future lending to India. We confine ourselves to general conditions which are necessary to ensure the economic and effective conduct of investment operations financed by the Bank in various sectors of the Indian economy. We do not include either conditions which relate to the general economic and financial policies and performance of India or conditions which are specific to individual projects. Our suggestions relate to the agricultural, transportation, communications, electric power and water supply sectors of the Indian economy, to Government policies which affect the development of those sectors, to project organization and management in those sectors, to the use of consultants, to contracting arrangements, to procurement and land acquisition procedures and to other administrative and procedural arrangements. We do not discuss the education sector since we have had no experience of it in India and no expression of interest in borrowing for this purpose from the Government.

2. Government Policies which Directly Affect Development of the Sectors

(a) In agriculture we are concerned about the policies which affect the price incentives and disincentives to farm production and the availability to farmers of essential inputs, especially of fertilizers, plant protection materials, seed and water. Although in the past several years severe drought has ensured that agricultural commodity prices in India were at levels which provided strong incentives to production and to the use of purchased inputs for production, the prospect of a very good crop this year and the possibility of continuing better crops poses the issue of price policy. We believe that the existing Indian policy which permits the States to forbid or restrict the shipment of farm products outside their boundaries might result in sharply declining prices in some of the surplus-producing States and might have significant disincentive effects. We believe that this possibility calls for the abolition of these zonal restrictions and also for a policy of Government procurement at minimum support prices (or, if necessary, at higher, market prices) in order to prevent prices from falling to disincentive levels and also in order to accumulate the buffer stock of foodgrains so necessary for other reasons.

We are concerned also with the fact that a good measure of the benefits possible from irrigation projects, which we are or may be financing, will materialize only if the other necessary inputs, such as fertilizers, plant protection materials and improved seed, are available in sufficient quantity to meet the demands of farmers in the project areas.

We should consider and discuss with the Asia Department how far we can go in stipulating conditions designed to ensure incentive prices and input availabilities and just how these conditions can be designed to achieve our purposes.

(b) In transportation we have been concerned with the Government policies which have impeded the development of highway transport and prevented the most economic distribution of traffic among competing modes of transport. We have already advised the Government in connection with the last IDA credit for the railways that future lending for the railways would be dependent on the formulation and implementation of an agreed plan of action for more effective transport coordination. Some measures to this end were included in the railway credit and the Government undertook to advise us of progress. Thus far, however, only one report has been received and this does not evidence significant progress. We suggest that, as a condition of any future loans in the transport sector, the Government should specify the policies adopted and implementing steps taken and planned for the removal of the existing restrictions on road transport, for the rationalization of road transport taxation, for the removal of taxation which discriminates against highway transport and for less railway-biased allocation of Government funds and bank credit, including foreign exchange. There should be an agreed target time schedule for action in these directions although clearly the schedule would need to be both realistic and flexible in view of the complicated problems of the relations between the Center Government and the States. Future continuing lending operations in the sector should be consonant with progress in the matter.

(c) In the other sectors in which we are active we do not at this time suggest important conditions relating to Government policy.

3. Project Organization and Management

(a) In the agricultural sector we have been plagued by inadequate project organization and management. We must insist on conditions designed to correct these inadequacies. Our objective should be to obtain clear and concentrated authority and responsibility for each project. This might sometimes require the setting up of a special agency, such as an autonomous or semi-autonomous project authority. This is particularly the case where the project requires the deployment of services from a number of different Government departments including, especially, the agriculture and irrigation departments. Coordinating committees, at least in India, do not serve this purpose. Even in the case of simpler projects, primarily the responsibility of single departments of Government, clear and concentrated authority and responsibility for particular projects rarely exists but is a necessary condition to effective construction and management.

(b) As a condition of further lending for telecommunications, the Indian P and T should be reorganized into an autonomous or semi-autonomous government entity and commercial accounting should be introduced to reflect accurately its operations. In accordance with one of the conditions of the Credit 28-IV in 1962 the Indian P and T employed outside consultants, Messrs. Peat, Marwick and Mitchell, to review its accounting procedures. At the time of the second Credit, 58-III, in 1964, the Consultants' report was almost completed. Steps have since been taken by the Indian Government in the direction of endowing the P and T with more autonomy but no action has been taken on the Consultants' basic recommendations. In August 1967 a letter was sent to the Chairman of the P and T Board in which we requested before the end of 1967 a schedule of implementation of the Consultants' recommendations; we suggested that the telecommunications activities should be reorganized into a "self-contained entity responsible for telecommunications operations" and that continued help from accounting consultants would be needed. The letter has been acknowledged and we are awaiting a substantive reply.

(c) In the transport sector a necessary condition to the effective execution of a highway construction program is the reorganization of the roads wing of the Ministry of Transport, which is the highway authority in the Central Government. It may also be similarly necessary to achieve reorganization of the State Government entities responsible for highway construction and maintenance within each State. We are not in a position to spell out the specific organizational changes or the changes in engineering practices which are necessary. The Transportation Division suggests that a condition primary to any future lending in the sector should be the employment by the Government of India of management consultants to carry out a study and make recommendations for strengthening the highway authority and streamlining its operations. The Division further suggests that implementation of the consultants' recommendations should also be a condition of future lending. We are, ourselves, skeptical about the usefulness of management consultants for the accomplishment of our purposes. An engineering consulting firm experienced in the conduct of highway construction and maintenance operations working closely with Indian Government officials who understand the complexity of relationships between the Central Government and the States and within the Central Government itself would, in our opinion, be likely to produce more useful and practicable plans and recommendations.

4. Use of Consultants

(a) In the agricultural sector, including irrigation, the Government of India has resisted suggestions that non-Indian consulting firms and individual experts be used in the conduct of studies and for the design and supervision of construction. India has a larger number of trained and experienced irrigation engineers than most of our borrowers. Nevertheless, our experience is that faulty work has been done by Indian engineers in the planning and design of surface water irrigation projects. Furthermore, there are many indications that Indian personnel have much to learn from outside experts with respect to underground waters and their use. We suggest that a condition of further lending in the agricultural sector or at least for irrigation projects be that non-Indian experts, drawn either from private firms or from Government organizations, be employed.

At this time one of the most important and promising opportunities in Indian agriculture is afforded by the development within the past few years of high-yielding varieties of wheat and rice and also of hybrid corn, sorghum and millet. The emergence of these high-yielding seed varieties is the result of a cooperative effort on the part of technicians of the Rockefeller Foundation and Indian scientists to which an enormous push was given by Minister Subramaniam, the predecessor of the present Minister of Agriculture. Given the necessary effort there may be similar possibilities in connection with other crops (e.g. cotton, legumes, jute, etc.) commonly grown in India. In addition, particularly in the case of the hybrid seed varieties although not so much in the case of wheat and rice, there are significant as yet unsolved problems in the development of an industry which can produce in much greater volume reliable supplies of the hybrid seed required. We suggest that as another condition of lending in the agricultural sector we should require that steps be taken by the Government of India to use the help of experienced non-Indian personnel. It may be that this can be adequately provided through the Rockefeller Foundation; it may be that we need to

go further than this and require that foreign firms experienced in the production and distribution of seed be permitted and invited to assist in the Indian effort.

(b) In the field of electric power we believe that some assistance from outside consultants should be required particularly in connection with design or the review of design. This is equally true in the case of water supply projects.

(c) In the case of highway transport we believe that it should be a condition of highway loans that non-Indian engineering consultants be used to some degree in the design and supervision of construction of highway projects.

5. Construction Contracting

(a) In some States in India and particularly in connection with very large projects, the State Irrigation Departments, working by force account or with local contractors, have not succeeded in constructing the civil works involved at reasonable cost or at a satisfactory rate. We suggest that, particularly in connection with large projects, international competitive bidding for the contracts should be a condition of loans. This will, at least, provide a standard or yardstick and a competitive spur.

(b) We make the same suggestion with respect to highway and port construction. International competitive bidding on highway construction contracts would, among other things, provide some comparative measure of the relative efficiency and cost of labor-intensive versus non-labor-intensive methods of construction.

6. Procurement Procedures

In connection with the procurement of equipment and materials for projects in all sectors we face two problems. One is the problem involved in domestic versus foreign procurement and the other is the problem of procurement procedures whatever the source of supply. The Indians assiduously attempt to reserve for domestic procurement everything which they believe can possibly be supplied from domestic sources. Whether or not the domestic procurement is financed with Bank/IDA funds, this sometimes has unfortunate results. These include the supply of equipment and materials which are inferior or completely deficient in quality, delays in supply which delay execution of the entire project, high costs. Procurement procedures are extraordinarily cumbersome and time-consuming. This reflects partly the delays involved while the question of possible local availability is being explored; partly the fact that the authority responsible for constructing or executing the project must, under existing procedures, have its proposed purchases reviewed and approved by two or three higher authorities in the State and/or Central Government. As is customary in India, little authority, even with respect to specifications, is delegated to the responsible entity. We suggest that a condition of our loans be a streamlining of the existing procurement procedures. Particular means of doing this need further exploration with the Indian authorities. On the first matter referred to above, domestic versus foreign procurement, we suggest that we require that a much larger portion of the procurement for

any project be via international competitive bidding with an adequate degree of preference to domestic suppliers.

7. Land Acquisition

A number of projects we have financed in India have been inordinately delayed by very time-consuming land acquisition processes. We are aware that the problem involved is very complex and that Indian citizens are entitled to adequate protection by due processes of law. We believe, however, that steps can be taken to ensure that the delays frequently encountered are eliminated. Subject to further exploration designed to devise the particular changes in laws and procedures required, we suggest that such changes be a condition of lending in all sectors.

We can expect to encounter considerable resistance from the Government of India in almost all of these matters. It is probably fair to say that resistance on the part of India will be more bitter and protracted than in most of the cases with which we deal. We will certainly be accused by Indian civil servants, Ministers, Parliamentarians and the public of tying unfair strings to our aid, of unwarranted interference in Indian affairs, and of stupidity and ignorance. At the same time the deficiencies of Indian performance in the execution of projects in these sectors and in the adoption and implementation of policies affecting these sectors are large and there is room for considerable improvement. We are not singling out India for special criticism but we are suggesting that the Bank and the Government of India together recognize the deficiencies, identify the opportunities for improvement and join together in attempting to realize these opportunities. The conditions we have suggested are designed to improve both performance and policy and we believe, on the basis of experience, would result in India enjoying much higher returns from the very substantial investments which it has been and will continue to be making.

EChadane/DRBall:emcc
BANK

c.c. Mr. Cargill
Mr. Ballantine
Mr. Baum
Mr. Evans
Mr. Knox

J. A. Agui

CROSS REFERENCE SHEET

COMMUNICATION: SENIOR STAFF MEETING SSM/M/67-42

DATED: October 23, 1967

TO:

FROM:

FILED UNDER: SENIOR STAFF MEETING

SUMMARY:

AREA OPERATIONS

Asia

11. Mr. Cargill reported that Mr. C. S. Subramaniam, formerly Indian Minister of Food, was in the States on a speaking tour. He had brought the news that the latest New Delhi estimate suggested that the current crop would be nearer 100 million tons than the previous estimate of 95 million tons. This would be a remarkable achievement, as the previous record crop had been less than 90 million, in 1964/65. The increased production could be attributed in large part to the growing use of improved seed and chemical fertilizers, the beneficial results of which had been obscured by the extraordinary droughts of the last two years. Mr. Subramaniam felt that the improvement in the supply situation should be enough to permit the gradual easing of restrictions on the movement of grain inside India.

OFFICE MEMORANDUM

cc Sweden by
x aqr

TO: Files

DATE: October 17, 1967

FROM: Gregory Votaw

SUBJECT: INDIA - Possibility of Sweden Joining Consortium

1. Mr. Lars Kalderen, accompanied by Mr. Hans von Knorring, came to see Mr. Cargill on October 13. Messrs. Goodman, Street and Votaw were also present; Mr. Feldman joined toward the end of the meeting.
2. Mr. Kalderen said that Sweden had three aid agreements under consideration for India at this time:
 - (a) A grain storage project in the Port of Kandla;
 - (b) Financing for the expansion of Hindustan Organic Chemicals; and
 - (c) Non-project aid to provide imported components of materials for Indo-Swedish factories.
3. Mr. Kalderen asked if the Bank/IDA could offer any advice on project financing such as Sweden contemplated in connection with (a) above. We replied that Bank/IDA had not financed any grain storage facilities in India but that we had done a substantial amount of project lending and would expect Sweden to have the same experience negotiating with India as will any other aid recipient. India was quite used to creditors' covenants regarding management, maintenance and other substantive issues. In general it seemed to us that the provision of modern grain storage facilities at Kandla would be useful and might serve as a model in India for other investments in the grain storage field.
4. Mr. Kalderen asked if India still needed non-project financing of the type indicated in (c) above. Mr. Cargill assured him that there was such a need and that it was likely to continue for several years. As soon as new funds are available, IDA would expect to start negotiating credits both for projects and non-project purposes; Bank economists were also recommending to consortium members that they continue to make a substantial portion of their aid available for non-project purposes, although the time was ripe to pick up some new projects for financing as well.
5. Mr. Kalderen said that Sweden would probably make a decision about joining the consortium before the end of 1967. He noted that existing legislation in Sweden permitted loans on IDA terms, although the present terms for India involved a grace period of up to five years and amortization over a period of 20-25 years with interest charges at 2 percent. We observed that such terms were well within the range of concessional terms which the Bank considered appropriate for future aid to India and that, if the existing aid was on such terms, there would be no need for Sweden to reschedule payments, even if some amount of re-scheduling was agreed among the existing membership of the consortium. Mr. Kalderen said he was glad to hear this,

because he was pretty sure Sweden could not join the consortium if the price of membership included an element of re-scheduling on existing debts.

6. Mr. Kalderen noted that Sweden has offered a total of about \$12 million of aid to India - \$5 million for industrial imports, \$3 million for projects, and \$4 million in grants for school books, etc.

cc: Messrs. Cargill/Street, B.B. King, Goodman/Dunn (in Paris), New Delhi Ofc.

GVotaw:sao/pep
IBRD

Should go with Feldman's memo of 13 October '67

Aqui q
67 approx

AGRICULTURE IMPORTS
(in Rs. millions)

- 001 Live animals
 - 01 Meat and meat preparations
 - 02 Dairy products and eggs
 - 03 Fish and fish preparations
 - 04 Cereals and cereal preparations
 - 041 Wheat of which
 - USA
 - Canada
 - Other
 - 042 Rice, of which
 - USA
 - Burma
 - Thailand
 - Other
 - 045 Cereals, unmilled, other than wheat, rice, corn
 - Other
- 05 Fruits and vegetables
 - 051.7 Cashew nuts
 - Other
- 06 Sugar and sugar preparations
- 07 Coffee, tea, cocoa, spices and manufactures
- 08 Feeding-stuff for animals
- 09 Miscellaneous food preparations

FOOD, SUBTOTAL

- 12 Tobacco and tobacco manufactures
- 21 Hides, skins and fur skins, undressed
- 22 Oil seeds, oil nuts, and oil kernels
- 23 Crude rubber (incl. synthetic and reclaimed)
- 24 Wood, lumber and cork
- 26 Textile fibers
 - 261 Silk
 - 262 Wool and other animal hair
 - 263.1 Cotton, of which
 - Raw
 - Other
 - 264.1 Jute, of which
 - Raw
 - Other
 - Other
- 271 Crude fertilizers
- 29 Animal and vegetable crude materials
- 41 Animal oils and fats
- 56 Fertilizers, manufactured
- 599.2 Insecticides, fungicides, disinfectants and others
- 611 Leather and leather manufactures
- 65 Textile yarns, fabrics, made-up articles, etc.
- 695.1 Agricultural ~~foods~~, made of metal
- 712 Agricultural machinery and implements
- 719 Other agricultural machinery and appliances

NON-FOOD, SUB-TOTAL

TOTAL IMPORTS

INDIA'S EXPORTS
Third Plan Actuals and Fourth Plan Targets
(US \$ Million)

	1961/62	1962/63	1963/64	1964/65	1965/66	1970/71		Increase 1965/66-1970/71		Rate of Growth 1965/66 - 1970/71		Share in Total Exports 1965/66 %	Share in Increase in exports 1965/66-1970/71	
						Target	Mission Estimate	Plan Target	Mission Estimate	Plan Target %	Mission Estimate		Plan Target %	Plan Estimate
Tea	257	271	259	262	241	344	280	103	39	7.4	3.1	20.2	12.4	4.6
Jute goods	306	314	324	353	<u>384</u> <u>625</u>	<u>443</u> <u>787</u>	<u>400</u> <u>680</u>	<u>59</u> <u>162</u>	<u>16</u> <u>55</u>	<u>3.0</u> <u>4.7</u>	<u>0.8</u> <u>1.7</u>	<u>26.0</u> <u>46.2</u>	<u>7.1</u> <u>19.5</u>	<u>1.3</u> <u>6.6</u>
Vegetable oils	12	28	42	15	9	52	26	43	17	43.0	23.6	0.5	5.2	2.0
Pulses	n.a.	n.a.	n.a.	n.a.	3	22		19		55.0		0.1	2.3	
Other fruits and vegetables	13	13	15	14	13	25		12		14.0		0.7	1.4	
Raw cotton	30	26	26	22	<u>20</u> <u>45</u>	<u>30</u> <u>129</u>	<u>10</u> <u>84</u>	<u>10</u> <u>84</u>		<u>8.5</u> <u>23.4</u>		<u>1.2</u> <u>2.5</u>	<u>1.2</u> <u>10.0</u>	
Coffee	19	16	17	28	27	40		13		8.2		1.6	1.6	
Oil cakes	36	65	74	84	73	113	113	40	40	9.2	9.2	4.3	4.9	4.9
Sugar	30	36	54	45	24	40		16		10.8		1.4	1.9	
Unmanufactured tobacco	30	38	44	51	41	69	69	28	28	11.0	11.0	2.4	3.4	3.4
Pepper	17	14	12	14	23	24		-		-		1.4	-	
Other spices	19	15	10	12	25	37		12		8.2		1.5	1.4	
Cashew kernels	38	41	45	61	58	75	75	17	17	5.3	5.3	3.4	2.0	2.0
Marine products	8	8	12	14	14	50	60	36	46	29.0	34.0	0.8	4.3	5.5
Iron ore	74	74	76	78	88	161	145	73	57	12.8	10.5	5.2	8.7	6.8
Cotton fabrics	101	101	114	121	116	142		26		4.1		6.8	3.1	
Art silk	n.a.	n.a.	n.a.	n.a.	10	21	10	11	-	16.0	-	0.6	1.3	-
Clothing	2	2	10	9	<u>13/a</u>	40		27		25.0		0.8	3.2	
Footwear	5	6	8	9	11	29		18		21.0		0.6	2.5	
Other leather	53	48	55	57	60	79		19		5.7		3.5	2.3	
Engineering	14	17	31	30	42	93		51		17.6		2.4	6.1	
Chemicals	8	8	8	14	<u>25/b</u> <u>161</u>	<u>46</u> <u>308</u>	<u>21</u> <u>450</u>	<u>21</u> <u>147</u>	<u>283</u>	<u>13.0</u> <u>13.8</u>	<u>22.8</u>	<u>1.5</u> <u>9.4</u>	<u>2.6</u> <u>17.6</u>	<u>35</u>
All other	442	415	511	510	465	675		210		7.7		27.3	22.8	
TOTAL /c	1427	1499	1666	1714	1700	2533	2533	833	2533	8.3	8.3	100.0	100.0	

/a Somewhat wider coverage than previous years. Export figure corresponding to previous coverage is \$12 million.

/b Wider coverage than previous years. Export figure corresponding to previous coverage is \$19 million.

/c Customs valuation.

TABLE I - AGRICULTURAL IMPORTS FOR SELECTED YEARS
(in Rs. million)

Items	1960-61	1964-65	1965-66	
<u>Total, c.i.f.</u>	<u>3,577.6</u>	<u>4,134.1</u>	<u>5,188.8</u>	
Wheat, of which	1,211.7	1,755.4	2,647.3	
USA		1,148.0	1,612.4	2,418.1
Canada		12.5	37.4	123.3
Other		51.2	105.6	105.9
Rice, of which	188.8	261.2	377.1	
USA		49.4	115.6	143.7
Burma		98.7	72.9	86.9
Other		40.4	72.7	146.5
Cashew nuts	96.1	164.4	150.6	
Other food items	275.1	303.8	233.2	
<u>Food, Subtotal</u>	<u>1,771.7</u>	<u>2,484.8</u>	<u>3,408.2</u>	
Textile fibers, of which	1,013.5	796.4	772.0	
Raw cotton		817.4	580.8	462.0
Raw jute		75.4	73.2	56.0
Other		120.7	142.4	254.0
Fertilizers, of which	131.9	292.8	448.2	
Crude		25.2	39.0	59.2
Manufactured		106.7	253.8	389.0
Textile yarns and fabrics	176.9	159.6	99.3	
Agricultural tools and machinery	104.1	131.8	185.2	
Other non-food items	379.5	268.7	275.9	
<u>Non-food, Subtotal</u>	<u>1,805.9</u>	<u>1,649.3</u>	<u>1,780.6</u>	

Source: Monthly Statistics of The Foreign Trade of India. GI.

**TABLE II - AGRICULTURAL EXPORTS AND RE-EXPORTS
FOR SELECTED YEARS**
(in Rs. million)

Items	1960-61	1964-65	1965-66
<u>Total, f.o.b./f.o.r.</u>	<u>5,315.2</u>	<u>6,742.3</u>	<u>6,329.7</u>
Fruits, vegetables, and nuts	<u>261.0</u>	<u>301.5</u>	<u>333.3</u>
of which, cashew nuts	189.1	290.6	274.0
Other	71.9	10.9	59.3
Tea and mate	1,235.9	1,269.6	1,148.4
Spices	166.4	167.9	230.9
Tobacco	<u>157.6</u>	<u>258.4</u>	<u>211.6</u>
of which, unmanufactured	146.1	242.5	195.8
manufactured	11.5	15.9	15.8
Textile fibers	<u>216.2</u>	<u>310.2</u>	<u>351.4</u>
of which, raw cotton	86.7	105.9	97.2
raw jute	0.2	35.0	30.8
other	129.3	169.3	123.4
Crude animal & vegetable materials	207.2	2222.3	237.1
Leather & leather manufactures	249.7	274.3	284.6
Textile yarns and fabrics	<u>2,224.8</u>	<u>2,849.0</u>	<u>2,764.7</u>
of which, cotton	641.5	642.3	632.9
jute	743.7	1,097.1	1,186.3
other	839.6	1,109.6	945.5
Other	596.4	1,089.1	767.7

Source: Monthly Statistics of The Foreign Trade of India. GI.

TABLE I - AGRICULTURAL IMPORTS FOR SELECTED YEARS

(Values in Rs. million)
(Quantity in '000 tons)

Item	1960-1961		1964-65		1965-66	
	Quantity	Value	Quantity	Value	Quantity	Value
<u>Total, c.i.f.</u>	-	<u>3,577.6</u>	-	<u>4,134.1</u>	-	<u>5,188</u>
Wheat, of which	3,349.3	1,211.7	4,268.0	1,755.4	7,118.3	2,647
USA	3,170.6	1,148.0	3,988.0	1,612.4	6,616.0	2,418
Canada	32.1	12.5	82.9	37.4	306.6	123
Other	146.5	51.2	197.1	105.6	195.7	109
Rice, of which	398.5	188.8	520.3	261.2	637.3	377
USA	83.6	49.4	217.1	115.6	202.8	143
Burma	271.9	98.7	161.4	72.9	165.4	86
Other	43.0	40.4	141.8	72.7	269.1	146
Cashew nuts	118.3	96.1	191.5	164.4	160.6	150
Other food items	-	275.1	-	303.8	-	233
<u>Food, Subtotal</u>	-	<u>1,771.7</u>	-	<u>2,484.8</u>	-	<u>3,408</u>
Textile fibers, of which	-	1,013.5	-	796.4	-	772
Raw cotton	236.7	817.4	143.5	580.8	108.5	462
Raw jute	10.0	75.4	71.4	73.2	52.1	56
Other	-	120.7	-	142.4	-	254
Fertilizers, of which	621.9	131.9	1,219.0	292.8	1,838.2	448
Crude	270.4	25.2	432.8	39.0	579.5	59
Manufactured	351.5	106.7	786.2	253.8	1,258.7	389
Textile yarns and fabrics	-	176.9	-	159.6	-	99
Agricultural tools and machinery	-	104.1	-	131.8	-	182
Other non-food items	-	379.5	-	268.7	-	279
<u>Non-food, Subtotal</u>	-	<u>1,805.9</u>	-	<u>1,649.3</u>	-	<u>1,786</u>

- = Aggregate cannot be measured because the components are reported in various units of quantity.

Source: G. I. Monthly Statistics of Foreign Trade.

% Change 1960-1965	% Change 1964-65
7.7	25.5
16.9	50.8
16.1	50.0
57.0	229.7
15.6	0.3
14.9	44.4
24.0	24.3
- 2.5	19.2
29.0	101.5
9.4	- 8.4
- 3.3	- 23.2
14.0	37.2
- 5.3	- 3.1
- 10.8	- 20.5
- 5.7	- 23.5
16.0	78.4
28.0	53.1
18.6	51.8
30.0	53.3
- 10.9	- 37.8
12.2	40.5
- 6.2	2.7
- 0.3	8.0

TABLE II - INDIA: AGRICULTURAL EXPORTS AND RE-EXPORTS
FOR SELECTED YEARS

(Values in Rs. million)
(Quantity in million Kg.)

Item	ACTUALS					
	1960-1961		1964-1965		1965-1966	
	Quantity	Value	Quantity	Value	Quantity	Value
<u>Total, f.o.b./f.o.r.</u>	-	<u>5,315.2</u>	-	<u>6,742.3</u>	-	<u>6,329.7</u>
Fruits, vegetables and nuts	-	261.0	-	301.5	-	333.3
of which, cashew nuts	43.6	189.1	55.7	290.6 ⁶¹	51.3	274.0
other	-	71.9	-	10.9	-	59.3
Tea and mate	199.2	1,235.9	215.9	1,269.6	197.4	1,148.4
Spices	47.2	166.4	53.5	167.9 ³⁵	61.5	230.9
Tobacco	47.5	157.6	81.0	258.4	59.3	211.6
of which, unmanufactured	45.8	146.1	78.1	242.5	56.6	195.8
manufactured	1.7	11.5	2.9	15.9	2.7	15.8
Textile fibers	-	216.2	-	310.2	-	351.4
of which, raw cotton	33.2	86.7	46.8	105.9	35.6	97.2
raw jute	0.3	0.2	31.0	35.0	23.1	30.8
other	-	129.3	-	169.3	-	123.4
Crude animal & vegetable materials	-	207.2	-	222.3	-	237.1
Leather & leather manufactures	-	249.7	-	274.3	-	284.6
Textile yarns and fabrics	-	2,224.8	-	2,849.0	-	2,764.7
of which, cotton	-	641.5	-	642.3	-	632.9
jute	-	743.7	-	1,097.1	-	1,186.3
other	-	839.6	-	1,109.6	-	945.5
Other	-	596.4	-	1,089.1	-	767.7

- = Aggregate cannot be measured because the components are reported in various units of quantity.

Source: G. I. Monthly Statistics of Foreign Trade.

PROJECTIONS							
1970-1971		1975-1976		% change 60-65	% change 64-65	% Change 65-70	% Change 70-75
Quantity	Value	Quantity	Value				
-	-	-	-	3.5	-6.1		
na	580.0	na	800.0	5.0	10.5	11.7	6.6
-	-	-	-	7.7	-5.7		
300.0	1,640.0	430.0	2,350.0	-3.8	444.0		
na	290.0	na	350.0	-1.5	-9.6	7.4	7.5
-	-	-	-	6.8	37.5	4.7	3.8
100.0	330.0	136.0	450.0	6.1	-18.1		
-	-	-	-	6.0	-19.3	11.0	6.4
-	-	-	-	6.5	-0.6		
52.0	140.0	71.0	190.0	10.2	13.3		
na	na	na	na	2.3	-8.2	7.6	6.3
na	na	na	na	72.0?	-12.0		
na	na	na	na	-0.9	-27.1		
na	na	na	na	2.7	6.7		
na	380.0	na	450.0	2.7	3.8	6.0	3.5
na	na	na	na	4.4	-3.0		
-	670.0	-	900.0	-0.3	-1.5		
-	2,110.0	-	2,600.0	9.7	8.1	1.1	6.1
na	na	na	na	2.4	-14.8	12.2	4.3
na	na	na	na	5.2	-29.5		

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Mr. W. Cummings

October 13, 1967

~~L.W.~~ Bartsch

Progress Reports

Please furnish to me by close of business, October 16, the following information for the projects listed below:

- a) type of progress reports borrower is supposed to send (e.g. monthly, quarterly or annual);
- b) dates on which these reports are due and after what period of time are they considered overdue.

Projects:

- 1) 14-IN
- 2) 21-IN
- 3) 23-IN

LWBartsch:mr
IBRD

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October 13, 1967

Mr. James Taylor
External Aid Office
75 Albert Street
Ottawa, Ontario
Canada

Dear Jim:

I hope this letter is not too late to catch you or Dean Bentley before the agricultural task force departs for India.

When you were in Washington this summer, I believe we promised to send a copy of the revised appraisal report on the Salandi Irrigation Project; you will recall that this project ran into more difficulty during the early stages than any other IDA-financed irrigation project in India and was mentioned to Dean Bentley and Mr. Beamish by Lester Bartsch as an almost classic case of everything going wrong. I also enclose a copy of an end-use report on the Sone Irrigation Project in the Shahabad District of Bihar state.

I wish you every success on your mission, and I am looking forward to hearing from you soon after you return in December.

Very truly yours,

Gregory Votaw
Asia Department

Enclosures

Ind Agri

Mr. William M. Gilmartin

October 10, 1967

R. Picciotto

INDIA - Foodgrains

1. I have received the results of calculations on the above subject performed by the Statistics division, at my request (see memorandum to Mr. Kundu dated October 4, 1967).

2. One of the exercises I requested was a projection of annual foodgrains production on the basis of past trends, up to 1963/64. The results are set forth below, compared to actual or estimated production levels and Government targets.

	<u>Projected^{1/}</u>		
1964-65	87.3	89.0	(Actual)
1965-66	89.7	72.3	(Actual)
1966-67	92.2	78.0	(Mission's estimate)
1967-68	94.8	95.0	(Government's target)
1970-71	103.0	125.0	(Fourth Plan target)

^{1/} Estimated annual growth rate: 2.8 percent.

3. With respect to the other calculations I requested, it turns out that the statistical correlation between per capita foodgrains availability, relative (or absolute) grains price variations and per capita incomes is insignificant. In fact, the best "fit" of the model yields a negative correlation between per capita availability and incomes. This probably indicates that a supply function ought to be brought into the model.

4. By postulating a positive correlation between foodgrains consumption and incomes (elasticity: 0.5), a relative price elasticity of - 0.23 is estimated but, again, the "fit" of the model to the observations is very poor. The "fit" would, of course, be excellent if stock variations were estimated as residuals of the correlation. However, if this were to be done^{1/}, the statistical test of significance would become meaningless. Again, this points to the need for a more comprehensive model, including an explanatory stocking function.

^{1/} It yields the following stock variations (million tons):

1957	: + 0.48	1961	: + 0.92	1965	: - 7.82
1958	: + 2.21	1962	: - 2.37	1966	: - 6.73
1959	: + 4.42	1963	: - 0.92	(proj)	
1960	: + 5.64	1964	: - 0.40		

RPicciotto:ag

IBRD

cc: Messrs. Votaw, Gilmartin, Waide,
Kavalsky, Wapenhans, Takahashi

Mr. A. Kundu (through J. Hendry)

October 4, 1967

R. Picciotto

INDIA - Income and Price Elasticities of Foodgrains Demand

1. On the basis of the Indian figures given in Table 1 for years 1957-67, I would appreciate your running a statistical correlation between apparent per capita foodgrains availability (column F), and the following two exogenous variables: (i) deflated foodgrains price index (column I); (ii) net income per capita index (column J).

2. For purposes of correlation, I would suggest using the following model:

$$\text{Log (col. F)} = e_1 \text{ Log (col. I)} + e_2 \text{ Log (col. J)} \quad (1)$$
$$S = \text{"actual" (col. F)} - \text{"computed" (col. F)} \quad (2)$$

where e_1 and e_2 are, respectively, the price and income quantity elasticities of foodgrains demand and S represents the postulated variation in foodgrains stocks. It might be useful to derive the elasticities as well as the estimated stock variations (for each of the 10 years) by obtaining some reasonable "fit" of the equation and a measure of how close is the "fit" (e.g. by least squares estimation). As a check on the calculations, please repeat the exercise by postulating that $e_2 = 0.5$. This is an independent estimate of the income elasticity of foodgrains demand.

3. Because of the close linkage between foodgrain prices and other prices in the economy, it may be useful to apply the model described above to explain the gross (non-deflated) rate of inflation in foodgrain prices. For this purpose, I would appreciate your running the same correlation as in para. 2, replacing column I by column G.

4. Another calculation required in connection with the preparation of a draft economic report on India is a trend line of foodgrains production (constant annual growth rate) for the series given in Table 2. On the basis of the growth rate calculated what would be foodgrains production in 1964-65, 1965-66, 1966-67 and 1967-68?

RPicciotto:ag

IBRD

cc: Mr. Votaw
Mr. Gilmartin
Mr. Kavalsky
Mr. Wapenhans/Mr. Takahashi

INDIA -- FOODGRAINS AVAILABILITY AND PRICE

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>	<u>J</u>
	<u>Population^{1/}</u> <u>(million)</u>	<u>Gross Domestic Production of Foodgrains^{2/}</u> <u>(000 tons)</u>	<u>Net Domestic Production of Foodgrains^{3/}</u> <u>(000 tons)</u>	<u>Net Imports</u> <u>(000 tons)</u>	<u>Apparent Availability</u> <u>(000 tons)</u>	<u>Per Capita Availability</u> <u>Kg/Capita</u>	<u>Wholesale Foodgrains Price Index^{4/}</u>	<u>Overall Price Index^{4/}</u>	<u>Deflated Foodgrains Price Index^{4/}</u>	<u>Per Capita Income Index^{5/}</u>
1957	405.8	70,652	61,820	3,630	65,450	161.2	93.5	105.3	88.7	103
1958	414.3	73,257	64,100	3,220	67,320	162.5	97.5	108.4	89.9	100
1959	423.3	77,722	68,007	3,860	71,867	169.8	106.3	112.9	94.1	105
1960	432.7	80,385	70,337	5,130	75,467	174.4	102.3	117.1	87.3	104
1961	442.7	82,281	71,996	3,490	75,486	170.5	102.3	124.9	81.9	110
1962	453.5	80,762	70,667	3,640	74,307	163.8	100.4	125.1	80.2	110
1963	464.3	83,015	72,638	4,550	77,188	166.2	105.5	127.9	82.4	110
1964	475.5	83,733	73,284	6,260	79,544	167.3	116.1	135.3	85.8	112
1965	487.0	76,521	66,956	7,450	74,406	152.8	114.0	152.7	94.3	118
1966	498.9	74,645	65,314	10,340	75,654	151.6	150.5	165.1	91.1	111
1967(proj.)	511.4	90,439	79,134	9,500	88,634	173.3	178.4	191.2	93.3	114

- 1/ Mid-year estimates.
2/ Calendar year estimates based on USDA series.
3/ Requirements for feed, seed and losses are estimated at 12.5 per cent of gross production.
4/ Average of index during fiscal year ending March 31st.
5/ During fiscal year.

TABLE 2

INDIA - FOODGRAINS PRODUCTION

<u>Agricultural Year</u>	<u>Million tons</u>
1950-51	54.92
1951-52	55.51
1952-53	61.67
1953-54	72.18
1954-55	72.59
1955-56	69.21
1956-57	72.33
1957-58	66.50
1958-59	78.69
1959-60	76.69
1960-61	80.98
1961-62	81.09
1962-63	78.44
1963-64	80.20

Ind Agri
W Seeds

September 28, 1967

Sir John Crawford
Director, Research School for
Pacific Studies
Australian National University
Box 4 GPO
Canberra, Australia

Dear John:

Herewith is a draft of one more report on India. As you will see it focuses primarily on the short run and on next year's aid requirements, with only some short comments on a few of the important programs and policies

I believe Bob Picciotto sent you his draft of the section on agriculture. It has been somewhat revised but is not very different in substance. I gather from Picciotto that you have some comments in the mill which we are looking forward to receiving. This draft has a rather wishy-washy statement on the food zone problem which the Projects Department would like to see strengthened in an anti-food zone direction. We will be discussing this further within the Bank and would appreciate your counsel.

As you know, crop prospects this year look good and hopefully other improvements will follow in train. But there are worrying aspects of the agricultural program, which we have flagged in this draft. Of course it is difficult to say just how serious any one problem is without more careful investigation.

I believe Votaw is forwarding you a paper Romano has done on the seed problem with a note of comment by von Gontard, who is Jim Evans' man on seeds. He has been working for sometime on a project in the Terrai and knows India quite well from having lived there for 10 years before joining IBRD. There is some feeling here that he ^{ROMANO} proposes more limitation of NSC authority than would be desirable at this point. We would again be most grateful for any comments you might have on this issue.

As you may know, the next India Consortium meeting is set for November 13 and 14 in Paris. I will be there and then go on to Delhi, arriving about November 25. We will certainly continue to keep you informed about the course of Indian agriculture and will look forward to your own observations and, hopefully, even a visit at some point. I have lined up quite a nice house there with a comfortable guest room any time you are looking for an escape from university politics.

With very best wishes,

Sincerely yours,

William M. Gilmartin

Enclosure
cc: Messrs. Evans and Votaw
New Delhi Office

Agm ?

IDA	IBRD	IFC
FORM NO. 92 (10-61) CORRESPONDENCE RECORD FORM		
FROM Srk. K.S. Ramechandran Secretary to Government Irrigation & Power Dept. India	DATED Sept. 22, 1967	
SUBJECT Re: Drainage problems in India Addressed to IBRD, Agriculture Division		
REFERRED TO Projects 420	DATE RECEIVED Oct. 2, 1967 mpb	

Agri. Proj.
yellows -
Lending

Mr. S. Aldewereld

September 20, 1967

L.J.C. Evans

Agricultural Projects in India -- Conditions for Lending

The main areas in which we ought to consider being more demanding in our conditions for lending to India for agricultural projects are: use of consultants, use of foreign contractors, improved procurement procedures, project organization and management, better operation and maintenance, better water management on the farm, and relationships between States and the Government of India.

Consultants

We have not so far succeeded in getting expatriate consultants used for design or supervision of projects. There are cases where it would have been better if we had insisted, or, where failing agreement, we ought not to have made the Loan. One of our problem projects in India is a good example - the Salandi Irrigation Project. India is rightly proud of the work of her irrigation engineers who are technically more capable than in most of our borrowing countries. Nevertheless, in this project faulty work was done during the planning; and the execution has left a lot to be desired. The project was eventually redesigned by Indian engineers and we got some improvement in execution by insisting that the Central Water and Power Commission took full responsibility for overseeing the engineering work. We also had to insist that management of the project was entrusted to a whole-time senior engineer instead of being one of the many responsibilities of an overloaded engineer in the Orissa Irrigation Department.

In the case of the Purna Project, we were convinced during appraisal that water management under the rather peculiar soil conditions called for techniques better understood outside India. We rather weakly failed to insist on the use of expatriate consultants and gave way during negotiations. Subsequently, after the best Indian consultants had been used, we did succeed in getting consultants in from outside.

We have also experienced similar difficulties in the case of the Punjab Study where Indian Authorities insisted on a dominating influence in the execution of the Study. This not only makes it more difficult to find suitably qualified consultants who would have to work under Indian direction, but it also could impair the results and quality of such Studies. Instead of obtaining objective views from a disinterested party, the inclusion of dominating Indian influence may result in emphasis and decisions political in nature.

In the Seeds Project which we are now preparing with FAO, advice of expatriate consultants will be essential. We shall have to insist on it

and I have better hopes that the Indians will agree to it in this case more easily than in the case of irrigation projects because we may contrive to have it provided through the Rockefeller Foundation whose work on seeds in India is well respected there. In General, I think we shall have to be tougher in insisting, in some instances, that there is a condition of a Loan or Credit that expatriate consultants are employed.

Construction - Use of Contractors

If we continue to finance irrigation projects requiring construction of large structures, we may need to insist on international competitive bidding so that expatriate construction firms can undertake some of the work. Much of course depends upon the size of the job and also there is considerable difference in the competence of States to execute the big contracts. We make a mistake, I think, in trying to have one policy or procedure for the whole of India. In some States the Irrigation Department, for instance, may be relatively well staffed and competent, in other States it may be much weaker. We should recognize this and make our recommendations ad hoc to suit the circumstances.

Improved Procurement Procedures

Procurement procedures leave much to be desired on two counts: Firstly, the desire by India to use local materials or equipment sometimes results in inferior goods being used (e.g. pumps). Secondly, the actual procurement is commonly hampered and delayed by procedures requiring purchase through a central office in Delhi. This office first attempts to determine if comparable equipment is available for transfer to the project which results in months of delay. Also, this office has taken it upon itself to change the specifications of purchases which, according to project managers, results in the purchase of less desirable equipment. On some projects equipment was never supplied although the Bank had specifically made funds available for such purchases. The result has been unusually long delays and the performance of work less than optimum standards.

Project Organization and Management

At the risk of making an exaggerated generalization, one might be tempted to observe that whereas 30 years ago there was neither the technology nor the money which India needed for economic development, now there is advanced technology and much more money, but there is a general weakness of administration compared with 30 years ago. Although a general administrative deficiency throughout India is something which we may not be able to cure, we can, and should be more insistent on better project organization and management. The objective should be to get the necessary focus or concentration of management on to a project. This might sometimes require a special agency such as an autonomous or semi-autonomous authority. In other cases, something less radical might be sufficient. In the agricultural field, many projects are of a multi-purpose kind and for success depend upon the deployment of services from a number of different Government Departments. To have a coordinating Committee is never sufficient because the responsibility for management decisions is usually dispersed. In one case with which I was concerned last year the Government proposed to get the necessary departmental coordination by a committee and to have the chairman of the committee regarded as the "Project Manager". What their

proposition really amounted to was use of the normal Government administrative procedures under which the District Magistrate would have been regarded as the "Project Manager". On two of the days when I wanted to see him, he was busy trying to control student riots. In other words, he would have been a very part-time Manager indeed. It may be possible for us in some cases to find ways of adapting existing administrative procedures to suit project needs without going to the length of setting up new statutory authorities. For small and relatively simple projects, one might achieve quite a lot by having competent individual allotted to work within an existing Department, but on a whole-time basis where they have no other responsibilities than to manage the project. One might, for instance, have a man appointed with the status of an additional Magistrate or Collector, but with no other responsibilities than for project management.

Operation and Maintenance

On some projects, e.g. U.P. Tubewells, there has been poor operation and maintenance due to inadequate supervision at lower levels. This derives in part from the fact that too much is expected from a relatively few competent senior engineers and partly from the fact that the junior personnel are often inadequately trained and poorly paid.

Water Use and Management

Even where civil engineering of canals and large structures is adequate, there is commonly a failure to use water efficiently on the farms. Training of supervisory staff and extension workers and education of farmers are needed. We ought to insist on the inclusion in projects of appropriate training programmes.

Relationships Between State and Central Government

This may be especially important in the case of agricultural projects. Because of the strong influence that individual States can bring to bear on matters of agricultural policy, States which have a surplus of food try to restrict grain movements out of the State into deficit areas so as to avoid price rises within their administrative jurisdiction. This may have a disincentive effect on grain producers within the surplus area. On the other hand, there tends to be in India as a whole rationing of inputs such as fertilizers based on equal sharing between States rather than on any concept of comparative advantage of use. In the case of the Brazil Livestock Loan, we were able to insist as a condition for the Loan that price controls on the relevant livestock products were removed. In India this sort of thing would be much more difficult to bring about because it involves the whole complex issue of State - Centre relations. I do not know how far we can move in this regard in India, but I think it is certainly something that we should consider and discuss with the Asia Department when reviewing our lending policy in India.

LJCEvans/cq

cc: Messrs. Chadenet, Bell, Ballantina, Baum, Knox.

File

Chudgump

Handwritten notes and signatures at top right, including 'Chudgump' and 'September 15, 1967'.

September 15, 1967

Sir John Crawford
Director
Research School of Pacific Studies
The Australian National University
G.P.O. Box 4
Canberra, A.C.T.
Australia

Dear Sir John,

Handwritten note: 'As Della 6/11'

The paper you referred to in your letter of August 31st was an "unfinished draft" which the Planning Commission (Stevenson) does not care to release. Its leak to the press apparently caused them some embarrassment. However, the enclosed account from the Economic Times is admitted to be a faithful reproduction of the substance of the paper and having it, I didn't choose to make an issue of the case. I have been promised a copy of the completed paper when it is ready, for what that is worth.

I am also enclosing an Economic Times piece on the monsoon which gives data in more detail than the usual weekly report we have been sending and I am sending under separate cover two reports that I think you will find of particular interest:

- Report on the High Yielding Variety Program, June 1967
- FAO/IBRD Cooperative Program Draft Report of the India Seeds Development Project, June 19, 1967.

The first is also in direct response to your earlier request for information on yields for the HYV program. Picciotto's draft may have given you some of the information you requested on the tubewell program and I expect you will get from Pantanali in the very near future the results of some work he's been doing on the seed industry.

I am glad you have found the reporting on the monsoon satisfactory and am of course very pleased that we have had something satisfactory to report on.

Best regards.

Sincerely yours,

- 1) Reference is August 21st issue
- 2) Copy being sent to you.

KAB

Kenneth A. Bohr

Encls:
c.c. Mr. Gilmartin
Mr. Picciotto
KAB:bw

Rec Sept 27 (gump)

J. J. Aquino

✓
No. 280

September 13, 1967

To: Mr. G. de Lusignan, Rome, Italy

From: Peter G. Nelson

Acknowledgement of Correspondence

I acknowledge receipt of the following:

<u>No.</u>	<u>Reference</u>	<u>Date</u>	<u>Subject</u>
188	BK 3/2.13 IND	8/28	India - Storage

cc: Mr. P.A. Reid, Washington

PGNelson:lkt
FAO/IERD

Mr. Alexander Stevenson (through Mr. Collier)

September 8, 1967

Stanley Please

Fiscal and Financial Market Studies in Pakistan and in India

Jud Pkg 9
x Jud 9
x Pch 1/5/68
Page 7
See separate
file under
INDIA-PAKISTAN
taxat. financial
background

1. As you know I am very anxious that the more general studies we are undertaking in the area of financial markets and of agricultural taxation should be closely interwoven with the operational activities of the Area and Projects Department. Only by doing this does it seem to me likely that these studies will both focus on issues which are of interest and importance to the Bank and benefit from the accumulation of knowledge and experience which exists in its operational departments. Reinforcing these considerations is my feeling that some of the contributions we have made to country economic studies have suffered from the attempt to survey the totality of fiscal developments and policies in the country -- something the country economists with long experience in the country can often do more readily than a member of this Division assigned to a mission for a few months. If these contributions can be more clearly focussed and at the same time link up with our parallel general studies, this should prove mutually beneficial.

2. It is to the background of these considerations that I would like to propose the following plan of work in relation to Pakistan for the next six months. We have been requested to supply a fiscal economist to the economic mission which is expected to be in the field for about a month as from around mid-November. In addition I understand that an appraisal mission for a further loan to the Pakistan Agricultural Development Bank is expected to be in the field from 2 - 18 October.

3. As you are aware it is my hope that our work in the field of financial market studies should be problem-centered and that one of the major problem areas upon which our studies should focus is that of the fiscal and financial implications of the factors which determine the adequacy or inadequacy of the mobilization of domestic resources for the agricultural sector. As such I see this work as complementing that of the Agricultural Division of the Bank which, inter alia, had wide experience with agricultural credit projects. Hopefully our work would also be useful to that Division, and we plan to seek their advice on what approaches we should consider as the most practical ones. Mr. Christoffersen has been working in this field as part of his Brazilian study, the draft report on which is now in the final stages. I would like to propose that he should then turn his attention to Pakistan. For this purpose it would be extremely valuable if he could join both the appraisal mission for the A.D.B. loan and the general economic mission. By doing so he would ensure that his examination adequately considered both the problems of the agricultural sector and the relationship of these to the financial requirements of other sectors in the economy.

4. At the same time you are also aware that as part of our programme of tax studies I have recommended that we concentrate on problems in the taxation of the agricultural sector and that this be approached on a regional basis with the Indian sub-continent considered as one region. For this purpose I have had Mr. Ansell (a member of the Young Professional Programme) assigned to me as from mid-October. I would like to suggest that he should also join the general economic mission and that he should concentrate on an examination of the problems of taxation of the agricultural sector.

September 8, 1967

5. As regards the servicing of the general economic mission more widely in the financial-fiscal field, this could be undertaken in large part by Christoffersen and Anselme though I would like it to be agreed with the Mission Chief in advance that the time spent in the field should not be excessively diverted from the narrower study. For instance, in the fiscal field it would seem to me reasonable to expect them briefly to cover the whole area of the provincial government budgetary picture and prospects whilst examining agricultural taxation as such, given the considerable overlap between the two. Furthermore in the financial market field in addition to the subject matters related to the agricultural sector they would also cover the other problems of domestic development finance with which we are dealing in our series of financial market studies, such as the financing of regional development, the structure of the banking system, and export credit financing. This does not, of course, preclude the possibility of other specific issues being investigated at the suggestion of the Asia Department. However to expect them to get involved in a much wider range of subjects than this would seem to me to be expecting too much. For instance, I do not think they should get involved in the Centre government budgetary problem except to the extent that this is necessary and possible from published documents back here in Washington.
6. The logistics of these suggestions are that Christoffersen should go out with the Appraisal Mission at the beginning of October and return to Washington in order to both work with that mission and to prepare for the general economic mission. He would go out again with Anselme and the general mission in mid-November for four weeks. Whilst the double journey is unfortunate, it is inevitable unless the timing of either mission were changed so as to bring them closer together or Christoffersen were to be expected to remain in the field for 10 or 11 weeks.
7. One final point I would like to mention for it has a direct bearing on the above proposals is the question of extending the agricultural sector tax study to India and my own direct involvement in this study. It had been my hope that Anselme could spend a month in both Pakistan and India in the course of one and the same trip. However given the timing of the Pakistan mission and his assignment to the Department in mid-October, this is impossible if (a) he is not to be away at Xmas and (b) he is to undertake any preparatory work in Washington before leaving. It appears therefore that the Indian study will have to be held over and, therefore, in effect excluded from Anselme's six-month assignment with us. It had been my intention of proposing to you and to the Asian Department that I should briefly join Anselme in Pakistan and then go on to India to commence studying the agricultural tax problem there as part of what I hope will be a continuing personal involvement in the economic work on India. This proposal must now be temporarily shelved though in order to provide continuity between the Pakistan and Indian parts of the study I should like if possible to join Anselme and Christoffersen in Pakistan for two weeks or so.

SPlease/lo

cc: Messrs. Kamarck, McDiarmid, Gilmartin, King, Sacchetti, Tamagna,
Wapenhans, Takahashi.

CROSS REFERENCE SHEET

COMMUNICATION: Letter RIO/ORG/a.3062

DATED: Sept. 8, 1967

TO: Mr. Ballantine

FROM: Mr. W. Van Vliet
Director,
Educational Financing Division
Dept. of Planning and Financing of Education
UNESCO. PARIS. France.

FILED UNDER: INDIA - Educational Projects - General

SUMMARY: Re enclosure of letter dated 24 August 1967 from FAO to Mr. Mahsu referring to the IBRD review of the India Five Year Plan.

Ack. by Mr. Ballantine - letter dated October 3, 1967

CROSS REFERENCE SHEET

COMMUNICATION: Letter
DATED: September 6, 1967
TO: Mr. Goodman

FROM: Mr. Votaw

FILED UNDER: INDIA - Preferences for Domestic Suppliers.
c.c. General Negotiations

SUMMARY: Comments on the Deputy Prime Minister's letter of July 10, 1967
to Mr. Woods re Bank/IDA procurement practices.

DEVELOPMENT AND RESOURCES CORPORATION

DAVID E. LILIENTHAL
CHAIRMAN OF THE BOARD

JOHN OLIVER
PRESIDENT

ONE WHITEHALL STREET
NEW YORK, N. Y. 10004

(212) WHITEHALL 4-4521

September 5, 1967

Mr. Gregory Votaw
International Bank for Reconstruction
and Development
1818 H Street, N. W.
Washington, D. C. 20433

Dear Greg:

It was good to talk with you today, and I will give you a ring next time I am in Washington.

Attached is the material on the Syndicate Bank of India which, as we talked over the phone, I recalled having seen.

Mr. Ebtehaj, accompanied by his wife, will attend the Bank meeting in Rio de Janeiro and told Bill Warne recently he would spend several days in New York "early in October." I presume he will also be in Washington.

Regards,


John Oliver

JO:hl
Enclosure

1001 256 - 0 6W15: 01
COMMUNICATIONS

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GENERAL FILES
COMMUNICATIONS

1967 SEP -6 PM 12:41

[Handwritten signature]

Received

The following information is being furnished to you for your information only. It is not intended to constitute a recommendation or an offer of insurance. The information is based on the best available information at the time of preparation. It is subject to change without notice.

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This information is being furnished to you for your information only. It is not intended to constitute a recommendation or an offer of insurance. The information is based on the best available information at the time of preparation. It is subject to change without notice.

Date of Issue:

MARSHFIELD, D. C. 50433
1818 N. GUYTON, N. W.
Atlanta, Georgia
International Bank for Reconstruction and Development
Mr. Stephen D. ...

September 6, 1967

NAME: ...
ADDRESS: ...

NAME: ...
ADDRESS: ...

DELEGATION AND RESOURCES COOPERATION

[Handwritten notes and signatures]

JUL 03 1967

TELEPHONES: 71915 & 75041 (O) 29816 (R)

Syndicate Bank Limited

~~XXXXXXXXXXXXXXXXXXXX~~
~~XXXXXXXXXX~~

SYNDICATE BANK LIMITED
SYNDICATE BANK BLDG.,
P. B. NO. 513, GANDHINAGAR
BANGALORE-9

Dr. N.C. Mehta,
Agricultural Adviser.

27th June, 1967.

Dr. E.L. Peterson,
Senior Agriculturist,
Development and Resources Corporation,
Western Office,
455, Capitol Mall,
Sacramento,
California 95814, U.S.A.

Dear Dr. Peterson,

Thank you very much for your letter dated 9th June, 1967 regarding the development of Tungabhadra Irrigation Project in Mysore State. I am very grateful to Mr. Haderlie for having remembered our request and to you for having bestowed considerable thought to the Project.

As you have rightly pointed out, in a complex irrigation project like Tungabhadra in a changing technological situation, many competing possibilities have to be studied before arriving at a most economical solution for further development. The two main possibilities are land levelling vs. sprinkler irrigation. In India, we have very little experience regarding the latter possibility, however the equipment has recently gone into production in India and there is considerable interest in its large scale application.

I am happy, your Company, which has experience in similar projects around the world

contd ..

Syndicate Bank Limited

XXXXXXXXXXXXXXXXXXXX
XXXXXX

SYNDICATE BANK LIMITED
SYNDICATE BANK BLDG.,
P. B. NO. 513, GANDHINAGAR
BANGALORE-9

-: 2 :-

world, would be in a position to undertake a study of the Tungabhadra Project, and that you have personal experience in the area.

We are at the moment, engaged in working out an organizational pattern for the development of the area. I shall place your offer of co-operation before the concerned authorities at the appropriate stage and I am confident that satisfactory arrangement can be worked out to take advantage of the experience of the Development and Resources Corporation.

Thanking you for your interest,

Sincerely yours,

N. C. Mehta

(N.C. Mehta)

DEVELOPMENT AND RESOURCES CORPORATION

DEL ✓ EOB MB LLA
 TO ✓ WAF HML RGH
 JGE LMG ZM WAF
 WS GND JH
 TAM MCK EW
 FAS RWT GVW
 PBW

TO John Oliver, New York DATE June 9, 1967
 FROM E. L. Peterson, Western Office LETTER #
 SUBJECT Agricultural Developments -- India

FILE

Byron Haderlie spent the months of April and May in southern India in connection with work under our Peace Corps contract. While in India he met many state and federal government officials, as well as other Indians, among them Mr. M. C. Mehta, Agricultural Advisor, Syndicate Bank of Bangalore, India. Apparently this bank is in close contact with the Mysore State Government officials as well as with the World Bank in Washington. Mr. Mehta particularly mentioned a Mr. Pontenelli, the Indian representative on the World Bank, and a Mr. Votaw, who is on the India desk, the World Bank, Washington, D.C. There is apparently great interest among the Indians in Mysore state and within the Syndicate Bank and the rapid development of the Tungabhadra Irrigation Project in northern Mysore state. This is one of a number of irrigation projects in the state and there are, of course, other major projects throughout India. Another large project is the Nagarjuna Sagar in Andhra Pradesh state. A considerable number of Peace Corps Volunteers will be located on both these projects and we will be training this summer a group going to the Nagarjuna Sagar. Water is now available for a considerable body of land on both projects, although neither are yet fully operative. Bill Fuller was on the Nagarjuna Sagar. Haderlie and I have both been on the Tungabhadra.

In both states, Mysore and Andhra Pradesh, there are in the state governmental organization, competent professional and technical personnel in the Ministries of Agriculture. However, the Indians have not had experience with large scale, modern agricultural development using methods and techniques for development, such as we are accustomed to in the United States. Some Indians, such as Mr. Mehta, recognize the desirability of the Indian authorities taking advantage of outside experience in agricultural development by utilizing consulting or advisory service from organizations such as D&R to help them achieve more rapid development than would otherwise be obtained by the use of traditional Indian procedures. From what Haderlie was able to learn, there appears to be financing available in Mysore state to provide for an arrangement with an organization such as ours.

Presently in Mysore state there is a reported 1,700,000 acres to be developed for irrigated agriculture. There is probably more than this in Andhra Pradesh. When I was in Madhya Pradesh the Minister of Agriculture for that state expressed some interest in arranging for a private

RECEIVED

JUN 12 1967

To: John Oliver

-2-

June 9, 1967

firm to provide services in that state in connection with overcoming an erosion problem which, according to the Minister, had at that time made unusable some 600,000 acres of land. I have the impression that the Indians are, at long last, coming to realize that there is a great urgency to the development of an intensive productive capacity for agricultural products, specifically food crops. I have the further impression that in one way or another vast sums of money, both internally generated and externally generated, will be expended on agricultural development in India over the next few years. While there are problems to working in India, as there are almost everywhere, I believe the potential in India is such that we are fully justified in making an endeavor to get a project underway in India which, hopefully, will lead to our extensive participation in agricultural developments in India over the next decade or more.

It is with this view that I have prepared the attached letter directed to Mr. Mehta, the representative of the Syndicate Bank, with whom Mr. Haderlie had extensive contact, indicating the interest of D&R in working with appropriate representatives in Mysore state with the view toward working out a definitive arrangement for our participation in the development of the Tungabhadra project. I felt it inappropriate that this communication go forward without your personal review. Hence, I am transmitting it to you with this memorandum. If you feel the letter is appropriate, it may be mailed directly from New York. You, of course, may wish to change it in some particular. I would appreciate the opportunity to review such changes, if any, before it is forwarded. Should you have questions we can either discuss them by telephone or perhaps more preferably, when you are out here in Mid-June.

As an aside, I can't help but believe that the potential for developing additional business in a number of areas which derives from our familiarity with those regions resulting from our work with Peace Corps is one of the side benefits which can and should accrue as a result of that work.

ELP:bc
enc.

DEVELOPMENT AND RESOURCES CORPORATION

NEW YORK, N. Y.

DAVID E. LILIENTHAL
CHAIRMAN OF THE BOARDJOHN OLIVER
PRESIDENTWESTERN OFFICE
455 CAPITOL MALL
SACRAMENTO, CALIFORNIA 95814

June 9, 1967

Mr. M. C. Mehta
Agricultural Advisor
Syndicate Bank, Ltd.
Gandhi Nager Branch
Bangalore 1, Mysore
India

Dear Mr. Mehta:

Our Mr. Haderlie, recently returned from a two month trip over southern India, has informed me of his conversations with you regarding the development of the Tungabhadra Irrigation Project in Mysore State. I briefly viewed a portion of the project when I visited India last summer in connection with the work of Development and Resources Corporation in providing assistance to the U.S. Peace Corps in its efforts to help increase agricultural production in India. As a result of our visits we have some appreciation of the magnitude of development work necessary to permit the proper utilization of water on the project lands. While there are many factors which must be taken into account in a major project of the size of the Tungabhadra an initial objective is to hold the capital costs of land preparation to the minimum consistent with intensive crop production. In some parts of the world it has been demonstrated that more economic alternatives to gravity irrigation are feasible. One such alternative is sprinkler irrigation. The use of sprinkler irrigation, where soil conditions and cropping patterns make this method feasible, might have two results: (1) Reduction of the capital costs of applying water to the land; (2) permit the intensive cropping of large acreage more rapidly than could be done if such acreage had first to be prepared by leveling for gravity irrigation.

Our company, Development and Resources Corporation, has had extensive experience in integrated agricultural development in several parts of the world. I enclose a document briefly describing some of the work in which we have been, or are, engaged. Should there be interest in India in arranging for assistance from a private organization in development of the Tungabhadra project lands our company would be very glad to respond to inquiry. If there might be reasonable prospect of effectuating

June 9, 1967

a definitive understanding, I believe it would be desirable for a small group of our people -- I think three persons would be adequate -- to come to India and in company with appropriate Indian professional and technical experts, make an intensive examination of the project area for which rapid development is sought to determine the factors to be taken into account in the development, identify the scope of work necessary for its accomplishment, determining the type of assistance needed to achieve its rapid implementation and following such examination make a definitive proposal with cost estimates to the appropriate Indian authorities.

We would, of course, be glad to consider such alternative preliminary steps as may be deemed by Indian authorities as more desirable. If the initial examination, as above suggested, were to be acted upon the costs to the Indian sponsoring agency would be those actually incurred. No fee would be charged for such preliminary investigations.

We hope that we may be of assistance in the further development of the Tungabhadra project area. We welcome this opportunity to bring our company and its services to your attention.

Sincerely,



E. L. Peterson
Senior Agriculturist

ELP:bc
enc.

Ld Agw

August 16, 1967

Dr. S. R. Sen
Additional Secretary
Planning Commission
New Delhi
INDIA

Dear Dr. Sen:

✓ July 31 letter attached

You were very kind indeed to send by way of Mr. Baneth the report on "The Intensive Agricultural Production Programmes of Kharif 1966" and the brochure outlining the comprehensive study of this year's high yielding programme which you are undertaking.

These documents should be very interesting and useful to us and I appreciate very much receiving them.

Sincerely yours,

William M. Gilmartin
Economic Adviser
Asia Department

WMGilmartin/z
IBRD



Dr. S.R. Sen
Additional Secretary

D.O.No.AS/1940/67

योजना आयोग

नई दिल्ली

PLANNING COMMISSION


NEW DELHI

July 31, 1967

Dear Mr. Baneth,

As desired by Mr. Gilmartin, I am enclosing a copy of the P.E.O. Report on "The Intensive Agricultural Production Programmes of Kharif 1966". This covers also the high yielding varieties programme but the findings are very tentative in character. A more comprehensive study of the high yielding varieties programme has just been initiated. I enclose a copy of the brochure which gives details of design, schedule etc. The results of this latter study are, however, not likely to be available before next year.

Yours sincerely,


(S.R. Sen)

Mr. J. Baneth,
International Bank for Reconstruction & Development,
7, Sardar Patel Marg,
New Delhi.

File Aug 16

Back to Office REPORT
Econ. MISSION-Agrt.

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

M E M O R A N D U M

TO: Mr. L.J.C. Evans

DATE: August 2, 1967

FROM: R. Picciotto

SUBJECT: INDIA - Economic Mission (Interim) - Agriculture
Back-to-Office Report

being copied

1. In accordance with my terms of reference dated June 23, 1967, I arrived in New Delhi on July 4, and stayed till July 26, to participate in an Economic Mission led by Mr. William M. Gilmartin. The main purpose of my visit was to review recent developments in Indian agriculture and make an assessment of Government's progress in implementing the new agricultural strategy.
2. There is still considerable uncertainty about the size of the 1966/67 foodgrains crop. The official estimate is 76 million tons, which may be low, given the relatively favorable monsoon rains in the south, substantial shifts in land-use favoring foodgrains, and the good rabi crops of irrigated wheat in UP and the Punjab. However, following two drought years, India remains heavily dependent on imported foodgrains for its subsistence. Delays in food shipments, partly due to the Suez crisis but also to the slow pace of U.S. and matching aid commitments, have led to a tight food situation in recent months. This situation is unlikely to improve before October-November, when early kharif crops are harvested.
3. The terms of trade of the farming sector have substantially improved over the past two years. Effective demand for improved seeds, fertilizer, water and mechanization far outstrips supplies in spite of considerable Government efforts to increase availability of such supplies. Annual fertilizer distribution rose to 1.2 million tons in 1966/67-- 50 per cent above the 1965/66 level. Other positive developments include the rapid expansion of private irrigation in the Indo-Gangetic and coastal plains and the rising production and imports of tractors and power tillers. The high yielding variety program has been well received in most areas. However, performance has been seriously lagging with respect to hybrid maize, sorghum and millets and the National Seeds Corporation has yet to evolve satisfactory working relationships with the private sector.
4. Government marketing policy requires continuous review. The food zone system has led to considerable variations in producer prices from area to area. In order to maintain reasonable incentives to producers in surplus areas, early relaxation of restrictions in inter-state transactions, coupled with Government purchases at reasonable procurement prices, may be necessary.
5. A full report is being prepared.

RPicciotto:ag
IBRD

Cleared with and cc: Messrs. Wapenhans, Hendry
cc: Messrs. Chadenet/Bell/Piccagli/Spottswood/Lipkowitz/Sadove
Gilmartin/Votaw/Bohr/Pantanali and Miss Van Gasse.

Ind Agri?

IDA	IBRD	IFC
FORM NO. 92 (10-61)		
CORRESPONDENCE RECORD FORM		
FROM	DATED	
FOODAGRI	----	
Rome		
SUBJECT		
Enclosing Goa Report to the Food and Agriculture Organization of the United Nations		
REFERRED TO	DATE RECEIVED	
Mr. Creyke (Projects)	7/25/67 fca	

*Jid Agui
py.*

OFFICE MEMORANDUM

TO: FILES

DATE: July 25, 1967

FROM: J. Chanmugam *J. Chanmugam**rec July 3*SUBJECT: INDIA: Mr. H.P. Nanda's Pamphlet on Agriculture Input Service Companies

1. The setting up of agricultural input service companies within the private sector is a reasonable concept.
2. Private agricultural input service companies, if properly equipped and managed, are more likely to be viable propositions of interest to IFC if, in the first instance, they serve selected areas where intensive agriculture is or can be practised, and particularly in areas where there is a substantial number of large acreage farms. These would be the areas most amenable to contractual custom services.
3. Input services, including land preparation and land maintenance, tube wells and other irrigation techniques, fertilizer application, pest control, grain storage and food processing, product transport, etc., are needed and the private sector can do very much more than at present. Such projects may turn out to be of interest to IFC.
4. However, the scheme proposed by Mr. Nanda is much too big in concept to be undertaken in the private sector to make it a practical, workable proposition.
5. Since there is no specific project put forward for IFC consideration, there would seem to be no need for us to proceed further with Mr. Nanda's pamphlet.

Cleared with Mr. Raj

cc: Messrs. Evans (IBRD)
Dodd
von Hoffmann
Circulation (2)*With Attachments**JC*

See separate file
under CONSORTIUM
INDIA - Agri -
Canadian Aid
1967-68
69

CANADIAN AGRICULTURAL
TASK FORCE - AidProject

Ind Agri.

Mr. I.P.M. Cargill

July 20, 1967

Gregory Votaw

INDIA - The 1966/67 Harvest

1. When Herb Rees saw you the other day, he expressed satisfaction that India had just recorded a bumper wheat harvest. Mr. Sundara Rajan had given us an equally enthusiastic report a few days earlier. I would like to enter a brief note of warning.

2. It is true that production estimates prepared by the U.S. Agricultural Attache showing a harvest of 12.2 million metric tons in 1966/67 compared to 12.1 million and 10.7 million in 1964/65 and 1965/66 respectively. However, the situation in rice, according to the same source, is very different. The 1966/67 rice crop is estimated at 30.7 million metric tons compared to 38.7 million and 30.6 million in 1964/65 and 1965/66 respectively. The shortfall in rice is reflected in the total for all foodgrains; namely, just short of 78 million metric tons in 1966/67 compared to 88 million and 72 million in 1964/65 and 1965/66 respectively. (Pulses and other cereals were up slightly in 1966/67 compared to the year before but down compared to 1964/65.)

3. Since a ton of rice costs what two tons of wheat would cost in today's market, the shortfall in rice seems more important to me than the so-called bumper crop in wheat. Putting it crudely, India could have imported the entire value of its wheat crop in 1966/67 at less than what it would cost to make up the shortfall (compared to 1964/65) in rice production. Since rice is scarce in world markets, it is unlikely that India will in fact be able to make up the deficit by imports; moreover, wheat land cannot grow rice in most instances. Nevertheless, I find the comparison instructive.

cc: Mr. Picciotto (on return)
Delhi office

G Votaw:sao
IBRD

Apr
XUP by

OFFICE MEMORANDUM

TO: Mr. L. J. C. Evans

DATE: July 20, 1967

FROM: Gregory Votaw

SUBJECT: INDIA - Canadian Aid for Agricultural Development Projects

1. On several occasions officials of the Canadian development program have expressed an interest in cooperating with the World Bank Group on aid projects in India, particularly in the agricultural sector. Recently, for example, Canada asked us for information about tubewells in Bihar (apparently because India proposed a groundwater development project in Bihar for Canadian assistance). Canada has also indicated interest in sharing with IDA the financing of any new groundwater development project in Uttar Pradesh.

2. As soon as the recent U. P. mission has completed its report on the program of intensified groundwater development in the Varanasi and Etah Districts, it might be useful to share our knowledge of this program and its financing requirements with officials in Canada, however informally. As I understand it Canada might be prepared to offer assistance in various forms such as: (a) technical support by a team organized under a Prairie Farmer Rehabilitation Authority, which is said to have a surplus of professional talent covering a wide range of agricultural and engineering skills, which could be made available for international development work; (b) foreign exchange financing as part of the regular Canadian aid program for India, including financing for fertilizer imports; and/or (c) rupee financing (as a means of writing down counterpart funds accumulated from the sale of wheat provided to India on highly concessional terms). The Canadian Government is interested in collaboration with IDA because of its respect for the Bank's Group's ability to formulate and appraise agricultural development projects.

How far has the agricultural program?

3. In order to inform itself more fully on possible future development projects in the agricultural sector, Canada is planning to send a "task force" to India in late September or early October. Tentative terms of reference for this task force are attached for your information. To head the task force the Government has appointed the Dean of the School of Agriculture at the University of Alberta, Dr. Bentley. Bentley is anxious to talk with you and others in your Division who are familiar with Indian agricultural problems, particularly in the fields of irrigation and seeds, before going to India. Tentatively Dr. Bentley has proposed to come to Washington during the first half of August, and I have suggested, even more tentatively, that the second week might be better than the first since it seems to me that Gilmartin and Picciotto are more likely to be back in Washington and available to Bentley at that time.

If it is the worst possible week for me.

4. Could you let me know if the week of August 7 is generally satisfactory for interested persons in your Division and what days during that week might be most satisfactory for you? I will then try to get a firm date from Bentley. Since he plans to visit with USDA and USAID as well as the Bank, I expect he will be in Washington for at least two or three days.

Attachment

cc: Messrs. Darnell/von Gontard, Bartsch, Picciotto (on return) (w/ Attachment)

von Gontard 12 weeks

MR. NANDA'S PROPOSAL -
AGRI. INPUT SERVICE Co.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

OFFICE OF THE PRESIDENT

July 24, 1967

Mr. Chanmugam:

We don't have any record of
attached. I suggest you forget
about acknowledging attached book-
let.

RBS
Rainer B. Steckhan

OFFICE MEMORANDUM

TO: Mr. J.D. Dodd

DATE: July 3, 1967

FROM: L.J.C. Evans

SUBJECT: INDIA - Agricultural Input Service Companies -
Mr. H.P. Nanda's Proposal

1. Mr. Nanda's proposal is not acceptable as it now stands mainly because it tries to do too much, too fast, in conditions of great uncertainties. More thinking is obviously required to shape projects which might be of interest to the Bank or IFC.
2. This being said, we believe that Mr. Nanda's paper brings into focus the need to encourage private sector participation in the development of agricultural services. There is little doubt that past government action has impaired production and distribution of key agricultural inputs, particularly machinery services.
3. Our last economic report (May 23, 1967) stresses that the Government has adopted a promising approach to agricultural development. It indicates that the supply of quality seed and fertilizers is improving. The report also emphasizes that credit backing for agriculture expansion needs strengthening. Of course, credit for mechanization is only part of the overall agricultural credit problem. You may know that a committee has recently been appointed by the Governor of the Reserve Bank to study ways into which the credit situation can be improved. We look forward to seeing its report expected to be available soon. Perhaps IBRD/IFC could eventually support an expanded credit flow through private banks or development banks to farmers. But, as noted above, this is likely to call for additional project preparation.
4. Our preliminary view is that the provision of specialized custom services by contractors for heavy ploughing, subsoiling, land shaping, harvesting and irrigation development, may be more urgently required than the full services advocated by Mr. Nanda. For a first phase program priority areas would have to be identified. It seems that additional credit assistance should be directed initially towards areas where there is already a private base for such activity.
5. There has been considerable private sector interest in the production and distribution of fertilizers, seed, pest control materials and farm machinery. A number of contractors offering custom services already operate in some parts of the country. These are usually small-scale operations by individual farmers or are attached to existing machinery repair shops. Existing constraints, apart from the availability of finance are regular supplies of spare parts, tools, quality fuels and skills.
6. We believe that the need for improved services is so important that all possible channels should be utilized. Instead of Mr. Nanda's approach of replacing all government credits and services with 1250 tractor

see also July 25
memo.

service units over the next five years, we should concentrate on assisting existing enterprises who wish to expand or wish to enter new lines. An investment proposal which Asia Department has just received for the development of seeds production by the South Indian fertilizer firm E.I.D. Parry would fall into this category and would deserve consideration. We would like to talk with you about it.

7. Similarly in two projects currently under consideration for development of tubewell irrigation in the U.P. and a seeds project of the National Seed Corporation support would be provided for mechanization and intensification through existing channels.

8. Can we meet to discuss this after your return.

cc: Mr. Votaw

Mr. Lionel J.C. Evans

J. David Dodd

June 20, 1967

*Mr Dodd
Did anything
further happen
on this
DJD
7/6/67*

Agricultural Input Service Companies - Mr. H.P. Nanda's Proposals

With reference to Mr. Nanda's proposals on agricultural input service companies (leaflet attached), perhaps we could get together soon, in response to Mr. Raj's request, so that we might prepare a joint memorandum to him. Meanwhile I have the following preliminary observations.

1. The need to establish agricultural input service units to serve Indian farmers is well known and the Indian Government has, in fact, set up suitable administrative machinery for this purpose. Technical inputs are available to the farmer via the District Agricultural Officers and local cooperatives. Private sector companies have also established and are operating a number of services such as food processing facilities, cold storages, seed farms, fertilizer distribution agencies.
2. For reasons of higher efficiency Mr. Nanda, who is the president of a tractor manufacturing firm, proposes that all agricultural input services should be handled exclusively by the private sector. The sheer size of Indian requirements, particularly the capital investment necessary, would perhaps make it difficult for the private sector to achieve the goals set out by Mr. Nanda.
3. For example, Mr. Nanda proposes the establishment of 1,250 tractor service units over the next 5 years. According to his calculations, these units would be able to service about 25 million hectares (62.5 million acres), or only about 19% of the total land under cultivation. Even for this small coverage, the necessary capital investment, based on Mr. Nanda's estimates, works out to \$1.7 billion which is about 17% of the proposed private sector contribution to the investment planned for the 4th Five Year Plan.
4. It is doubtful whether the private sector could generate sufficient funds to establish a sufficiently widespread agricultural input service organization to be meaningful in the Indian context. It is worth noting that the private sector which has been manufacturing small diesel engines and pumps for several years has so far restricted its sales and service outlets to major towns and relies heavily on the Government purchasing and distribution organization for reaching its products to the farmers.
5. Even if sufficient capital were available, it is not certain whether an operation such as a tractor service unit would earn a reasonable return on investment.
6. While operations on a scale envisaged by Mr. Nanda appear to be impractical, it is possible that smaller, individual projects may be viable propositions which IFC could appraise on merits.

JDD:MVD/sfu

cc: Mr. Raj ✓

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7/16
Received at meeting with
Federation of Indian Chambers
of Commerce, New Delhi,
May 2, 16:00 p.m.

files

**REACH THE TECHNICAL AND
AGRICULTURAL INPUTS TO THE
SMALL FARMER THROUGH
ORGANISED AGRICULTURAL INPUT
SERVICE COMPANIES**

By tradition, holding of agricultural land by an Indian family in rural India, even when it is an uneconomical unit, is as important to Indian way of life, as is an Indian's faith in God. There are instances where a piece of land less than half an hectare in hilly areas is so uneconomical that as many as three or four members of a family quit their village homes to take up jobs in towns either as soliders, office boys, domestic servants or other similar jobs. They put in hard work, save money and send it back to the farms for the upkeep of that half hectare of family property and even to feed the caretaking part of the family living on the farm.

It is for this traditional-type ownership of the land that the Government of India had converted over 50 million land tenant tillers into land owners by bringing in the Land Reforms Act. The Land Reforms Act and ceiling on land holdings has certainly satisfied at least psychologically millions of farmers in their traditional desire to own land. But with rapid growth of population, this uneconomic land holding will result in further fragmentation of already small holdings. Thus over 50 million uneconomic land holdings threatened by further fragmentation and held by farmers who have no resources for agricultural inputs, are dependant solely on the State Government machinery for distribution of agricultural inputs. Availability of these inputs in turn, is unfortunately inhibited with red tape procedures. Agricultural production and yields per hectare therefore will not increase commensurate with growth of population in the country in the years to come.

Additionally nearly 4 million hectares of land suitable for cultivation, it is claimed by experts, is now lying uncultivated in the country. These large tracts of waste land can be brought under cultivation and over a period could become highly productive provided agricultural inputs in the form of tractors, agricultural implements, irrigation, Bunding, fertilizers, high yield seeds, land levelling, drainage, pest controls etc., are introduced. It requires nearly Rs. 6,000/- per hectare investment to make these inputs available. If adequately financed and properly

managed by agricultural experts, these 4 million hectares of land could be easily brought under cultivation during the Fourth Five Year Plan, thus adding substantially to the present resources of food production.

For this purpose, it is necessary to encourage public joint stock companies to go into farming. These companies, as has been described in greater detail in our scheme entitled, '*Industrialise Agriculture*' should be licensed to hold land beyond the land ceiling limits in units ranging from 2,000 to 5,000 acre farms, financed by institutions like the Industrial Finance Corporation of India, ICICI, IDB and Agriculture Refinance Corporation of the Reserve Bank of India, on the same pattern as the licensed units in engineering, chemical and textile industries etc. The culturable waste land can be leased to such joint stock companies for period from 30 to 50 years. Creation of such farms need not uproot any of the tillers or the small farmers and, therefore, should not be objected to by the politicians. This would also create additional employment for landless agricultural labour at the rate of one family for every 5 hectares resulting in better standard of living than the present living standards of the agricultural labour or self employed small farmer. Good management and adequate finances for agricultural and technical inputs would definitely bring the production and yields per hectare to international standard of developed countries.

Indian politicians are afraid that the removal of ceiling on land holdings will uproot small land owners and would bring back landlordism. This apprehension is unfounded but all the same it is considered extremely difficult - almost impossible - to convince the ruling party to remove the ceiling on land holdings. We, therefore, have to tackle the problem as it is and at least for all that land and farms which are under cultivation by accepting the land laws as they are and we have to live with the Government of India's land reform legislations regarding imposition of ceilings on land holdings, even if these are unsatisfactory in many ways.

The problem, therefore, is how to reach 'Good Farm Management' and 'highly expensive Technical and Agricultural inputs' to the small Indian farm holdings within a reasonable space of time.

The total land under cultivation in India, according to the figures available through the Sixteenth Round of the National Sample Survey is 131.58 Million Hectares. 80 million hectares of land under cultivation is owned and farmed in holdings ranging from 0.19 to 8 hectares. About 50 million hectares of land is in holdings ranging from 8 to 25 hectares and above is held by 3.4 million farmers. 80 million hectares of land is held in more than 45 million farm holdings, each holding of less than 8 hectares.

DISTRIBUTION OF AGRICULTURAL INPUTS WHETHER TRACTORISATION, FERTILIZERS, HYBRID SEEDS, HIGH YIELD NEW STRAIN OF SEEDS, IRRIGATION, LOANS AND SUBSIDIES FOR SMALL IRRIGATION SCHEMES, ETC., MUST BE REPLACED WHEREVER POSSIBLE WITH COMMERCIAL FREE ENTERPRISE IN PRIVATE HANDS.

Creation of Servicing Units in the form of Joint Stock Companies operating in rural areas and selling agricultural and technical input services on commercial and competitive basis is the only way to reach "good management" and quick services in "technical inputs" to the small farmers in India. The Agricultural Servicing Units would not disturb traditional land ownership of the farmer and yet enable the small farmer to benefit by the most modern and most needed agricultural and technical inputs thereby increasing the production and farmer's income several folds.

The agricultural Service Units would mainly comprise of :—

1 TRACTOR SERVICE UNITS :

These units will take care of breaking, levelling, cultivation, improved and contour drainage, irrigation, developing of wells, seeding, fertilizing, harvesting, threshing and transport of the produce to the procurement centres.

2 HIGH YIELD HYBRID SEEDS :

Making available the new strains of seeds specially for grains like rice, wheat and hybrid seed for maize, millet and sorghum will be the other Service Unit. Agricultural Service Units for development research in the hands of private companies followed by multiplication of the seed and distribution of the specialised seed to farmers well spread in the rural areas will further help to increase yield per hectare. We should introduce new strains of seed like wheat and rice in collaboration with agriculture universities and seed producing companies abroad and with the development and research work carried on in the agriculture universities in India. Similarly, we should introduce new hybrid multiplication and seed processing plants for hybrid maize, Sorghum and Millet.

The seed companies could contract with the small growers for multiplication of seed. They could place their seed with processing plants in the middle of 20,000 hectares of rural area and have their own warehouses for storing the same. The distribution and marketing of commercial seed could also follow. Such seed companies should have agricultural graduates and technicians to help the small grower in training of multiplying and growing special seeds and also use of agricultural graduates for the sale and popularisation of the commercial hybrid seed, through demonstrations.

Something like this for example, is already being done by Messrs. Dekalb (U.S.A.) through an Indian established company, Agricultural Association Limited. They are multiplying seeds through price incentive contracts with the small growers, processing hybrid maize seeds followed by storage for six months and later marketed through agricultural graduates and technicians. Presently they are operating in Punjab and Haryana only for hybrid maize but they plan to shortly extend procurement, seed multiplication and marketing of sorghum, millets and maize in other parts of the country.

National Seed Corporation, a Government of India organisation, also is operating in many

parts of the country multiplying and producing foundation seed for maize, sorghum, millet, vegetables, etc. It is however recommended that NSC should be an organisation restricting its functions to development research; advisory, supervision and certification of seed multiplication, processing etc. Actual grower contracts for seed multiplication, seed processing, marketing, etc. should be left in the hands of private enterprise. Government should of course encourage formation of very large number of such seed multiplication, processing and marketing units throughout the country and encourage healthy competition whereby seed is available to the farmer at the right time and of the right quality. BUT UNDER NO CIRCUMSTANCES SHOULD THE GOVERNMENT DIRECTLY OR THROUGH NATIONAL SEED CORPORATION BRING ABOUT ANY CONTROLS ON PRICES OR DISTRIBUTION OF THE SPECIAL PROCESSED SEEDS AS THE FARMER IS WISE ENOUGH TO PAY THE RIGHT PRICE BUT ONLY FOR THE PROPER HIGH QUALITY SEED. The supervision and certification by NSC or State Government, Directors of Agriculture, may be necessary for sometime. Economic market mechanics will automatically bring the quality and prices to a proper level. *Controls and prefixation of the retail prices only retard production.* These also work as disincentives to such progressive seed processing companies or entrepreneur.

It is also important that the new Seed Act now under scrutiny of the Parliament does not restrict development and research of new varieties of seed to the Government only. The development, research and introduction of new varieties should once again be equally open to the private enterprises with or without foreign collaboration.

3. FOOD PROCESSING PLANTS

Examples already exist where firms like Hindustan Lever with the help of their technicians have educated and created through a large number of small farmers high yielding proper quality vegetables seeds like peas, carrots, spinnachs etc. and which are later processed

and marketed as dehydrated food in the country. They are contracting throughout with small farmers who cannot afford to have technical know-how, their own processing plants and marketing organisations. Similarly a rapid development has taken place wherever the milk processing, fruit canning, poultry, etc. have been established in the country. Hindustan Lever's Etah (U.P.), Horuck's Nabha (Punjab), Norwegian Milk Plant, Karnal, Arbor Acres poultry and hatchery at Poona and HyLine Shavers are good examples. Private Poultry development has brought about, only in the last 3-4 years, considerable increase in poultry and egg production. Similarly poultry and cattle feed plants have come up in the areas where one day old chicks are made available to small farmers to develop either broilers or layers.

There is room for several such plants for food processing, milk processing, piggery products, cattle and poultry feed, mix fruit canning etc. All these plants should be located deep in the rural areas and such centralised processing plants should be able to help animal husbandry, in food preservation, etc. in an area of 20,000 to 30,000 hectares for each unit. In many places, cold storage, sterilization plants also would have to be introduced by such food processing plants.

4. FERTILIZERS, PEST CONTROLS AND INSECTICIDES :

It is planned to place one fertilizer manufacturing plant in each of the Indian States. There is considerable shortage of fertilizers and more and more plants would be required. This should be supported by small compost manufacturing units. The timely and quick distribution of fertilizers chemicals is necessary and for this purpose it is suggested that Services Units be created also at rural levels and in close vicinity to the new tractor and food processing units mentioned above which should have plant and machinery and should carry out at fixed rate with machines, spreading of fertilizers together with insecticides.

These units should also have chemical sprayers, dusters, etc. Aerial spraying and dusting of

of pest controls should also be left to the private enterprise and could be a part of the fertilizer, chemical and pest control distribution service units. To cover large tracts of land the Government Directors of Agriculture in each state should engage such service units to carry out mass scale aerial sprays and dusting of chemicals as preventive of diseases in large agricultural areas. The collection of cost of this aerial spray from small farmers, to prevent diseases and killing of food eating insects, can be made by State Government through a revenue levy or should for initial 4-5 years be completely subsidized by the State or Central Government. Experts estimate that about 10% of our food grains which are destroyed by pests and diseases can be saved by such mass scale spraying and dusting of chemicals which operation otherwise is not within the reach of the small farmer.

Similarly, in collaboration and in close liaison with the state Governments, private grain procurement agencies should be created who should have their Silos and warehousing for storage of grains located in the rural areas. These procurement agencies should be liberally financed to pay the farmer immediately the floor prices fixed by the Government. The reasonable cost for warehousing with proper chemicals should be allowed to these, financing procurement and warehousing agencies which should be included within the ultimate marketing retail prices of the food grain.

Here again, it is estimated that a large quantity of food is wasted due to bad storage. In the absence of such procurement agencies forming a well spread net work in the rural areas, the local 'Baniyas' take undue advantage and pays unreasonably low price to the farmer at the time of harvest and *inflates up* his prices at the time to sell to his advantage. A network of procurement and warehousing silos and bins, spread throughout rural areas in the country through such procurement agencies or companies similar in pattern as established in U.S.A., would be of great help not only to the farmer but also to the Government in proper procure-

ment, storage and distribution of the food grains from the surplus areas of food grain production to the deficit areas.

All the above said Agricultural Service Agencies need the maximum incentives and encouragement and least of controls to be operative and effective. Besides institute finance, underwriting of the capital issues by such public joint stock companies, *it is important that atleast for the next 10 years, there should be tax holiday to all such entrepreneurs as an investor on dividend receipt as well as on the income to the companies itself.*

There will always be some sections of the community who would attempt to abuse and supply sub-standard services to the farmer or the consumer for which the Government supervision besides adjustment through Market mechanics would be no doubt necessary.

SPECIFIC REQUIREMENT OF FUNDS

As an example, illustrated below are requirement of funds, organisation, etc., to establish "Tractor Service Units :"

- (a) About 60,000 tractors ranging from 14 to 50 HP are estimated to be working on Indian farms in the year 1966.
- (b) According to Fourth Five Year Plan, 1,50,000 tractors ranging from 25 to 50 HP would be added at the rate of 30,000 tractors per annum.
- (c) Working tractor population by the end of 1970, therefore, is estimated at about 2,00,000 tractors. One tractor ranging from 25 to 50 HP at an average would take care of a self-operated farm of 100 hectares which would mean that 2,00,000 tractors would be enough to take care of mechanization provided supported with adequate supply of agricultural implements for 20 million hectares.
- (d) About 50 million hectares of land holding in the hands of 3.4. million farmers in areas over 8 hectares should be considered for

introduction of mechanisation either by self-owned tractors or through *tractor service units* to meet the requirements of the 4th Five Year Plan.

A crash programme to establish 250 tractor service units per annum during the Fourth Five Year Plan should be taken up. Each such tractor service unit with 100 tractors and following equipment would be able to service about 20,000 hectares of land per season for two crops per annum. In 5 years, 1250 such tractor farm service units would be able to service 25 million hectares. Each of the 100 tractor service unit to service 20,000 hectares would require an investment of Rs. Ten million inclusive of Rs. one million in direct foreign exchange.

The tractor service unit should consist of the following :-

	Rs.
1. 5 Crawler tractors 70-100 HP (imported)	4,00,000
2. 15 tractors of 50 HP each Indian @ 25,000/- per tractor	3,75,000
3. 80 tractors : 30-35HP- Indian @ Rs. 21,000/- per tractor.	16,75,000
4. 5 Jeeps	1,00,000
5. 5 Five-ton trucks for transport and distribution of produce and machinery.	2,00,000
6. 50 tractor-drawn trailers 3-5 tons at Rs. 5,000/- each.	2,50,000
7. 30 mould board and disc ploughs, 50 heavy duty spring tillers, 30 mounted and trailing harrows, mould drainers, rooters, land levellers, grain threshing cleaning machines, corn pickers, reapers and binders.	6,00,000

(on account of excess agricultural labour and small farms with a small area bunding, self-

propelled harvesting machines have not been suggested):

- | | |
|---|-----------|
| 8. 20 Mobile pumping sets with rubber and aluminium pipings ranging between 10 to 50 HP. | 3,00,000 |
| 9. For self-generating electricity power (diesel engine) 100-150 kva mobile per unit together with compressor and 10-15 kva diesel generating sets. | 3,00,000 |
| 10. Land & Building for the centralised station to include workshops, stores, warehousing with asbestos sheet and steel trusses, pre-fabricated aluminium or other cheap housing for about 200 employees which would include 120 operators, 15 mechanics and fitters, 10 agricultural engineers, technical manager, 3 Accountants, 3 Store Keepers, General Manager, Commercial and Supervisory Foremen, Agricultural graduates, etc. (Besides permanent structures at headquarters, mobile camps in tents in caravan type trailers for field operations, distant from headquarters - about 10 field units have been included). | 10,00,000 |
| 11. Workshop machinery, tooling, Repair, field kits etc. | 3,00,000 |
| 12. 2 drilling rigs for tubewell boring, chemical spraying and dusting equipment, fertilizer spreaders, etc. | 10,00,000 |
| 13. Stores, spares, fuels, inventory. | 5,00,000 |

Running expenses have to be provided for 6 months as collection from farmers would be expected only against sale of his crop - two crops a season in most of the areas may be anticipated. The monthly expenses for such establishment to service 20,000

hectares of land including consumables like fuels, spares, stores, etc., is estimated at Rs. 4,00,000/- per month. Roughly it would mean Rs. 25,00,000 for a period of 6 months Rs. Five Million per annum.

**TOTAL COST PER TRACTOR
UNIT OF 100 TRACTORS: Rs. 95,00,000/- OR**

i.e., 250 Units per annum would cost 2,500 Million per annum inclusive of 25 million of \$ foreign imports.

The earnings from the tractor unit services should be estimated at Rs. 500/- per hectare for two seasons. The services would include ploughing, tilling, harrowing, levelling, seed, fertilizer, laying drains for irrigation, chemical dusting and spraying, pumping water from tubewells and irrigation, reaping, harvesting, threshing and transporting the crop to the procurement centres. The anticipated receipts are 1,00,00,000/- per annum, against current expenses of Seven million rupees per annum including depreciation, breakage, insurance and other costs, thus leaving and anticipated gross profit of Three million rupees per annum against basic investment of Rs. 10 million per tractor servicing unit. For first two to three years full servicing off 20,000 Hectares may not be possible resulting in loss to the Tractors units.

Except for the crawler tractors and some specialised agricultural machines and farm equipment which may have to be imported, all other tractors and general purpose agricultural implements etc., are available within the country. However, to maintain a higher production of tractors and agricultural implements, import of raw materials and certain components by the tractor manufacturers would be necessary through World Bank assistance.

Requirement of Rs. ten million for each tractor service unit should be spread in Rs. four million in equity investment to be shared with promotor, General Public and State Government. The balance of Rs. six million should be met

through borrowing from World Bank or US Cooley fund to be repaid over 15 years with a moratorium on the first five years of commencement of business.

The World Bank and Government aid to the servicing units could come through IFC, ICICI, and IDB, The Indian Institute finance organisation but their methods of distribution and procedures have been found rather slow. If the long term financing as suggested above could be arranged through the normal scheduled Banks and provincial finance corporations in existence in the country, this will move much faster with assured repayments. It is understood whatever the scheduled banks finance or agree to finance to such servicing unit on long terms basis within a set pattern and plan, refinance and assistance to 100% would be available from the World Bank or US Cooley funds. Anticipated involvement of total funds for 250 units per annum would therefore work to Rs. 2.50 billion per annum inclusive of \$ 25 million in foreign exchange.

Introduction of tractor service units alone will not serve the purpose. All other types of service units like seed processing and food processing plants, procurement and grain storage silos, fertilizers, chemical protection, pest controls, etc., must also be established during the same period. Very roughly speaking each service unit for 20,000 hectares should be supported by one each of the/service following units :-

- (a) Seed processing SERVICE UNIT.
- (b) Food processing SERVICE UNIT.
- (c) Procurement Agency and grain storage silos, SERVICE UNIT.
- (d) Fertilizer, chemicals, pest control spraying & dusting.

Experts could only give the exact requirement of funds for plant, machinery, buildings, etc., for each one of these units basing the service area at 20,000 hectares.

The seed processing service units, fertilizer and insecticides spraying service units, procurement and storage service units with one unit for every twenty thousand hectares of land would not require an investment exceeding Rupees two million out of which Rupees half million may be required for imported equipment. Most of the equipment even for those units will be available from within the country. 250 of each of these units would therefore require a total involvement of funds of Rs. 500 million for each type, that means Rs. 1,500 million per annum for all the three supporting service units, covering services for twenty thousand hectares.

It must be explained that there are about 350 districts in the whole of India, about 250 districts are the areas where agriculture can be developed in large tracts as it lies in open plain and has adequate culturable land to be supported with these service units. It is for this reason that one unit for each of the culturable districts has been taken into account to work out 250 units per annum. The scheme in the beginning could be reduced if so desired, as a pilot scheme in 100 units instead of 250 units per annum.

The 'Tractor Servicing Units' would not be so effective on smaller holdings where the land holdings range from 0.20 to 6 hectares and the land holdings are distributed amongst 45 million farming families. We cannot lose sight of 300 million illfed, weak cattle which we have to keep up also on account of Taboos and religious superstition. It is recommended that by cross-breeding and proper feeding and selected killing, castration, the cattle population of India of healthy animals under proper technical and scientific supervision could be improved and continued to be utilised as draught animals for animal drawn Implements. This small 45 million farm holdings could depend and continue to work by animal draught implements.

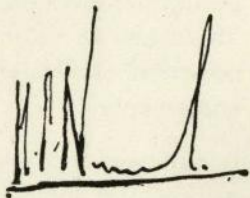
It is, however, important that the animal drawn agricultural implements *should be so developed that the operator can sit on the implement and the weight of the operator is used for digging the*

implement deeper into the soil. Such implements have been developed but they have not gone into large scale production.

Millions of such implements can be produced provided aid for manufacturing such implements is financed by the World Bank or Cooley Funds. Several such manufacturing units have to be created, well spread all over the country, may be one in each State. It is important that the bullock drawn agricultural implements should provide riding of the operator as otherwise the output from a pair of bullocks is less because walking behind the fatigue of the operator is a limiting factor.

Besides the bullocks and bullock drawn implements for the smaller holdings from 4 to 8 hectares, *8-10 HP 4 wheeled riding tractors* together with special small implements would be ideal and would replace and cost the same as 3 pairs of bullocks with implements. Escorts Limited have developed such a tractor together in collaboration with CEMRI Durgapur. It is estimated that with 2 to 3 implements, this tractor called KISAN will cost about Rs. 6500/- which is equivalent to the cost of 3 pairs of bullocks. A considerable amount of finance would be necessary to support manufacture of engines as well as KISAN tractors of 8-10 HP together with implements. Imported content of the raw materials will not exceed Rs. 500/- per tractor.

About one hundred thousand small tractors manufactured in the country could be well utilised and absorbed on these 45 million uneconomical holdings provided both manufacture and purchase is financially supported by the Indian Government through possibly World Bank assistance.



H. P. NANDA

Idagiri

Mr. W. Wapenhans

July 11, 1967

L. W. Bartsch

INDIA - Completion and Management
of Major Irrigation Projects



I have briefly reviewed Mr. Votaw's memorandum dated July 3, 1967, and it appears that we know nothing about these Indian projects and would apparently have to send a mission to the field to obtain the data.

Inasmuch as we are now pressed to find staff for other missions, for which we have data and reports, it appears that these projects should have a relatively low priority. I agree generally with Mr. Pantanali's views that this whole proposal has very little merit and until the Indians are prepared to present something for our consideration in the way of a report or details on the projects, I think we would be wasting staff time to pursue it further.

If the Indians cannot prepare suitable documentation of their project proposals for our review, they should obtain help elsewhere. Our staff is presently fully occupied with projects for which data have been presented in a reasonably satisfactory manner. At this time, it is my opinion that we cannot undertake further long term study programs involving our staff as we have for the Uttar Pradesh Tubewell Project and for the Atlantico Project in Colombia.

LWBartsch:m
IBRD

Mr. L. J. C. Evans

Gregory Votaw

July 3, 1967

INDIA - Completion and Management of Major Irrigation Projects

1. Pantanali's letters No. 136, 153 and 162 concern his follow-up of a proposal Mr. Asoka Mehta, Minister for Planning (among other things), started to discuss just before I left New Delhi in May.
2. At first Mr. Mehta seemed most concerned to have Bank assistance in providing extra rupee financing to accelerate the completion of four or five of India's major irrigation projects. With an additional \$40 million equivalent this year he hoped to be able to complete the physical works required to put nine million acres under irrigation one year earlier than the GOI's official 1967/68 budget will permit. He suggested that these projects might offer a medium for the Bank to disburse free foreign exchange quickly as part of its contribution to a consortium debt relief exercise. (There is still some question as to what the Bank will do by way of debt relief and no probability at this time that Bank action will include loans to disburse against local currency expenditures; furthermore, in framing the GOI Budget, the Ministry of Finance has already taken into account probable disbursement of consortium aid during 1967/68.)
3. I had told Mehta that his proposal seemed unlikely to win Bank approval and even less likely to result in a flow of Bank resources in the current Indian fiscal year (which began April 1, 1967), since even if we were interested in financing the tail-end of these schemes, it would take some months to work out the details. I asked if Government was interested in working with the Bank on developing programs to maximize agricultural production from these "nine million acres" once the construction works were completed. The Minister said that Bank assistance might be helpful, and it is this possibility which Romano has pursued and which one of Mehta's assistants has now raised with Henry Ergas.
4. It is always tempting to try to work up a program for improving the agricultural yield from India's large irrigation projects. But I suspect the immediate question before us is whether your Division and/or the Cooperative Program can spare the man-months to explore this rather if-y situation in order to determine whether or not conditions are now present for constructive intervention by the Bank (or FAO). Is there a real opportunity at this time or merely another false alarm?
5. If you can spare staff time to review the situation, there are obviously a number of subsidiary questions to consider. (For example, are any of the four projects mentioned by Mehta as promising as some others with similar completion/utilization problems?)
6. Could we discuss this briefly when you have had a chance to read Romano's letters? I believe Ergas will also want a reaction from us when he visits Washington July 10.

G.V. :mm

cc: New Delhi Office

Ind Agri

Mr. J.D. Dodd

July 3, 1967

L.J.C. Evans

INDIA - Agricultural Input Service Companies -
Mr. H.P. Nanda's Proposal

1. Mr. Nanda's proposal is not acceptable as it now stands mainly because it tries to do too much, too fast, in conditions of great uncertainties. More thinking is obviously required to shape projects which might be of interest to the Bank or IFC.
2. This being said, we believe that Mr. Nanda's paper brings into focus the need to encourage private sector participation in the development of agricultural services. There is little doubt that past government action has impaired production and distribution of key agricultural inputs, particularly machinery services.
3. Our last economic report (May 23, 1967) stresses that the Government has adopted a promising approach to agricultural development. It indicates that the supply of quality seed and fertilizers is improving. The report also emphasizes that credit backing for agriculture expansion needs strengthening. Of course, credit for mechanization is only part of the overall agricultural credit problem. You may know that a committee has recently been appointed by the Governor of the Reserve Bank to study ways into which the credit situation can be improved. We look forward to seeing its report expected to be available soon. Perhaps IBRD/IFC could eventually support an expanded credit flow through private banks or development banks to farmers. But, as noted above, this is likely to call for additional project preparation.
4. Our preliminary view is that the provision of specialized custom services by contractors for heavy ploughing, subsoiling, land shaping, harvesting and irrigation development, may be more urgently required than the full services advocated by Mr. Nanda. For a first phase program priority areas would have to be identified. It seems that additional credit assistance should be directed initially towards areas where there is already a private base for such activity.
5. There has been considerable private sector interest in the production and distribution of fertilizers, seed, pest control materials and farm machinery. A number of contractors offering custom services already operate in some parts of the country. These are usually small-scale operations by individual farmers or are attached to existing machinery repair shops. Existing constraints, apart from the availability of finance are regular supplies of spare parts, tools, quality fuels and skills.
6. We believe that the need for improved services is so important that all possible channels should be utilized. Instead of Mr. Nanda's approach of replacing all government credits and services with 1250 tractor


July 3, 1967

service units over the next five years, we should concentrate on assisting existing enterprises who wish to expand or wish to enter new lines. An investment proposal which Asia Department has just received for the development of seeds production by the South Indian fertilizer firm E.I.D. Parry would fall into this category and would deserve consideration. We would like to talk with you about it.

7. Similarly in two projects currently under consideration for development of tubewell irrigation in the U.P. and a seeds project of the National Seed Corporation support would be provided for mechanization and intensification through existing channels.

8. Can we meet to discuss this after your return.

cc: Mr. Votaw


RPicciotto/Stakahashi:vr
IBRD

Ld Agri Prog.

Letter No. 139

July 3, 1967

Mr. Romano Pantanali
Office of the Resident Representative
International Bank for Reconstruction
and Development
P. O. Box 416
New Delhi, India

Dear Romano:

1. The Canadian Government has developed an interest in tubewell development in Bihar State and may consider aid financing to assist that development. I have told them that the Bank does not have any organized information on the groundwater development program in Bihar, but I also agreed to pass along to them any such information which crossed my desk. Do you have any reports on this? Do you have any impressions? What about David Hopper? Would the Ford Foundation have information emerging from their program in the Shahabad District? Is the Agricultural Refinance Corporation involved? Would Sivaraman have any suggestions?

2. I know how busy you will be with the economic mission these next few weeks and that it is unlikely you can spare much time for Bihar tubewells. However, if you have something readily at hand, I would want the Canadian authorities to have the benefit of your assistance as soon as possible. Perhaps this is something Mr. Neuner could look into while he is in Delhi (and in Patna if he goes there to look at IDA highways). However, he too has a very crowded program. Please discuss it with him. Perhaps the two of you could at least visit the Canadian High Commissioner to learn more about the nature of his government's interest and the information that Bihar and GOI have already made available to Canada.

Yours cordially,

Gregory Votaw

cc: Mr. Neuner (in New Delhi)

P.S. After dictating this letter I received Patrick Reid's note of June 29 and Draft Terms of Reference for a Canadian Agricultural Task Force proposed for later this year. (Copy attached.) I have told Patrick that we would be happy to see the team in Washington before (and after) their visit to India.

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002-21

1968

Agric

3147

Res Rep

3117

Ind. Aquilino

June 30, 1967

Sir John Crawford
32 Melbourne Avenue
Deakin
Canberra, A. C. T.
Australia

Dear John:

Peter and Gil have asked me to reply to your letter of May 22 with apologies for the long delay. Peter is now on leave in Europe. He had just returned from the Pakistan consortium meeting when your letter arrived--and returned to Europe for consultations on India a few days later.

Gil left yesterday for a month in India to write a brief economic report as part of the preparation for the next consortium meeting (tentatively planned for October/November).

We are gradually getting organized to service from New Delhi the kind of information requirements which your letter outlines. Unfortunately, there is little prospect that the agricultural members of the mission (probably Ladejinsky and Picciotto) will be in station before the fall. Once they get settled in Delhi we are confident that the kind of material you request will be collected on a regular basis and copies sent both to you in Canberra and to Bank staff in Washington.

As for data on this year's monsoon, I am asking Bohr to send us the same reports as Pantanali provided last summer, with a copy to Canberra. I hope this will keep you up to date.

I regret to say that there has still been no decision regarding your suggestion that an editor be assigned the task of preparing your reports for reissue in a form suitable for distribution to universities, research centers and interested government or international agencies.

Both Peter and Gil have asked to join me in sending best personal regards to you and Mrs. Crawford as well as all good wishes in your new life as Vice-Chancellor.

Sincerely yours,

Gregory Votaw

cc: Messrs. K. Bohr (with copy of incoming and covering note)
R. Picciotto ()
W. Gilmartin (in Delhi, with incoming)



**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

WASHINGTON 25, D. C.

RESIDENT REPRESENTATIVE IN INDIA
RESERVE BANK OF INDIA BUILDING
NEW DELHI

TELEPHONE: 34987

30152/3

2
Ind Agri Dept
Rosewater to Votaw
OP files
7, Sardar Patel Marg
New Delhi P.O. BOX 416
CABLE ADDRESS-INTBAFRAD-NEW DELHI

✓
Letter no. 153

June 6, 1967

Mr. Gregory B. Votaw
Asia Department
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington D.C. 20433

Confidential

DECLASSIFIED

OCT 31 2014

WBG ARCHIVES

Dear Greg,

guy
June 2
For here have we no continuing city
but we seek one to come.

Heb. 13:14

1. Re your cable 47: of course, I never thought there was really a possibility of making quick disbursement irrigation loans along the lines Mehta suggested to you. This, independently of our resources position. Indeed I thought our interest is of a different nature. What we should aim to achieve is to focus GOI attention, at high political level, on the problem of what should be done to correct the mistakes of the past in designing large scale irrigation projects in this country, and make the corrected projects fit in the declared new agricultural policy (intensive irrigation, and all that).

2. My assumptions are:

- (i) there has been no action to fit the continuing work on large-scale irrigation schemes with the new agricultural policy (a theme Crawford neglected, maybe Gilmartin should seek to explore in July) 1/;
- (ii) we need a somewhat dramatic way to bring this to attention of GOI - Rao is now junior to Jagjivan on irrigation matters, but still fights effectively for his own old-fashioned methods.

1/ As you know, GOI has now taken the extreme attitude that investment in big projects should be stopped (or reduced to a very low level). This is just as nonsensical as going ahead blindly on the basis of old designs, as it further procrastinates the day some benefits will be realised from investment costs sunk.

resulted from investment costs and
debt, as if the net proceeds were used for some benefit that
is not as non-revenue as would be expected on the part of the
the proceeds should be stopped (or reduced) from being used.
It is not known if the extreme attitude that investment in

will be used to finance the new oil-transported markets.
GOI - It is not known if the investment in the new markets will
(1) be used to finance the new markets or to other parts of the investment of

in the (1) ?
These circumstances neglected, where the investment should seek to explore
state investment schemes with the new investment policy (a
(1) there has been no action to the the continuing work on the re-

5. My assumptions are:

investment, and the fact that)
collected proceeds are in the reduced new investment policy (the state
debt, the state investment proceeds in the country, and make the
balance of what should be done to collect the shares of the new in
the to continue to be used for GOI investment, as well as investment, on the
indeed I should not, however, be of a different nature. What we should
invest and be able to do. This, independent of all the reasons for
investing of making such investment investment policy, the time
1. It is not clear if: of course, I believe that there may result a

Her: 13:11
but we seek one to come.
For this please me no continuing city

Dear Sir,

Management D.C. 50133
1978 H Street, N.W.
and Delegation
International Bank for Reconstruction
and Development
W. George B. Ayres

MBC VKCHIAE2
OCT 31 5014
DECLASSIFIED

CONFIDENTIAL

Letter no. 123

Page 2 of 2

3072573
TELEPHONE 34993

NEW DELHI
RESIDENT REPRESENTATIVE IN INDIA
MANAGERIAL 52, D.C.

CABLE ADDRESS: IIBVND-NEW DELHI
150, D.C. P.O. BOX 118
1, D.C. P.O. BOX 118

**RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL BANK FOR**



Handwritten signature and date: 10/31/78

June 6, 1967

- (ii) Besides, Jagjivan is not briefed properly. ^{1/}
- (iii) even if there is no money to make quick disbursing irrigation loans, we should not give up what might be a handsomely paying game. We need make no commitment, till a first technical judgement is known.

3. ^{played} I believe this a typical identification job, and could be useful, if ~~it~~ well. The problem is how to draw our cards. My suggestion is:

- (a) you write Asoka Mehta ^{quickly & agree} saying that you understand the subject of my letter No. 136; but that, before you say anything else, you want to be sure the continuing investment can be fitted in a final rational pattern of water utilization: **this** should be explored by an identification mission;
- (b) if they say that will be welcome, we should send over the mission as quickly as possible. Their terms of reference should be drawn in such a way that they will likely conclude they could not identify a project. The mission will, however, be instructed to point out the existing gap between irrigation plans and professed policies of promotion of intensive farming, and to indicate, in broad details, the right approach to proper phasing of investment priorities in the so-called "command areas" (tubewell integration, canal distribution system redesign, drainage, etc.);
- (c) if this can be done before Gil's mission report is out, we can make a lot of fuss about it in the economic report.

4. What risk? if:

- (A) GOI won't bite: postage cost only (this is much likely going to be the case);

^{1/} Since the exchange or rudeness between John Lewis and Rao at the time of Liehenthal's visit 18 months ago, this front has been unbelievably quiet. Nobody really briefs Jagjivan Ram, not even the Water Use Cell in his shop, though Sikka and Vohra seem quite good chaps. The official focus is on "minor irrigation", another instance of incompetence in planning. The problem, of course, is not one of "minor" versus "major", but of rates of returns on capital investment. Tubewells development is an integral part of water management in canal irrigation areas, and the problem of big Indian irrigation schemes is mostly how to achieve a better use of land and water than possible under the old design which was meant for so called "protective" irrigation. Then the question is what return one could obtain on marginal investment in these projects, and its technical configuration. I wouldn't be surprised if, in some of them, investing in "balancing" tubewell and canal adjustments schemes might show a very substantial rate of return, higher than in a good deal of simply "minor" irrigation projects.

almost certainly

June 6, 1967

- (B) GOI will: we might end up by committing ourselves to finance a couple more of Punjab study type projects. Here, two alternatives: if the only money involved is that for the consultants, we have won the game with no losses at all. If we will have to bargain that by offering some advance money for the physical works as well, we can see what the resource position looks like then, and decide accordingly.

5. In any case we gain time, and maybe both GOI and us will learn a lot in the process. I wouldn't kill the baby when just born: killing ways are as follows:

- (1) instructions to me to tell Mehta we do nothing because there is no money;
- (2) can't agree on who should arrange for the mission, or that mission can be sent at short notice;
- (3) let either Indians understand the game too early, or brief mission head loosely (or wrongly);
- (4) select wrong head of mission.


That's all. I don't know if you think all this makes any sense. However, I told Sen nothing so far. If you cable something else than point (1) above, in para 5, please code. If you write to Mehta, please cable you have done so.

Yours ever,



Romano Pantanali

P.S.

 The alternative is to attach a chap to Gil's mission who could write a pretty detailed appendix to the economic report on this matter. I believe it is of the utmost importance that we focus on this problem.

cc: Mr. Votaw

cc. RJC Ewans
R J Goodman / W. Galveston



**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

WASHINGTON 25, D. C.

RESIDENT REPRESENTATIVE IN INDIA
RESERVE BANK OF INDIA BUILDING
NEW DELHI

7, Sardar Patel Marg
New Delhi P.O. BOX 416
CABLE ADDRESS-INTBAFRAD-NEW DELHI

TELEPHONE: 34987
30152/3

Letter no. 151 ✓

June 5, 1967

Mr. Gregory B. Votaw
Asia Department
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington D.C. 20433

Dear Greg,

U.P. Agricultural Development Projects

Last week, as you might well imagine, I had little time to follow up Bill Cummings' mission: a good deal of my energy went into family affairs. Nietta had to undertake a minor surgical operation before delivery. Then the delivery was difficult and, because of her weakness, she suffered a heavy hemorrhage and needed blood transfusion. Her blood group is a rare one, and for a time, I was told the hospital had no blood for a third transfusion, which looked as likely to be needed. Fortunately, by the time I had found the blood - thanks to Bill Felstiner's prompt action - there was no longer need for it. Nietta is now well, and my mind relaxed again. The new baby, of course, is very fine, but, to complete the picture and make sure we missed nothing, Alessandro is down with German measles.

I did, however, have time to sit in two of the last meetings of the Cummings mission, and raised the question of disbursement procedure and documentation. Swaminathan has asked Bill Cummings to let him know the broad nature of the documents which would be acceptable to Treasury for disbursement. Once he's gotten that, he will submit a proposal to us in terms of a list of specific papers, and we will then see if Treasury can live with those, or would like to ask for more or different ones.

In this connection, I have also raised with GOI another point, namely, whether we should have certain guarantees built-in the disbursement procedure, which will give us sanction powers against possible, and, in my view, much likely, failures of the project coordination machinery. You can well imagine that Swaminathan did not like that too much. During the meeting, since I had no time to discuss the question with the mission, there was little support by any side, and, therefore, I left it with him that he will hear from us in writing.

There are two orders of problems that worry me here. One is the point where disbursement documentation should originate: if we finance fertilizers,

flow out!

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ce Agri
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for example, what evidence do we accept that the stuff has really reached the farmers? As you know, GOI does not even keep proper records of the whereabouts of the fertilizers they import with their own money, once they have been dispatched from the Central Pool to the States. Therefore, I'm sure you agree that we should not disburse a penny till at least we have evidence that the fertilizers have been delivered at railheads in the two districts. A connected problem is timing. Personally, I believe we should also refuse to disburse if the evidence of railhead delivery shows that fertilizers have arrived at a date which would make it impracticable for the farmers to be able to make full use of the stuff. This is common problem in India and we must do something to safeguard the expected benefits of our project.

Good point.

The second order of problems refers to the coordination of the many different independently managed bodies who will run the project: for example, we should avoid putting ourselves in a position whereby we would be under obligation of disbursing against expenditures on tubewell sinking even if the necessary power connections required to energise them are lagging much behind schedule. And so on, and so forth.

That well connected or after first 4 hours of time -

Remedial action is an important element here. Too many credits for badly executed projects do not get cancelled, in India, even after closing dates have expired, to let me believe we are easily going to be tough on issues of poor coordination even (before that date) in the case of U.P. Hence, I'm convinced we should take a few precautionary measures.

One way of building in these precautions could be to make the loan effective in slabs: say, a tranche every year, as this is a four-year program, GOI being put on the alert that, unless we are satisfied of progress for the first year, we won't make effective the tranche of the credit to be spent on the second year; and so on.

contracts like payments of contractor not financial instrument

Another way, perhaps more complicated, is to ask GOI to submit evidence for disbursement, say semi-annually, according to a predetermined phased package: so much on wells, so much on fertilizers, so much on power transmissions, etc. In case the actual expenditures differ from the planned pattern we hold, say, 30% of the total, for which disbursement is claimed, until such time as when we are either satisfied of the good reasons for the discrepancy, or proof of effective remedial action has reached us.

I believe Bill agrees with the serious need for some built-in guarantees in the case of this project. The reason why we didn't talk more extensively to GOI about this is, probably, I believe, because the mission was not yet in a position to talk extensively about all the details that would be involved. I think, however, that the Agricultural Division should be encouraged to think in the terms above outlined. The machinery worked out by the U.P. Government for managing the loan is probably the best they could produce - which is not to say much. But, even if it was the most perfect design, being this the first experiment of this kind in the country, I would be extremely surprised if they were not to run into serious troubles in the practical application of

Mr. Gregory B. Votaw

- 3 -

June 5, 1967

it. Therefore, I believe there are good reasons for being rather cumbersome with a bit of prudence today, than have to regret excessive trust of the new administrative arrangements in a very near future.

Sincerely yours,



Romano Pantanali

c.c. Mr. W. Cummings
Mr. L.J.C. Evans
Mr. G.B. Votaw

my-guy Agri

INCOMING WIRE

DATE OF WIRE: JUNE 5, 1967
LOG NO.: WJ8/6
TO: INTBAFRAD
FROM: NEW DELHI

ROUTING
ACTION COPY:
INFORMATION COPY:
DECODED BY:

TEXT: 42 FOR VOTAW

EXCERPT

PRIMO AM WRITING TODAY AGAIN RE QUICK DISBURSING IRRIGATION PROJECTS
AND WONT TALK TO SEN TILL AFTER YOUR NEW REACTION

PANTANALI

my g... Agri

OUTGOING WIRE

TO: PANTANALI
INTBAFRAD
NEW DELHI

DATE: JUNE 2, 1967

CLASS OF
SERVICE: NLT

COUNTRY:

TEXT:
Cable No.:

FORTY-SEVEN

EXCERPT

C
O

STOP PLEASE CABLE WHEN COUNTERPROPOSAL APPEARS PARA REURLET ONE THIRTY
SIX EYE BELIEVE QUICK IRRIGATION LENDING HIGHLY IMPROBABLE & DUE TO GLOOMY
REPLENISHMENT PROSPECTS AND CONTINUED UNCERTAINTY ON THE FORM OF DEBT
RELIEF AS WELL AS TIME REQUIRED TO APPRAISE AND AGREE ON OPTIMUM WATER
UTILIZATION PROGRAM STOP WILL CABLE AGAIN NEXT WEEK AFTER DISCUSSION WITH
CARGILL PARA PLEASE TELL MM BOHR FERTILIZER MISSION POSTPONED BECAUSE
OF ROSEN HEPATITIS PARA EDITED ECONOMIC REPORT DISTRIBUTED TO DIRECTORS
AND ^{YOUR} TWENTY FIVE SETS AIR SHIPPED TODAY PARA

VOTAW

NOT TO BE TRANSMITTED

MESSAGE AUTHORIZED BY:

NAME Mr. Votaw

DEPT.

SIGNATURE _____
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

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Checked for Dispatch: _____

Ind Agri Op. Files

32 Melbourne Avenue,
Deakin,
CANBERRA, A.C.T.

22nd May, 1967

Dear Peter,

You will recall my suggestion that I write to you outlining the ways your New Delhi office could assist me to keep in touch with Indian agricultural developments. Such assistance would be over and above anything from your Washington office you may care to send me.

My needs can be stated simply:

- (1) Major policy statements and addresses related to agricultural policy by members of the Federal or State Governments, but especially those made or given by the Prime Minister, Minister for Finance, Minister for Food and Agriculture and Minister for Planning.
- (2) Official reports and programme pronouncements issued by the Planning Commission, Ministry of Finance (e.g. Economic Surveys) and Ministry of Food and Agriculture.
- (3) A limited selection of newspaper editorials and articles by "columnists" and, most importantly, regular price indices (both governmental and Economic Times). During the critical monsoonal period I would appreciate not only the regular "maps" issued by Sarma's Division in the Ministry of Food and Agriculture but any other report Ken Bohr or his aides might think helpful. [I would be particularly appreciative in June-July if a short cable or two could be sent reporting on the monsoon's arrival and its "quality".]
- (4) If the office can do it without burden I would like to receive advice of important articles published by academics. [I have to admit that although I have placed subscriptions with Indian journals their arrival is so fitful at best that I have become discouraged. However, the New Delhi office may be able to stir these up for me.]

I do hope this does not present a too formidable request. I should add that, thanks to the Ford Foundation,

Act June 30

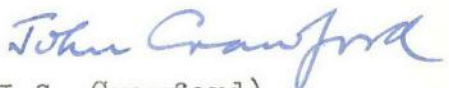
I will shortly appoint (to start in 1968) a Research Assistant who will be able to assist me. I will be able to finance his visits to India (since mine will necessarily be a good deal less frequent) and, I am glad to say, Sivaraman has promised a ready welcome to him.

I have come back to a fierce University programme. Beside the transfer of duties from the retiring Vice-Chancellor, I have to find a replacement for myself and, alas, supervise the preparation of the University's 1970-72 triennium submissions to the Australian Universities Commission. These last have to go forward over the next few months. I mention all this only because I must confess that I have no hope in the world of editing my reports for publication. What would you think of putting a good editor on to them with a view to a limited multi-lith edition suitable for distribution to governments, to genuinely interested university and other research centres and to educational bodies like the Council of Foreign Affairs, Chatham House etc.?

I see an odd reference or two in the Economist to progress in securing more funds for IDA. I hope progress soon becomes definite. I also hope that Mr. Woods feels sufficiently re-armed by his visit to India to apply his weight fully behind you in the Consortium.

Good wishes in your difficult tasks,

Sincerely,


(J.G. Crawford)

Mr. I.P.M. Cargill,
Director,
Asia Department,
International Bank for
Reconstruction and Development,
1818 H Street, N.W.,
WASHINGTON, D.C. 20433.
U.S.A.



**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

WASHINGTON 25, D.C. P.O. Box 416, 7 Sardar Patel Marg

TELEPHONE: 34987

RESIDENT REPRESENTATIVE IN INDIA
RESERVE BANK OF INDIA BUILDING
NEW DELHI

CABLE ADDRESS-INTBAFRAD-NEW DELHI

May 22, 1967

Letter No. 136

Mr. Gregory Votaw
Asia Department
International Bank for
Reconstruction & Development
1818 H Street, N.W.
Washington D.C.

Dear Greg,

I hope you had a nice trip back. No events here as yet, maybe Carmen will make it first. It was very nice seeing you here again, despite the heat, the rush and all.

Ashok Mehta has been quick to follow up on what he talked to you about a few hours before your departure. S.R. Sen called me in on Friday morning and we discussed some broad details of what his minister has in mind.

I believe what Mehta wants is additional finance for four or five major irrigation schemes. Sen mentioned Nagarjunasagar, Kamgsapati in West Bengal, Badhra in Mysore, and the Mahanadi delta one. The cost figures involved are as follows:

(Rs. crores)	Total estimated cost	Expenditure up to now	Balance	1967 estimated expenditure
Nagarjunasagar	164	104	60	17½
Badhra	38	29	9	3-4
Mahamadi	34	20	14	4
Kamgsapati	32	14½	17½	4

As against a total feasible investment expenditure of about 40 crores for 1967/68, the budget proposed this year shows a figure of 17 crores. Sen said they are not sure they will get even that much, Now the idea is that, if Mehta can work Morarji into realizing that, were the Bank willing to finance some of the unprovided for expenditure, the Finance Ministry would have located a "quick disbursing" operation, then the Finance Minister would also likely agree to

Ash Jun 2
cable

larger rupee allocations for these projects. The foreign exchange thus earned, Sen says, would help bridging the fertilizer import gap. So much for this aspect.

I told him it would be very difficult for us to get involved into financing projects in the way he described, namely: by just disbursing foreign exchange against evidence of rupee expenditures for completion of projects already started. This was particularly difficult in view of the fact that these projects had been designed on the basis of old-fashioned irrigation policies, with little or no idea as to what should be done in terms of farm developments, drainage, water management, and so on. I went on to say that the only way I could be persuaded to sound the Bank as to their willingness to look into this matter was on the basis of the clear understanding that GOI would accept the principle that, while construction went on on the irrigation facilities, a project should be prepared to follow up on it, with all that needed to be done to put farm and irrigation practices in the project area on a sound engineering and economic ground. S.R. Sen said he thought he could accept that.

I then asked him if he thought GOI would accept the implications of his acceptance, which I took to mean that they would like some technical know-how to be brought in from abroad to help them work out the second phase. I also warned him that, since these projects had originally been designed for "protective irrigation" rather than for "intensive agriculture", it might be necessary to redesign some of the distribution system as a result of the work of the follow-up project preparation. GOI should be prepared to accept that.

S.R. Sen took the first point rather well. He said he could see some difficulties in hiring a consulting firm to do the job on their own, but would be prepared to sponsor a "Punjab study" type of arrangement. On the second point he was rather vague, which left me a bit puzzled as to what extent he really realizes what I was talking about. I insisted on the point that, before we could even consider making available any financial resource, we should be assured, on technical and institutional grounds, that the continuation of existing works was not going to be in the way of the proper and final development of the area.

We finally agreed that I should sound the Bank about their willingness, in principle, to making available finance for the continuation of these projects on the understanding that the GOI would start immediately the preparation, in collaboration with foreign experts, of a comprehensive project for the proper utilization of water resources in those areas. If the principle is acceptable, I believe we will need a mission to answer

Mr. Gregory Votaw

-3-

May 22, 1967

a few crucial questions, such as: (i) whether the facilities we would finance are likely to fit in a proper land development program for intensive agriculture; (ii) whether the extra cost involved in the completion of the project will be worth the extra benefits, and if the answer is yes to both questions (a) to draw up the terms of reference for the required project preparation of the second phase and (b) to indicate what institutional setup and changes in regulations are needed to make water management possible and water distribution efficient in terms of maximizing agricultural output.

I'm going to see Vohra (Punjab Study) and Sikka (Water Use Cell - Ministry of Agriculture) on Wednesday to find out their views about those projects, as they seem to have some. Vohra already told me, however, the area called "command" should be substantially reduced, in general, for all large scale Indian irrigation projects if intensive agriculture is to be made possible. If it is so, I'm afraid we will end up in a mess, and gain nothing by giving them quick disbursing money for the sake of a good study.

I'm not too happy, as you can well imagine, about this whole thing. But maybe there is one, among the several projects they mentioned, where something of a deal can be bargained at a reasonable cost. What shall I tell them?

Cordially,



Romano Pantanali

RP:mhh
cc: Mr. Votaw

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May 10, 1967

R. Pantanali

Confidential

INDIA - Mr. Woods' Meeting with Mr. Jagjivan Ram,
Minister of Food & Agriculture, May 6, 1967

1. Mr. Woods met Mr. Jagjivan Ram, Minister for Food and Agriculture on Saturday, May 6 at 12 noon. Present were: for the Bank, Messrs. Cargill, Votaw, Bohr and Pantanali; for the GOI: Messrs. Sivaraman, Dias and C.S. Swaminathan.
2. Mr. Jagjivan Ram welcomed Mr. Woods. Mr. Woods said he was very sympathetic with the difficulties of Mr. Ram's job. He thought at present the only thing one could do was to hope for a good monsoon.
3. Mr. Ram said the country faced terrible problems on the food front. He enquired about the release of U.S. PL 480 grain. Mr. Dias said the new 1.5 m tons agreement had not come through yet. He was extremely concerned about this because, in view of the time needed for arranging shipments from the U.S.A., he could already forecast an interruption of arrivals in July; indeed to assure satisfactory clearance of food through the ports, the agreement should have been signed last week. Mr. Woods said he was aware that PL 480 game was tough, very tough; but he had no doubt that India will be getting her food supply in the end.
4. Mr. Woods then said he thought India should be capable of producing all the food she required. Mr. Ram said the problem was one of resources; Indian farmers had woken up to the need for using new techniques and new modern inputs. Mr. Woods said that one of the very hopeful signs in the present situation was the farmers' demand for inputs and the very real political pressure on Government from farmers. He said the Bank was particularly concerned with seeing that the inputs required by Indian agriculture were produced in sufficient quantities in India. He asked what the Minister was doing to assure adequate production of fertilizers and what IBRD might do to assist India in its agricultural development program.
5. Mr. Ram said he was aware that more investment in fertilizer plants was required if the country was to be capable of producing as much as she would need. But, he said, India has done a good deal to encourage private investment in this field without success. The Minister could not understand why these efforts had borne so little fruit.
6. Mr. Woods said he could tell the Minister some of those reasons but saw little point in doing that in such a big meeting. He went on to say that the acid test of whether India had done enough was the fact that no big party had yet come into the field; Mr. Woods expanded on this point by saying that he believed that the relatively small firms India had attracted so far, while good, could not possibly do more than half the job that needed doing.

16
May 10, 1967

Part of the trouble was an inheritance from the ill-conceived Bechtel proposal; the kind of deal Bechtel had offered India was no good, and when the occasion had arisen to do so Mr. Woods himself had advised L.K. Jha to turn it down. The reason why that deal was no good was that Bechtel wanted to build the plants for a fee, and their associate on the marketing side wanted to sell the product for a given mark up, with Government guarantee. In other words, the Bechtel group did not want to venture their own capital; they were not entrepreneurs. What he, Mr. Woods, was trying to do was to bring in some big people, in the oil and chemical world, who could really "carry the crowd" with them, so that after one big deal went through more of the same kind of people would follow.

7. In order to do that, Mr. Woods went on to tell the Minister, it was very important that the foreign party and the GOI got together to negotiate a deal without preconceived policy lines on either side. The moment GOI decided, unilaterally, that "these are the conditions on which private enterprise will be allowed to come in", the companies would be provoked to enunciate counter policies which were just as rigid; with suspicions aroused on both sides successful negotiation of major investment projects became impossible.

8. Mr. Ram said that he saw no difficulty in proceeding in the empirical manner Mr. Woods had outlined. There would be, however, political criticisms of whatever GOI might decide to do in each particular case, which had also to be taken into account.

9. Mr. Woods said that his main problem was not only to create an atmosphere whereby negotiations, however tough, might be successfully concluded between some foreign companies representing big oil and chemical interests and the GOI, but also to locate Indian partners for those foreign companies, who were in close enough contact with the farmers to do a good job with sales and distribution. He said he had heard about successful cooperative organizations in Maharashtra, which were interested in investing in fertilizer production and wanted to learn more about them. He asked the Minister what he thought of the idea.

10. Mr. Ram and Mr. Sivaraman pointed out that there were many good cooperative societies in both Maharashtra and Gujerat. They said, however, the cooperative movement was not much good in other parts of the country although there had been some improvement in recent years. They mentioned the negotiations presently under way between the Cooperative League of the U.S.A. and certain Indian cooperatives. Then followed a somewhat loose discussion of the problems of agricultural credit, during which Mr. Sivaraman mentioned his efforts to secure commercial credit channels for Indian farmers.

11. The meeting adjourned at about 1p.m.

*Ed Agui. q
Pg.*

June 26, 1967

Mr. George C. Taylor, Jr.
U.S. Department of the Interior
Geological Survey
Washington D.C. 20242

*cert. Received
July 5 67*

Dear Mr. Taylor:

I wish to acknowledge with thanks receipt of five copies of the report on "Water Resources Investigation Program for Upper Gangetic Plain", India, by Paul H. Jones and Walter Hoffmann.

Sincerely yours,

L. W. Bartsch
Agriculture Division
Projects Department

LWB
LWBartsch:mr
IBRD

Op. Files 53
Ind TNR
cc Agw

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

TO: Mr. R. Picciotto

DATE: June 23, 1967

FROM: L.J.C. Evans

SUBJECT: INDIA - Economic Mission (Interim) - Agriculture
Terms of Reference

1. On or about June 29, 1967, you should proceed to New Delhi to join an economic mission headed by Mr. William M. Gilmartin. You will be responsible for covering the agricultural sector in the mission's work. Your duties will be covered by the general terms of reference of the mission.
2. Specifically, you will review recent developments in the agricultural field to arrive at an overall judgment on Government's progress in implementing the new agricultural strategy outlined in the Bank's 1967 Economic Report. You will pay particular attention to:
 - (a) expected trends in production, imports and distribution of foodstuffs;
 - (b) availability of fertilizers, improved seeds, irrigation water and agricultural credit.
3. You are expected to complete your work in the field in three to four weeks. On your return you should prepare a report summarizing your findings and recommendations.

RPicciotto:ag
IBRD

Cleared and cc: Messrs. Gilmartin, Takahashi

cc: Messrs. Chadenet
Bell
Miss Van Gasse
Mr. Williams
Mr. Reid (FAO)



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON, D.C. 20242

4004-5402

Projects Dept. Correspondence

June 23, 1967

Memorandum

ANS'D BY L. W. Bartsch

DATE June 26, 1967

To: Mr. Lester W. Bartsch, IBRD, 1818 H Street, NW

From: Chief, Office of International Activities, WRD

Subject: Report "Water Resources Investigation Program for
Upper Gangetic Plain, India" by Paul H. Jones and
Walter Hofmann

As you requested in your memorandum of May 17, I am pleased
to enclose five (5) copies of the final version of the subject
report for use in IBRD.

*sent to Bartsch files
July 5 67*

George C. Taylor, Jr.
George C. Taylor, Jr.

Enclosures

Mr. S. Takahashi

June 23, 1967

L.T. Sonley

Agricultural Input Service Companies - Mr. H.P. Nanda's Proposal
Refer:

1. Your verbal request for comment on subject proposal.
2. Memorandum dated 20th June, 1967 by Mr. David Dodd, titled as subject, and the attachments thereto -- returned herewith.
3. Mr. H.P. Nanda, "Reach the Technical and Agricultural Inputs to the Small Farmers through Organised Agricultural Input Service Companies", pamphlet.

Conclusions

1. Mr. Nanda's proposal is not acceptable as it now stands. It tries to do too much, too fast, and with the least relevant farmer groups.
2. Farm mechanisation is the important piece of the proposal. The other elements can be forgotten for now.
3. IFC/Bank should re-design the Nanda proposal in the way indicated below, and offer financial help to implement it on an experimental scale.
4. At the same time, the Nanda proposal to create joint stock companies to reclaim and farm a minimum of 10 million acres of land should be seriously studied. 1/
5. At the same time, the proven but still small-scale effort of Hindustan Lever to expand oil seed production through contracting farmers, should be studied and, in all probability, financed. 1/

Comment

6. The problem discussed by Mr. Nanda in Reference 3 is a very simple one. It has taken a great deal of political and bureaucratic ingenuity in the past decade to keep it alive as a problem at all. Neither grandiose planning nor complex organization nor a massive public participation is at all necessary to solve it; all that is necessary is for Government to stop making it impossible for farmers and other private enterprisers to solve it.
7. The significant element in the Nanda proposal concerns the supply and distribution of farm machinery services (one guesses that the outlook for other major inputs is now improving as rapidly as can reasonably be hoped for -- or

1/ This question is not further discussed in this note. Additional material is at hand.

June 23, 1967

at worst an appropriate attitudinal change is under way in Government as a necessary first step toward improvement. If neither supposition is true, then no aspect of the Nanda proposal has even a remote chance of being accepted and it would not really matter if it had). Mechanisation is of great agricultural significance enabling better and more timely cultivation, the use of high-yielding complementary inputs, and more intensive land use; and, of overwhelming importance, it is on mechanisation that the elimination of the cattle scourge must turn.

8. To induce farm mechanisation at an economic rate requires not Nanda's scheme but only that:

- a) machinery producers be allowed to produce and price as they see fit; that neither they nor importers be severely shackled with exchange supply problems and other types of restraints and crud;
- b) machinery dealers and other be enabled to offer a credit service to farmers and small custom operators: 1/ which is keyed to the earning pattern of the asset.

9. Credit for mechanisation is part of the overall credit problem, of course. Farmers, even poor ones, have to be allowed to pay for credit what it is worth. The public credit system cannot permit this, nor can it draw forth a supply of credit enabling "what it is worth" to be "non-usurious". If the Bank/IFC is to help on mechanisation, it will support a credit flow through private banks to farmers via the agricultural elite of the farm village. In many cases the old money lender in a new guise will be the active agent.

10. How much credit for mechanisation? It is wrong to try to answer this (and in being wrong it illustrates what is wrong with much of the economic management of India). The rate of growth in the technical and economic capacity of agriculture to absorb mechanisation is moving upward rapidly and will do so still more rapidly in the immediate future. But this capacity should not be taken as being massively large and unlimited at the outset. The optimum rate of "freeing up" this sector of the economy will have been attained when mechanisation shows a (say) 20 percent failure rate (as judged by payment delinquencies); the acceptable amount of credit is that which will produce this failure rate.

Postscript

Mr. Dodd's comments (see Reference 1) are in the context of the historic performance of Indian Governments. They are scarcely relevant to decision-making under the conditions which have been emerging of late.

1/ I visualize the useful support for mechanisation as centering on promotion of one-tractor units operated by borrower-owners, illiterate, by instinct able mechanically and shrewd financially, working round-the-clock during busy seasons, and soon in touch enough to urge his farmer client to sow Mr. Athwal's Kalyan bajra. Soon the shrewdest has two tractors and a tobacco transplanter; and his son builds a steel mill.



*Ind Agri Dept
of files 9.*

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

WASHINGTON 25, D. C.

7, Sardar Patel Marg

RESIDENT REPRESENTATIVE IN INDIA
RESERVE BANK OF INDIA BUILDING
NEW DELHI

New Delhi P.O. BOX 416
CABLE ADDRESS-INTBAFRAD-NEW DELHI

TELEPHONE: 34987

30152/3

Letter no. 162 ✓

June 20, 1967

Mr. Gregory B. Votaw
Asia Department
International Bank for Reconstruction
and Development
1818 H Street, N.W.
Washington D.C. 20433

Dear Greg,

Last Saturday I saw Asoka Mehta and he raised with me the matter of his request to finance the continuation of the four irrigation projects mentioned in my letter no. 136 of May 22. He has apparently got some word already from Washington that the Bank is unlikely to be interested in his proposal. I told him, however, I didn't know and went on to explain to him some of my difficulties about it. I also told him our experience with the Tungabhadra project and I pointed out to him that I thought a main reason for the lack of proper land development investment was on one hand the totally unrealistic cost estimates accepted by the Agricultural Refinance Corporation for their lending through the mortgage banks, and on the other, the established system of water distribution which was unlikely to make the high investment required for land development a paying proposition to the farmers.

Mehta said he was perfectly aware of the shortcomings of irrigation projects designed along the principles of protective irrigation, and asked me if the Bank could be interested in the second part of his proposal which, he said, he had asked S.R. Sen to talk to me about, namely, in helping with the so-called Ayacut development program. This program consists, in theory, of the additional investment required to develop the so-called "command areas" along the lines of proper water management criteria. So far, however, the Ministry of Agriculture has started only three pilot projects, one in Tungabhadra, one in Nagarjunasagar and one in the Kakrapar area (Surat district), covering individual areas of about 10,000 acres each, where experiments are going on to identify the requirements for drainage, additional water, land shaping, etc., and for working out appropriate cropping patterns in those areas. An Ayacut development program has been included in the original Fourth Plan draft, totalling a very ambitious expense of about 80 crores, an estimate which, I understand from Dr. Sikka, the Head of the Water Utilisation Cell in the Ministry of Agriculture, had no scientific basis whatsoever. Dr. Sikka says that the

Учитывая, что во время поездки в Москву Д. Зинк был представителем
D.L. Зинк, приезд которого в Москву состоялся в начале мая 1954 года
в связи с тем, что он был назначен на должность заместителя
главы представительства в Москве. В связи с этим делегация
состоит из пяти человек: заместителя председателя, двух
членов делегации, одного представителя от Объединенного
банка и одного представителя от Центрального банка.
Вопросы, которые были рассмотрены в ходе поездки, касались
в основном работы делегации в Москве и ее контактов с
советскими органами власти. Д. Зинк сообщил, что в Москве
у него было несколько встреч с представителями советского
правительства, в частности с заместителем министра
финансов, а также с представителями Объединенного банка.
Он сообщил, что в Москве он был ознакомлен с работой
делегации и ее деятельностью в Москве.

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делегации и ее деятельностью в Москве.

Министр финансов СССР
1954 Н. Березин, И. М.
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Интернациональный банк для экономического
сотрудничества
111-112 В. Дорна

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MEM DEPT
RESIDENT REPRESENTATIVE IN INDIA
WASHINGTON 25, D.C.

OVERSEAS REPRESENTATIVE MEM DEPT
INDIA DEPT BOX 111
1954

WORLD BANK AND DELEGATION
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Handwritten signature or initials

June 20, 1967

personnel and resources actually available to him for the Ayacut program are very inadequate to spending even a small fraction of that money. I told Mehta that I saw no reason why one should wait for the full knowledge of the results of the pilot projects, before additional investigations are taken in hand to determine what should be done to increase the intensity of irrigation for the whole of the command areas they are thinking to develop. In answer to his question, I said I thought the Bank might help in providing some technical know-how, along the lines of the Punjab study, which could be used to expedite and complement the "Ayacut" development effort already under way. Mehta said he was favourable to this line of thought and urged me to talk to S.R. Sen about this matter again.

Yesterday morning S.R. Sen called me up on the phone and enquired if any answer was in from Washington on Mehta's proposal. I said I did not have any. I then asked him why he did not raise with me the question of Ayacut development as I understood Mr. Mehta had asked him to do so. S.R. Sen said that the reason why he did not mention it to me was that, as of now, the Indian Government has no comprehensive Ayacut development program ready for the projects they are asking us to finance. They are quite serious, however, he said, in their desire to work out, "in consultation with our own experts", comprehensive Ayacut development projects for those areas, if we were prepared to help them to do so. S.R. Sen told me also that he has spoken to Henry Ergas in Rome about Mehta's proposal, and found Henry enthusiastic (~~xx xxxxx~~) about doing something for them in this field. I think it is a good idea and Henry should be able to muster some talents in the field of irrigation and water management which could be useful in designing the terms of reference for further detailed investigation to be done in those areas, and that he might be able to provide those talents at fairly short notice. S.R. Sen said that Henry told him he was going to talk to you in Washington about this and I believe he has probably done so by the time you get this letter.

I have not heard, so far, whether you are confirming the implications of your cable no. 47 or whether you are suggesting any alternative line of action. You know that I am thoroughly convinced, as much as anybody, of the urgent need to rationalise Indian irrigation practices. I feel we now have a reasonably good chance to line up Mehta (and probably Jagjivan Ram as well) in an attempt to convince Rao that he should accept a large inflow of foreign technical know-how for this purpose. They are probably trying to work out some sort of a device which would be acceptable to him, using the precedent of the Punjab Study as a model for further action. If we are willing to get into the game, the next step is to obtain an appraisal of what are the exact problems one should answer in order to prepare comprehensive Ayacut development programs for the four projects Mehta has mentioned to us. If a mission is sent they should be able to draw up the terms of reference for the further job. The question of any link up with finance of physical facilities already under way can be left open until such time as when the results of the mission are known.

Sincerely yours,



Romano Pantanali

c.c. Mr. Votaw

Ld Agri. Pw

Mr. Lionel J.C. Evans

June 20, 1967

J. David Dodd

Agricultural Input Service Companies - Mr. H.P. Nanda's Proposals

With reference to Mr. Nanda's proposals on agricultural input service companies (leaflet attached), perhaps we could get together soon, in response to Mr. Raj's request, so that we might prepare a joint memorandum to him. Meanwhile I have the following preliminary observations.

1. The need to establish agricultural input service units to serve Indian farmers is well known and the Indian Government has, in fact, set up suitable administrative machinery for this purpose. Technical inputs are available to the farmer via the District Agricultural Officers and local cooperatives. Private sector companies have also established and are operating a number of services such as food processing facilities, cold storages, seed farms, fertilizer distribution agencies.
2. For reasons of higher efficiency Mr. Nanda, who is the president of a tractor manufacturing firm, proposes that all agricultural input services should be handled exclusively by the private sector. The sheer size of Indian requirements, particularly the capital investment necessary, would perhaps make it difficult for the private sector to achieve the goals set out by Mr. Nanda.
3. For example, Mr. Nanda proposes the establishment of 1,250 tractor service units over the next 5 years. According to his calculations, these units would be able to service about 25 million hectares (62.5 million acres), or only about 19% of the total land under cultivation. Even for this small coverage, the necessary capital investment, based on Mr. Nanda's estimates, works out to \$1.7 billion which is about 17% of the proposed private sector contribution to the investment planned for the 4th Five Year Plan.
4. It is doubtful whether the private sector could generate sufficient funds to establish a sufficiently widespread agricultural input service organization to be meaningful in the Indian context. It is worth noting that the private sector which has been manufacturing small diesel engines and pumps for several years has so far restricted its sales and service outlets to major towns and relies heavily on the Government purchasing and distribution organization for reaching its products to the farmers.
5. Even if sufficient capital were available, it is not certain whether an operation such as a tractor service unit would earn a reasonable return on investment.
6. While operations on a scale envisaged by Mr. Nanda appear to be impractical, it is possible that smaller, individual projects may be viable propositions which IFC could appraise on merits.

JDD:MVD/sfu

cc: Mr. Raj

Files

May 9, 1967

Gregory Votaw

INDIA - Mr. Woods' Meeting with Mr. V. Naik, Chief Minister, Maharashtra, in Bombay, May 4, 1967.

1. Mr. Woods met Mr. Naik in his residence (Varsha) at 3:00 p.m. The Maharashtra Ministers for Finance (Mr. Wankhede) and Urban Development (Mr. P.G. Kher) were also present along with Mr. Joshi (Secretary, Finance), Mr. Rajwade (Secretary, Urban Development), Mr. Natu (Chief Engineer, Bhatsai Water Supply Project) and Messrs. R. Pantanali and G. Votaw (World Bank).
2. Mr. Naik explained that the city's two major problems were road traffic and water. The Bank-financed Wilbur Smith study had given Bombay a workable plan for solving the traffic problem; he now hoped IDA might consider financing the Bhatsai Scheme, which would meet the city's need for water until well into the 1980's. Bombay's problems had to be faced aggressively since 30,000 new migrants arrived from the countryside each day (?) looking for work and shelter. Half of the five million residents of Bombay were living in dwellings owned and operated by the Municipal Housing Board; another one million were still living in slums.
3. Agriculture: Mr. Naik said he knew of Mr. Woods' great interest in Indian agriculture and wanted to take this opportunity to tell him of agricultural developments in Maharashtra. A year ago, as a result of the drought, 16,500 villages were declared famine areas, but the Government of Maharashtra (unlike Bihar) had handled the situation without fanfare or difficulty. One third of the foodgrains required in Maharashtra were imported last year. Only half that level of imports (1.4 million tons) was required this year. In 1967/68 crop year, given a normal or even a slightly below normal monsoon, Maharashtra would be self-sufficient in foodgrains. The success of the monsoon would not be known for certain until the end of September, since food production depended on both the amount and the timing of rains.

EXCERPT

10. Monopoly Procurement: Returning to agriculture, the Chief Minister noted that Maharashtra had only 8% of its land under irrigation as compared to a national average of 22%. At the same time nearly 30% of Maharashtra's population was living in cities, compared to a national average of 17%. He explained the Maharashtra government's monopoly procurement program for sorghum (jowar) and rice. The Government declares the price that will be paid for these crops before the sowing season and agrees to purchase any amount that farmers may produce. Any farmer who wishes to sell jowar or rice must sell to the State Government marketing society. Commodities so purchased were resold through District sales agencies of the same monopoly procurement organization. Mr. Woods said he was very interested in learning of these programs, but he wondered how they would work out in time of surplus production - a time which he hoped would come with a series of good monsoons during the next few years. He also asked about the model milk farm outside Bombay, which he had visited some years before. Mr. Naik said that this farm, which was run as a Department of the State Government, was still very successful and accounted for about 40% of milk sold in the Bombay area.

11. The meeting broke up at about 4:00 p.m.

Agri

CROSS REFERENCE SHEET

COMMUNICATION:

DATED:

TO:

FROM:

FILED UNDER:

SUMMARY:

CROSS REFERENCE SHEET

COMMUNICATION: Memorandum

DATED: May 8, 1967


TO: Files

FROM: Mr. Bohr

FILED UNDER: INDIA - General Negotiations

SUMMARY: Summary of Discussions between Mr. Friedman and Indian Officials
New Delhi - April 18 and 19, 1967.

EXCERPT



May 8, 1967

He did not believe there would be any major change in economic policies. In particular, the new agricultural policy had been established and there seemed little possibility of any deviation from the policy of promoting the use of new high yielding varieties with increased inputs of fertilizer and water. The system of food zones was another thing. This was a temporary policy designed to meet the present emergency. When the food situation improved this would be altered. However, he did feel that the implementation of the agreements with Mr. Woods might take a little longer than they had anticipated when the agreements were made. The second successive drought had severely strained the economy and slowed the pace of implementing some of the proposed actions.

The Minister raised the question of the Indian fertilizer program and policy. He felt there was some misunderstanding in Washington of what his government was trying to do. He felt that criteria by which some people wanted to judge the success of the fertilizer policy was too narrow, and he promised to have a paper prepared giving the position and status of negotiations on each project under consideration. (He said, for example, some A.I.D. people seem to think that the success of the fertilizer policy should be measured in terms of whether Standard of New Jersey decided to construct a plant in India!)

improved seeds, fertilizers and water. Given a good monsoon the increased output should be quite substantial. The food distribution problem was a difficult one. He defended the system of single state food zones. He felt that under a free market system food would tend to move towards the higher income centers and the distress would be more severe among the poor people than it would be under the present system. The government was procuring from surplus states and surplus areas within deficit states but there was a limit to how much could be procured without disrupting the marketing system in the surplus states. He also pointed out that given a succession of good harvests and the creation of sufficient buffer stocks it would thus be possible to abandon the system of state zones which, in any event, were considered temporary. In response to a question from Mr. Friedman concerning the capacity of ports to handle imports of grain, he pointed out that port handling capacity had been increased from an average of 500,000 tons per month to over 1 million tons per month in a year's time. Referring to the reported wastage of stored grain from rodents, Mr. Friedman said that if these estimates were true, considerable increases in agricultural supplies could be effected at relatively little cost by attending to this problem. The Secretary, however, felt that the figures sometimes quoted were highly exaggerated and that this was not a serious problem. He promised to let Mr. Friedman have a paper on this problem that his Ministry had recently prepared. Mr. Friedman suggested that at the same time farmers were adopting more modern methods of cultivation, they might also be assisted in adopting better systems of storage.

2. Mr. Ashoka Mehta, Minister of Planning, Petroleum and Chemicals and Social Welfare

FORM No. 59
(2-55)

CROSS REFERENCE SHEET

COMMUNICATION:

DATED:

TO:

3. Mr. A.L. Dias, Secretary, Department of Food, Ministry of Food and Agriculture

The Secretary explained why he was optimistic about the future agricultural situation. There was now pressure from the farmers for

Ind. Agri Prog:
✓ Convt
HJP
*Pujab

Mr. Gregory Votaw

April 14, 1967

Bilsel Alisbah

INDIA - Some Agricultural Thoughts in Connection with
Debt Relief

1. ^{Convt} In reading the transcript of Mr. Cargill's statement to the April 4 (afternoon) session of the recent Consortium meeting, I have noted that, as its part of the "action to ease the burden of debt", the Bank is prepared to make a loan or loans totaling \$80 - 85 million which would disburse fully in the next 12 months. Mr. Cargill also states that these would be Bank loans and implies that contrary to previous practice they would be loans to the Government.
2. If the other conditions are met and the type of exercise outlined by Mr. Cargill goes forward, I hope that we can channel some of these funds directly into the agricultural sector. To do so would seem very appropriate in view of the high priority assigned to the development of this sector by our own evaluation of the Indian economy (not to mention everyone else's evaluation). We should also keep in mind that since 1962 the Bank/IDA have not financed any agricultural projects in India.] *
3. Currently the Association has under consideration two agricultural projects in India, and one or both of these could be used to channel Bank assistance to India during the next twelve months. They are the second stage groundwater development scheme in Uttar Pradesh and the second stage flood control and surface drainage scheme in Punjab (now Punjab and Haryana). This latter project, as you know, has a very important agricultural study associated with it. | ✓
4. The proposed scheme in Uttar Pradesh is an integrated agricultural project in the real sense. Over a four year period (1967/68 - 1970/71), the project is designed to provide most of the important inputs required for intensive agriculture in two districts of the state -- Varanasi and Etah. The Varanasi district has a population of about 2.5 million and a total area of 1.3 million acres. Of this 835,000 is cultivated and out of this 425,000 acres have some access to irrigation water. Etah has a population of over 1.3 million and is 1.1 million acres in size. About 768,000 acres are cultivated and of this about 396,000 acres have some access to irrigation water.
5. The package that we have been asked to finance in these two districts includes construction of additional state tubewells, provision of equipment and funds to improve the performance of existing tubewells, construction of shallow private tubewells and other small wells, strengthening of the rural power transmission system, and supply of fertilizers and pesticides over the four year period. In addition provision is made for a hydro-geological survey, soil surveys and economic studies in order to provide data for continued rational planning of agricultural development in these

districts. Arrangements have also been made for starting a training school for operators, mechanics and supervisors of tubewells and for strengthening the existing institutions for training of agricultural extension staff.

6. The total cost of the project is estimated to be over \$80 million equivalent. Of this about \$15 - 20 million would be spent during 1967/68. Fertilizers are the most important component of total cost, and require about \$35 million equivalent during the four year period and about \$7 million equivalent during 1967/68. The second major component of cost is the construction of public and private tubewells and wells which call for about \$22 million equivalent over the four years and about \$5 million in 1967/68.

7. The details of the full program for 1967/68 could be worked out without excessive difficulty, since the Government of India has presented a fairly detailed revised project report to the Association in February 1967 ("Project Report on Intensification of Agricultural Development through Tubewells, Wells and Other Agricultural Inputs in Varanasi and Etah Districts of Uttar Pradesh, India").

8. The way it is presently defined the Punjab Project offers less scope for the rapid disbursement of Bank funds during a short period. The project is concentrated in two drainage tracts and entails the excavation of new drainage channels and the expansion of existing ones. Total expenditures during 1967/68 on these works are not likely to be in excess of \$3 million and it can be expected that an additional \$1 million equivalent will be spent on the proposed agricultural study. It would, of course, be possible to expand the scope of this project by the inclusion of financing for agricultural inputs to support the existing agricultural programs in the two drainage tracts. If this were done, annual disbursements would be in excess of estimated disbursements in Uttar Pradesh, since the two drainage tracts are about twice the size of the Districts in Uttar Pradesh and since the agriculture in these areas is already at a more intensive level in comparison to Uttar Pradesh. To put the project in this form, however, a short field trip by Bank staff would be necessary

B. A.
BALIsbah/br

Id. Agri.?

April 13, 1967

Mr. A. A. Johnson, Director
Office of the Director
Roberts Hall
Cornell University
Ithaca, New York 14850

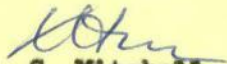
Dear Mr. Johnson:

Your letter dated April 6 only arrived today and I am particularly glad to hear that you will be in Washington next week as "Swede" was unable to tell me on the telephone when you might be arriving here.

I will be in the office all day both days, April 20 and 21. However, I would like to suggest that if your time permits, that you plan to come to my office about 11:00 a.m. April 20 and then we can have lunch together following a short discussion before lunch. If this timing does not meet with your other appointments I would suggest that you give me a ring when you arrive in town and we will set up another time that would be more convenient to you.

I am looking forward to meeting you and to discuss some of the problems of your future assignment in India.

Sincerely yours,


D. S. Mitchell
Agriculture Division
Projects Department

cc: E. R. Townsend
281 Elmhurst Drive
Orchard Park, New York

DSM/ljb

CROSS REFERENCE SHEET

COMMUNICATION: Letter No. 90

DATED: March 28, 1967

TO: Mr. Votaw

FROM: Mr. Pantanali

FILED UNDER: INDIA - Seeds Project

SUMMARY: Information about a man in Indian Banking circles called Mr. T.A.Pai who is interested in helping the farmers.



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Office of the Director
Roberts Hall
Cornell University
Ithaca, N. Y. 14850

April 6, 1967

Mr. Donald Mitchell
Chief of the Irrigation Section
Agricultural Division of the World Bank
1818 "H" Street N. W.
Washington, D. C.

Projects Dept. Correspondence

ANS'D BY [Signature]
DATE April 13 1967

Dear Mr. Mitchell:

You have recently been in communication with your brother-in-law "Swede" Townsend as a follow-up to my earlier conversations with him and Mrs. Townsend.

I shall very much like to have the opportunity of visiting with you on the occasion of my anticipated next visit to Washington, D. C. I shall be in Washington on April 20 and for most of the 21st. I have not as yet lined up all my appointments for these two days and if some-time were available, I would very much like the opportunity of visiting with you for an hour or so.

My anticipated departure to join the Ford Foundation staff in India is sometime in July. As you know, water and irrigation is a crucially important issue facing India in its agricultural development. My own background is not water and water management, but as the Agricultural Advisor for the Ford Foundation on Programs in Agriculture, I will of course be very much concerned with staff and policies concerning irrigation and water management and water policies.

I shall look forward to the opportunity of visiting with you.

Sincerely,

[Signature]
A. A. Johnson
Director

S
cc: E. R. Townsend

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COMMUNICATIONS

1967 APR 13 AM 9:17

[Faint, mostly illegible text, possibly a teletype or a very faded typed letter. Some words like "COMMUNICATIONS" and "GENERAL FILES" are faintly visible in the background.]



✓ India Agri Co.
cc. India Consortium

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ECONOMIC COMMITTEE

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February 28, 1967

~~Handwritten signature~~

MEMORANDUM TO FILES

INDIA: Sub-Committee Meeting

1. A sub-committee^{1/} of the Economic Committee met on February 16, 1967 to discuss the draft economic report, "Indian Economic Policy and the Fourth Five-Year Plan" (Report No. AS-122), prepared by the Asia Department.
2. The sub-committee discussed first the volume on agriculture entitled "Agricultural Policy in India" and then the main report.

Major Points

3. On the agricultural report, the following points were made:
 - (a) Current developments in agriculture were the most dramatic in India today although they were obscured by the second successive year of drought. These included the shift in Government thinking with respect to agriculture evidenced by the decision of the Government to give much higher priority to agriculture in the allocation of real resources and also the policy of providing incentive prices to food producers.

1/ Present were: Economics Department: Messrs. B.B. King (Chairman), Collier, Sadove, Kao, Please and Stolper; Asia Department: Messrs. Gilmartin, David, Katz and Votaw; Projects Department: Messrs. Bell (Chief of Mission) and Takahashi; Europe & Middle East Department: Mr. Thompson; Western Hemisphere Department: Mr. Weiner; EDI: Mr. Hanovar; IFC: Messrs. Pollan & Budhoo; Secretary's Department: Mr. Lankester; and IMF: Mr. Woodley.

DISTRIBUTION: Members of Economic Committee and Sub-Committee.

- (b) The combination of adequate supplies of the physical inputs required including, specifically, fertilizers, high-yielding seed varieties, plant protection material, and water, with incentive prices and adequate credit constituted the basis on which the mission believed that India could achieve production of approximately 110 to 115 million tons of foodgrains by 1970/71 and could raise the annual rate of growth of foodgrain production to 5 per cent by that year.
- (c) There were serious problems to be solved in providing the requisite quantities of fertilizers, in producing and distributing the necessary volumes of the new high-yielding seed varieties and in establishing and operating the necessary credit facilities. All of these, however, could be solved and, if solved, the targets mentioned above could be achieved in the judgment of the mission. It was noted also that, while improvement in credit facilities and in distribution of inputs was necessary, the achievement of the output targets was not in fact contingent on the availability of widespread credit or other facilities to a large proportion of India's farmers.
- (d) For the longer run there were other problems to be met in Indian agriculture but in the mission's judgment the short-run targets could be met by the program outlined within the basic constraints of small farm size, existing tenure relationships, illiteracy, etc. However, the sub-committee felt that, if the mission could note more specifically a series of actions to be taken during the coming year to ensure the successful provision of the necessary inputs, this would be of value for any subsequent mission. The mission chief agreed that this could be done.

4. On the main report, the following points were made:

- (a) The precise arithmetic of the Fourth Plan was not to be taken literally or regarded as an inflexible program. It provided a perspective and a guide with respect to the directions of immediate policy and the magnitude of immediate investment and aid requirements.
- (b) The important point was that policy and program changes in the right direction had been instituted and the trial of these policies deserved and required continuing support.

- (c) Annual adjustments in the Plan were intended by the Indian authorities but, as yet, institutional and other steps to facilitate such changes had not been taken and they would therefore be difficult to make properly. The establishment of an adequate mechanism to obtain and evaluate current data was among the more important measures which needed immediate attention.

Revisions

5. The Sub-Committee agreed that minor editorial changes should be made to convey more sharply a number of the points made above.

Paul L. Chen-Young
Acting Secretary

Secretary's Department

Sir John Crawford

February 24, 1967

S. Stanley Katz


INDIA: Agriculture

1. Attached is a first installment of the press clippings that you had requested. The remainder should be ready within a few days, and I will send them to you.
2. We have started looking into the agricultural balance of payments. On the basis of customs data, and using the Standard International Trade Classification, we have identified the agricultural imports and exports shown on the attached typed lists. From these customs data we have put together the imports and exports for fiscal years 1960/61, 1964/65, and 1965/66 which are shown in Tables I and II, also attached.
3. I believe that the projections of Indian imports and exports for 1970/71 could be arranged to fit the categories shown in Tables I and II.
4. Would you please look at the attached tables and let me know if they follow the approach that you had in mind.

Attachments

cc: Messrs. Votaw, without attachments
David, without attachments
New Delhi Office, without attachments

SSKATZ/pop



India Agric - Gen -
Project

Messrs.

Atle Elsaas and Stanley Please

February 23, 1967

Gregory Votaw

INDIA - Taxes on Agriculture

You may be interested in the lead article "The Role of Agricultural Taxation in India's Planning" in the attached (December 1966) issue of the monthly Bulletin of the Bank of India.

I would be interested in your comments.

Attachment

cc: Mr. S. Katz

GVotaw
IBRD