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REPORT AND RECOMMENDATION

OF THE

PRESIDENT OF THE

INTERNATIONAL DEVELOPMENT ASSOCIATION

TO THE

EXECUTIVE DIRECTORS

ON A

PROPOSED CREDIT

OF SDR 210.2 MILLION

(US$220 MILLION EQUIVALENT)

TO INDIA

FOR THE

NATIONAL COOPERATIVE DEVELOPMENT CORPORATION (NCDC) III PROJECT

May 30, 1984

CURRENCY EQUIVALENTS
(As of May 24, 1984)

US$1.00	=	Rs 11.089
Rs 1.00	=	US$0.0901
Rs 1 million	=	US$90,177

The US Dollar/Rupee exchange rate is subject to change. Conversions in the Staff Appraisal Report were, except as otherwise noted, made at the rate of US$1 to Rs 10.8.

FISCAL YEAR

April 1 - March 31

Abbreviations and Acronyms

CDS	-	Cooperative Development Services
CGC	-	Cotton Growers' Cooperative
DCCB	-	District Cooperative Central Bank
GOI	-	Government of India
GOS	-	State Governments
ICB	-	International Competitive Bidding
IDBI	-	Industrial Development Bank of India
LCB	-	Local Competitive Bidding
NCDC	-	National Cooperative Development Corporation
NTC	-	National Textile Corporation
OILFED	-	Madhya Pradesh State Cooperative Oilseed Growers' Federation
OSCS	-	Oilseed Growers' Cooperative Societies
PACS	-	Primary Agricultural Credit Societies
PCS	-	Primary Cooperative Societies
RAJFED	-	State Cooperative Marketing Federation in Rajasthan
RBI	-	Reserve Bank of India
SCB	-	State Cooperative Bank
SCMF	-	State Cooperative Marketing Federations
SCSMF	-	State Cooperative Spinning Mill Federations
SLDB	-	State Land Development Bank

INDIA

NATIONAL COOPERATIVE DEVELOPMENT CORPORATION (NCDC) III PROJECT

CREDIT AND PROJECT SUMMARY

Borrower: India, acting by its President.

Beneficiary: National Cooperative Development Corporation (NCDC).

Amount: SDR 210.2 million (US$220 million equivalent).

Terms: Standard.

Onlending Terms: Government of India (GOI) to NCDC: Repayment over 15 years, including 3 years' grace, at an interest rate of not less than 7% per annum, the standard rate for GOI onlending to NCDC for projects taken up with foreign assistance.

NCDC to State Cooperative Banks (SCB) and State Land Development Bank (SLDB): Repayment over 15 years, including 3 years' grace, at an interest rate of not less than 8% per annum for rural storage investments and not less than 9.5% per annum for agro-processing investments.

SCB and SLDB to ultimate beneficiaries: Repayment up to 15 years, including up to 3 years' grace, at an interest rate of not less than 10% per annum for rural storage investments and not less than 12.5% per annum for agro-processing investments.

GOI will bear the foreign exchange risk.

Project Description: The proposed project is designed to support the development of the Indian cooperative movement by strengthening the capabilities of the National Cooperative Development Corporation, through expanding the scope of its activities and extending its involvement into new areas in nine participating States. The project provides credit for a rural storage component, involving the construction of about 7,800 rural godowns in six States; a soybean production and processing component, involving the establishment of 800 Oilseed Growers' Cooperative Societies, together with soybean seed processing plants and solvent oil extraction plants in six States; a cotton processing component, involving the establishment of eleven cotton ginneries and five spinning mills in five States; and an institution-building

component, involving the establishment of Staff Training Institutes in six States, and development of a training program for staff of the rural godowns, processing plants, and cooperative agencies. The major risk in a project of this scope would be poor implementation. However, NCDC has considerable experience and capable management and has performed satisfactorily in previous IDA-financed projects, so this risk is considered to be small. Technical risks are minor.

Estimated Cost: 1/

Item	(US$ millions) Local	Foreign	Total
Rural Storage	94	11	105
Soybean Production & Processing	91	8	99
Cotton Processing	132	21	153
Institution-building	9	1	10
Base Cost	326	41	367
Physical Contingencies	22	4	26
Price Contingencies	68	7	75
Total Project Cost	416 1/	52	468 1/

1/ Including about US$40 million in taxes and duties.

Financing Plan:

	(US$ millions) Local	Foreign	Total
IDA	168	52	220
State Governments	80	-	80
NCDC	146	-	146
Cooperative Societies	22	-	22
Total	416	52	468

Estimated Disbursements:

IDA FY	(US$ millions) FY85	FY86	FY87	FY88	FY89
Annual	21.1	52.9	98.3	21.6	26.1
Cumulative	21.1	74.0	172.3	193.9	220.0

Rate of Return: At least 28%

Appraisal Report: No. 5035-IN dated May 30, 1984.

INTERNATIONAL DEVELOPMENT ASSOCIATION

REPORT AND RECOMMENDATION OF THE PRESIDENT TO THE EXECUTIVE DIRECTORS ON A PROPOSED CREDIT TO INDIA FOR THE NATIONAL COOPERATIVE DEVELOPMENT CORPORATION (NCDC) III PROJECT

1. I submit the following report and recommendation on a proposed development credit to India in an amount equivalent to SDR 210.2 million (US$220 million equivalent) on standard IDA terms to help finance the National Cooperative Development Corporation (NCDC) III Project, involving the construction of rural cooperative storage godowns and soybean and cotton processing plants in a total of nine participating States. The project also includes an institution-building component designed to train staff for the project facilities and to strengthen the cooperative development institutions. The proceeds of the credit will be channelled by the Government to NCDC for fifteen years, including three years' grace, at an interest rate of not less than 7% per annum, the standard rate for GOI onlending to NCDC for projects taken up with foreign assistance which will, in turn, onlend the funds to participating state banks. The participating banks will relend the proceeds to ultimate beneficiaries at a rate of not less than 10% per annum for rural storage loans and not less than 12.5% per annum for agro-processing loans. State Governments will also contribute funds as equity. The foreign exchange risk for the proposed credit will be borne by the Government of India.

PART I - THE ECONOMY

2. An economic report, "Situation and Prospects of the Indian Economy - A Medium Term Perspective" (4962-IN, dated April 16, 1984), was distributed to the Executive Directors on April 23, 1984. Country data sheets are attached as Annex I.

Background

3. India is a large and diverse country with a population of about 750 million (in mid-1984) and an annual per capita income of US$260. The economy is dominated by agriculture which employs more than two-thirds of the labor force. However, the land base is not sufficient to provide an adequate livelihood to everyone engaged in agricultural activities, especially those who own little or no land. Growth of value-added in agriculture -- 2.2% since 1950/51 -- has been slower than growth of industrial value-added (5.3% per annum). As a result, there has been a gradual decline in the share of agriculture in GDP (at factor cost) from 52% in 1950/51 to about 33% in 1981/82, while the share of industry rose from 20% to around 26%. But industrialization has not been rapid enough to absorb the growing labor force, or to bring about a rapid economic transformation, with significantly higher productivity and income levels. As a result economic growth has been slow over the past three decades, averaging about 3.6% per annum since 1950/51.

4. Nevertheless, there has been steady progress, with per capita income rising by about 1.4% per year in the period 1950 to 1980. Despite the large population base and its relatively rapid growth, India has been able to eliminate persistent dependence on foodgrain imports through

significant improvements in agricultural production. Savings and investment have increased markedly since 1950/51: the gross national savings rate more than doubled from 10.8% of GDP (at factor cost) to 22.7% in 1983/84, while the gross domestic investment rate rose from 12.5% of GDP to 24.8% in 1983/84. Foreign savings (balance of payments deficit on current account) have never financed a major portion of domestic investment: a peak of about 20% was reached during the early 1960s. Currently, foreign savings account for about 8% of investment. External assistance has been low both as a percentage of GDP and in per capita terms, never rising above 3% of GDP and averaging below 1% for the past five years. Net use of foreign savings has never risen above 3% of GDP, and presently stands at 2.1%.

5. Before the 1970s, India placed relatively less emphasis on export promotion and more on import substitution. The volume growth of exports between 1950/51 and 1969/70 averaged only 2.2% per annum, while the volume growth of imports over the same period was 4.3%. In the early to mid-1970s, however, India's terms of trade, which had remained roughly constant during the 1960s, deteriorated sharply. In response, the Government introduced various policy measures designed to stimulate exports. As a result, the volume of India's exports grew on average about 7.3% per annum for the 1970s as a whole, a performance which demonstrates that sustained rapid growth is possible. While expanding world markets, particularly in the nearby Middle East, contributed to this growth, liberalized access to imported inputs and more effective export incentives played a major role.

6. Moving into the second half of the 1970s, the Indian economy was buoyed by higher levels of investment and an expanding level of foodgrain output. As a result, growth in real GDP and in agricultural and industrial value-added substantially exceeded the historical 30-year trends (paragraph 3) averaging 5.3%, 3.3% and 8.1%, respectively, during the 1975/76 to 1978/79 period. In 1979/80, however, this momentum was broken when the worst drought in recent years, combined with a doubling of international oil prices and domestic supply shortages, led to a sharp fall in foodgrain production, a decline in GDP, and the opening up of a relatively large trade deficit. Severe inflationary pressures also emerged after several years of virtual price stability. These setbacks coincided with the preparation of the Sixth Five-Year Plan which laid down a program of adjustment that aimed at improving the trade deficit, removing infrastructural bottlenecks and ensuring price stability with an overall growth of the economy of 5.2% per annum.

Recent Trends

7. Despite the effects of two severe droughts in 1979/80 and 1982/83, India's economy in the early 1980s continued to grow at the faster pace of the second half of the 1970s. Between the two droughts (from 1979/80 to 1982/83), GDP growth averaged almost 5% per annum, while between the two recovery years (from 1980/81 to 1983/84), it was 4.5% per annum -- substantially higher than India's long-term growth rate of 3.6%. Continued rapid economic growth has resulted from a development strategy which includes higher investment levels and liberalized policies on imports, industrial licensing, prices, and commercial borrowing. These policies, by easing constraints on the supply of infrastructure and basic commodities, were a determining factor in the improved performance of the

economy and the industrial sector. This overall improvement in performance, combined with a more restrictive monetary policy in 1981/82 and 1982/83, resulted in a sharp decline in the rate of inflation. The growth rate of wholesale prices declined from over 18% in 1980/81 to only 2.6% in 1982/83, but rose to over 9% in 1983/84, mainly due to the effect of the 1982/83 drought on food prices. Further improvements in the policy environment will be required to maintain these higher levels of economic growth and investment without putting undue pressure on the balance of payments or reviving inflationary expectations.

8. Economic growth in the early 1980s has not been steady, reflecting the uneven rainfall during the period. In 1980/81 and 1981/82, the economy substantially recovered from the 1979 drought, with real GDP growing by 7.6% and 5.3%, respectively. While industrial output expanded by 4% in 1980/81 and 8.6% in 1981/82, recovery was particularly robust in agriculture where normal weather helped output to rise by more than 15% and 5.5%, respectively. The supply of power, coal, and rail transport, already improved in 1980/81, was further expanded in 1981/82, recording growth rates of about 10%, 9.6% and 12.5%, respectively. This overall improvement in the Indian economy was halted in 1982/83 by a severe drought in mid-1982 which reduced agricultural production by 4%, brought down the GDP growth rate to 1.8%, and put further strains on the already difficult balance of payments and domestic resource situation. The timely implementation of various economic policies relating to foodgrain imports, procurement and distribution, and the allocation of power to irrigation pumps mitigated the otherwise very distressing effects of the poor monsoon. The economy recovered in 1983/84, led by a robust agricultural sector - GDP grew by about 6.5% to 7% with agricultural production growth in the 9%-10% range and industrial growth of 4.5%. The major factors contributing to the good economic performance during 1983/84 were the excellent monsoon, combined with adequate agricultural policies and programs, and satisfactory performance of the coal and transport sectors. The power sector, however, emerged again as a constraint on higher growth, especially in industry.

9. Agricultural production rebounded strongly in 1983/84 in response to the monsoon, improved use of inputs and continued expansion of irrigation. Overall foodgrain production rose by 10%-12% over the previous year, reaching a new record of 142-144 million tons, a substantial increase over the previous peak of 133 million tons in 1981/82. Corrected for weather variations, foodgrain production continues to grow at a trend of 2.6% per annum--sufficient to maintain a broad balance between supply and steadily increasing domestic demand. Nonetheless, the balance remains delicate, and the need for foodgrain imports to maintain consumer supplies or adequate buffer stocks could arise from time to time. Thus, adequate management of foodgrain stocks and programs to expand irrigation, strengthen extension and encourage the efficient use of other agricultural inputs continue to receive high priority.

10. Basic infrastructure services had a mixed performance in 1983/84, partially because of sluggish demand from industry during the first half of the year but also due to a failure to maintain the productivity gains of 1980-82. Electricity generation grew only by about 3.7% due to low reservoir water levels during the first half of the year, delays in the commissioning of new capacity, and a deterioration of capacity utilization

in thermal plants. As a result, power generation was about 11.5% below requirements and constituted a major bottleneck in the economy. Key industries which were adversely affected by power constraints included steel, fertilizers, cement, and coal. To improve performance in the power sector, the Government recently increased incentives for higher labor and management productivity in thermal plants. Railway freight traffic, measured in ton-kms, grew by only 0.5% in 1983/84, reflecting sluggish demand. Coal production increased by about 6.5% in 1983/84 reaching 139 million tons. When combined with stocks already available this level of production was sufficient to meet the relatively slow demand growth. Infrastructural constraints would have emerged much more sharply had the pace of industrial growth and demand been more rapid. It is therefore critically important that India maintain the pace of investment in these key sectors, mobilize sufficient resources to do so, and implement programs to enhance productivity.

11. The Indian economy has reverted from a situation of resource surplus in the late 1970s to an aggregate resource deficit. The gap between gross investment and national savings increased from negligible levels during the late 1970s to an average equivalent to 2.1% of GDP in 1980-84. India's gross national savings rate, which averaged 22.6% of GDP in the last four years, is high by any standard, particularly considering India's low income and the large proportion of its population below the poverty line. The scope for a substantial increase in the savings rate is therefore quite limited. If India is to maintain investment at about 25% of GDP, a major effort will be required to raise additional domestic resources particularly in the public sector. Future increases in savings will depend heavily upon the enhanced profitability of public sector enterprises which would require better utilization of capacity, more efficient operations and adequate pricing policies. This would also allow a marginal decline in the use of foreign savings from the recent 2.1%-2.3% of GDP to 1.5%-1.8%, to ensure a sustainable external debt service burden.

12. India's external resource position has changed notably since the late 1970s. The current account balance, which recorded surpluses from 1976/77 to 1978/79, reverted to deficits averaging US$3.5 billion and 2.1% of GDP during 1980/81 to 1983/84. Several developments contributed to these relatively larger current account deficits. First, the terms of trade deteriorated sharply in 1979/80 due to the second round of oil price increases and continued to move against India during the first three years of the 1980s. Second, a more liberal import policy towards industrial inputs was pursued. Third, net invisibles declined as travel receipts fell off, workers' remittances stagnated (reflecting slower development activity in the Middle East), and payment of interest on higher levels of foreign debt increased. Faced with severe infrastructural constraints and a deterioration in its balance of payments, India initiated an adjustment program in 1980/81 designed to raise the growth rate from its historical level of 3.6% to 5.2% while adjusting the country's external balance to the adverse price developments in the world markets. The main elements of this strategy are export promotion, import substitution where economically justifiable, implementation of a coherent energy policy designed to meet the energy needs of the economy while curbing the growth of oil imports, and continued movement toward a more liberal import policy aimed at providing producers with access to inputs for higher capacity utilization, greater efficiency, improved technology and capacity expansion. The

program is being successfully implemented, and is leading to substantial improvements.

13. A positive development in India's balance of payments is the reduction in the trade deficit from US$7.7 billion in 1980/81 to US$5.9 billion in 1983/84 despite unfavorable world market conditions and import liberalization. Export volume growth and import substitution of oil and petroleum products, metals and fertilizers more than offset the substantial increase in "other" imports. These "other" imports consist mainly of industrial imports and capital goods which historically have been in chronic short supply and which are of critical importance to capacity utilization, product quality, and plant modernization and expansion. A major factor in the decline of the trade deficit was the lower net import bill for petroleum, which dropped from US$6.7 billion in 1980/81 to US$3.4 billion in 1983/84 in response to a successful oil development program that reduced import needs and allowed crude oil exports, which totalled about US$1.5 billion in 1983/84. These structural changes in the balance of payments are to a significant degree the result of India's development and adjustment efforts over the past three years. It is expected that the balance of payments will continue to be under strain for the next several years, since the adjustment strategy will continue to require high levels of imports.

14. Even assuming a favorable export performance, India will need external capital flows to augment its own resources for the foreseeable future, given the low per capita income level in the country, the already high savings rate, and the import requirement associated with improved growth rates. Faced with a growing need for external capital inflows and stagnation in the availability of concessional assistance, India decided at the start of the Sixth Plan to increase borrowings from the International Monetary Fund (IMF) and commercial banks to substantial levels. In the period covering the fiscal years 1981/82 to 1983/84, India drew SDR 3.9 billion from the Extended Fund Facility of the IMF. In addition, India borrowed significant amounts on commercial terms from the Euro-dollar market and increased the use of suppliers' and export credits. In the period 1980-84, India contracted commercial loans totalling over US$6,000 million and suppliers' credits of over US$1,000 million. The bulk of this borrowing has been used for specific development projects in the public and private sector (mostly for petroleum exploration and development, steel, power, aluminum and shipping). India's favorable debt service position and the nature of its borrowings, for project-related purposes instead of direct balance of payments support, enabled it to tap commercial capital markets at favorable spreads. This larger commercial borrowing and transfer of funds under the arrangement with the IMF has stemmed the use of foreign exchange reserves which had fallen to less than four months of import coverage in 1981/82.

Development Prospects

15. The experience of recent years illustrates that India has the capacity to grow and develop at a more rapid pace. Although the industrial sector is small compared to the size of the economy, it nevertheless is large in absolute terms and has a highly diversified structure, capable of manufacturing a wide variety of consumer and capital goods. Basic infrastructure -- irrigation, railways, telecommunications, power,

roads and ports -- is extensive compared to many countries, although there is considerable need for additional capacity as well as improvement in the utilization of existing capacity. India also has a wide range of institutions capable of fostering development and is well-endowed with human resources. Finally, India has an extensive natural resource base in terms of land, water, and minerals (primarily coal and ferrous ores, but also gas and oil). With good economic policies and reasonable access to foreign savings, India has the capability for managing these considerable resources to accelerate its long-term growth.

16. The Government is currently preparing the Seventh Plan which will lay down the development strategy for 1985/86-1989/90. This strategy is expected to continue the emphasis of the Sixth Plan on agriculture, energy development, export promotion, domestic import substitution where economically justifiable and the removal of infrastructural bottlenecks. Overall Sixth Plan performance has been encouraging, with aggregate real investment projected to be about 30% higher than in the period 1975-80--a creditable performance indeed. The Sixth Plan expenditure targets, however, will not be fulfilled as resource mobilization by the public sector will fall short of the financing requirements of planned public investment. Actual aggregate real investment is projected to be about 7% below the original target for the period 1980-85, private investment being 5% to 10% higher and public investment about 20% lower in real terms than actually projected. In terms of meeting Plan expenditure targets, the performance of the Central Government is considerably better than that of the State Governments. The Central Government's Plan outlays are likely to reach about 80% to 90% of the original Plan allocation in real terms, while the States' will probably achieve only about 50% of their targets. Bottlenecks in key sectors such as power, transport and irrigation are likely to persist as a consequence of real investment shortfalls relative to original Plan allocations.

17. Although Sixth Plan expenditure targets will not be met, India's capital formation rates have increased from 22.6% in 1975-80 to 24.7% of GDP in 1980-84. Recent higher capital formation rates are encouraging for future income growth, but returns to investment have so far been relatively low. Much of this phenomenon relates to India's stage of development, in which a large and growing proportion of investment has been needed to build up basic infrastructure services which have inherently high capital-output ratios. However, there is scope to reduce capital-output ratios through improvements in efficiency. As discussed in greater detail in our recent economic reports, performance in the basic service sectors can be improved through better planning and management, thus leading to higher productivity and capacity utilization throughout the economy. At the same time, programs to expand domestic capacity are vital. In the case of tradeable commodities like coal, steel and cement, this is justified on the grounds of comparative advantage. For sectors such as irrigation, power and transportation, expansion of planned capacity in accordance with the requirements of the rest of the economy will be vital for sustained growth.

18. Under the Sixth Plan, India has an ambitious oil development program backed by substantial financial commitment. Performance under the program has been excellent with real investment and oil production levels running well ahead of Plan Targets. In 1981, and again in early 1983,

resources for exploration and development were raised by successive price increases for domestic crude and products. While the gap between domestic consumption of petroleum and production remains large, India's dependence on oil imports dropped from 63% of consumption in 1979/80 to about 41% in 1983/84 and is expected to decrease to about 33% of consumption by 1984/85. The rapidly expanding level of exploration activity, combined with the possibilities for accelerated offtake from known fields, offers much encouragement for India's longer-term energy prospects. At the same time, the increases in domestic petroleum prices have helped encourage conservation and slow demand growth.

19. India's development prospects over the next few years will hinge on the extent to which the economy can be brought into both internal and external balance, while at the same time achieving more rapid growth than in the past. This will require the continuation of the current development strategy which assigns high priority to export promotion, public finance discipline, improvement of economic efficiency, and investment in infrastructure, supported by adequate flows of external borrowing and aid. In the short term, a relatively large level of external borrowing, including an increased emphasis on commercial borrowing, will be necessary to cope with the balance of payments consequences of such a growth strategy. However, an important element in providing India with the capacity to adjust flexibly will be adequate flows of concessional assistance since India is still a very poor country with a large rural sector and enormous investment requirements for human development and basic infrastructure. Although India is currently in a position to increase borrowing on commercial terms from the very low levels of the past, there are, of course, limits beyond which India will choose to sacrifice growth objectives rather than accept debt on unfavorable or unmanageable terms. The fact that India has been able over the past decade to maintain a rate of growth above the long term trend, despite the poor monsoons of 1979 and 1982, suggests that a more open trade policy and expanded efforts to remove constraints on the growth of productive capacity, supported by adequate mobilization of both foreign and domestic savings, can sustain a rate of growth closer to 5.0% per annum than to the long-run trend of 3.6% per annum. If the rate of population growth can be brought to below 2.0% per annum, a 5.0% growth rate would mean a doubling of the trend rate of growth of per capita income of 1.4% per annum. Success in these efforts would make a significant difference to the prospects of easing poverty in India.

20. A large and growing population and severe poverty underline the need to accelerate India's development efforts. The 1981 Census indicated there was no decline in the rate of population growth, which remained about 2.2% per annum in the 1970s despite a measurable decline in fertility rates. The population growth rate failed to decline in the past decade due to a reduction in the infant mortality rate and an increase in life expectancy, reflecting larger availability of food and health services. While this is a welcome development, it implies a greater strain on the economy and re-emphasizes the need for continuing efforts to strengthen the health and family planning programs in a broad range of activities and services. These efforts are given high priority in the Sixth Plan, which aims at a rise in the proportion of protected couples in the reproductive age group from its estimated 1979/80 level of about 23% to over 35% by 1984/85. The Government is reviewing its population policy

for the Seventh Plan, with indications of a determination to retain the emphasis on the implementation of family planning, health, education and literacy programs aimed at reducing fertility rates.

21. Reduction of poverty remains the central goal of Indian economic and social policy. More than one-third of the world's poor live in India, and more than 80% of the Indian poor belong to the rural households of landless laborers and small farmers. About 51% of the rural population and 40% of the urban population subsist below the poverty line. Significant reductions in poverty will depend primarily on an acceleration of economic growth, particularly in agriculture, combined with effective implementation of poverty alleviation programs. India's poverty alleviation strategy appropriately recognizes that production-oriented programs, which aim at accelerating the overall pace of economic growth, and poverty alleviation programs, targetted at those least able to participate in the general growth of the economy, can be mutually reinforcing rather than substituting for each other. Major poverty programs operating on a nationwide basis at present include: the Minimum Needs Program (MNP), the Integrated Rural Development Program (IRDP), and the National Rural Employment Program (NREP). The IRDP and NREP are targeted programs aimed at increasing the incomes of the poor rapidly, either through the transfer of productive assets or direct employment. The MNP, aims at broadening the provision of social infrastructure and basic services which enhance the human capital of the poor and improve living standards. These programs represent a vitally important commitment of the Government to address the needs of the poorest. The scale of the poverty problem in India, combined with the inherent difficulties in implementing poverty programs in any country, imply the need for continued efforts to enhance the effectiveness of these programs.

PART II - BANK GROUP OPERATIONS IN INDIA

22. Since 1949, the Bank Group has made 76 loans and 164 development credits to India totalling US$5,183 million and US$12,016 million (both net of cancellation), respectively. Of these amounts, US$1,452 million has been repaid, and US$5,723 million was still undisbursed as of March 31, 1984. Bank Group disbursements to India in the current fiscal year through March 31, 1984 totalled US$1,072 million, representing an increase of about 6 percent over the same period last year. Annex II contains a summary statement of disbursements as of March 31, 1984.

23. Since 1959, IFC has made 29 commitments in India totalling US$224 million, of which US$32 million has been repaid, US$56 million sold and US$17 million cancelled. Of the balance of US$118 million, US$111 million represents loans and US$7 million equity. A summary statement of IFC disbursements as of March 31, 1984, is also included in Annex II (page 4).

24. The thrust of Bank Group assistance to India has been consistent with the country's development objectives in its support of agriculture, energy and infrastructure. Of particular importance have been investments in irrigation, extension and on-farm development designed to increase agricultural productivity, and efforts to improve the availability of basic agricultural inputs to farmers through credit, fertilizer, marketing, storage, and seed projects. Major elements of the lending

program have also been directed at helping to meet the energy needs of the economy while curbing the growth of oil imports, and to ease the infrastructure bottlenecks which have hampered economic growth in India, particularly through power generation and distribution, and railways and telecommunications projects. The Bank Group has also provided financing for a broad range of medium- and small-scale industrial enterprises, primarily in the private sector, through its support of development finance institutions. Recognizing the importance of improving the ability to satisfy the essential needs of urban and rural populations, the Bank Group has supported nutrition and family planning programs, a rural roads project, as well as water supply and sewerage and other urban infrastructure projects.

25. This pattern of assistance remains highly relevant, and consonant with Government priorities, as reflected in the Sixth Plan. The continued active involvement of the Bank Group in agriculture, energy and infrastructure development will appropriately contribute to India's adjustment and growth prospects. Irrigation will need continuing support, with emphasis on improved efficiency in water conveyance systems to ensure reliable delivery to farmers' fields. In addition, major investments to develop the large Narmada River basin will be vital to India's efforts to increase agricultural production. Important complements to these efforts, such as fertilizer production and distribution, agricultural credit and extension, will continue to receive support. A continued program of investments aimed at rapidly increasing the domestic supply of energy will clearly be necessary if India is to curb the cost of oil imports and alleviate the critical power shortages which constrain output in both the agricultural and industrial sectors. Exploitation of oil and gas resources is a central element of this program, which should be supplemented by investments in hydro and thermal power generation, and in the expansion of the transmission and distribution networks. Industrial projects to increase the domestic production of basic commodities, which have been in short supply and which India has a comparative advantage in producing, should also receive high priority. Finally, raising the efficiency and levels of transportation infrastructure would mitigate a key constraint to achieving higher levels of economic growth so that further support of the railways and for ports development will be particularly appropriate.

26. The need for a substantial net transfer of external resources in support of the development of India's economy has been a recurrent theme of Bank economic reports and of the discussions within the India Consortium. Thanks in part to the response of the aid community, India successfully adjusted to the changed world price situation of the mid-1970s. However, India continues to require a substantial level of foreign assistance both to offset the overall deterioration in the world trade environment, and to sustain the relatively higher investment and growth rates achieved during the first four years of the Sixth Plan. As in the past, Bank Group assistance for projects in India should aim to include the financing of local expenditures. India imports relatively few capital goods because of the capacity and competitiveness of the domestic capital goods industry. Consequently, the foreign exchange component tends to be small in most projects. This is particularly the case in such high-priority sectors as agriculture and irrigation.

27. India's poverty and needs are such that whenever possible, external capital requirements should be provided on concessional terms.

Accordingly, the bulk of the Bank Group assistance to India in the past was provided from IDA. However, IDA lending to India has declined from a peak of US$1.5 billion in 1980 to below US$1 billion since that time, mostly due to funding constraints related to IDA 6. Lower IDA 7 replenishment and uncertainties about IDA 8, coupled with increasing claims for IDA funding from other countries, indicate that the amount of IDA funds available to India is likely to continue declining, even in nominal terms, and will remain small in relation to India's needs for external support. Thus, this requirement for additional assistance will have to be met, in part, through larger Bank lending. Given its development prospects and policies, India is judged credit-worthy for Bank lending to supplement IDA assistance. A continuation of efforts already underway to achieve growth in productive capacity, trade expansion, higher levels of savings, foodgrains self-sufficiency and a reduction in the rate of population growth should result in continued economic growth and improvement in the balance of payments. Despite recent setbacks, India's external payments position is still manageable. The ratio of India's debt service to the level of exports of goods and services and receipts of current transfers was about 12.9% in 1983/84. Over the next several years this ratio is projected to rise to around 20% and remain around that level through 1995/96. As of March 31, 1984, outstanding loans to India held by the Bank totalled US$3,884 million, of which US$2,021 million remain to be disbursed, leaving a net amount outstanding of US$1,863 million.

28. Of the external assistance received by India, the proportion contributed by the Bank Group has grown significantly. In 1969/70, the Bank Group accounted for 34% of total commitments, 13% of gross disbursements, and 12% of net disbursements as compared with 62%, 33% and 37%, respectively, in 1983/84. On March 31, 1984, India's outstanding and disbursed external public debt was estimated to be about US$26.9 billion, of which the Bank Group's share was US$9.6 billion or 36% (IDA's US$7.8 billion and IBRD's US$1.8 billion). In 1983/84, about 19.0% of India's total debt service payments were to the Bank Group.

PART III - AGRICULTURE AND AGRO-INDUSTRIES

29. Agriculture remains the main vehicle for GOI's efforts to achieve food self-sufficiency, alleviate poverty, and increase employment opportunities. GOI allocates a sizeable share of its outlays to investments in irrigation, research and extension, and the infrastructure for input supplies, post-harvest operations and marketing. As a result of these efforts, India's foodgrain production grew from 60 to 130 million tons during the past three decades. GOI has more recently emphasized diversification in the agricultural sector to exploit all opportunities for raising farmers' incomes, stimulating exports and import substitution and to develop the country's agro-industrial potential, in particular oilseed and cotton processing.

30. The cooperative sector plays a key role in these efforts. It provides an important channel through which farmers gain access to agricultural inputs, services (e.g., agricultural credit) and to storage and marketing facilities. The growth in agricultural crop production and the more intensive use of inputs has placed a severe strain on storage facilities in many parts of the country. A sizeable share of the harvest is lost each year because of inadequate storage. Cooperative societies

have therefore given high priority to the construction of storage facilities that can accommodate both agricultural crops and inputs. To offer farmers an outlet for crops, such as soybeans, for which established markets do not exist in many areas, and to increase employment opportunities in rural areas, cooperative societies, with GOI encouragement, have more recently branched out into processing of agricultural commodities.

Cotton Processing

31. Although India has more area under cotton cultivation than any other country, it is only the fourth largest producer. Low yields, and the fact that its production consists mainly of short and medium staple varieties, has placed its cotton industry at a comparative disadvantage, vis-a-vis other major world producers. In response, GOI has stepped up research efforts, which has recently led to the introduction of improved varieties with a longer staple length, a better quality fiber and higher yields.

32. Cotton cultivation provides raw materials for several industries: Cotton lint for the textile industry, cottonseeds for the seed crushing industry, and linters for the cellulose and furniture industry. Prices to the local producer reflect firstly the transport cost to ginneries, (the first stage in the processing of cotton), and second, the quality premia that ginneries receive for their lint. In order to increase prices to farmers, cooperatives are making an effort to locate ginneries directly in the cotton growing areas and to assure that these ginneries use up-to-date technologies and processing equipment, which allows them to produce high quality lint.

33. Lint is still the dominant raw material of India's textile industry, which accounts for 20% of manufacturing activity, 20% of exports and provides employment for several million people. In recent years, technical obsolescence of much of the installed capacity, poor quality raw material, labor difficulties and an unfavorable policy environment (price controls, investment licensing, etc.) have contributed to a gradual erosion of its economic viability. To assist the industry, GOI has set up the National Textile Corporation (NTC), which rehabilitates inefficient units, and initiated a soft loan scheme under the auspices of the Industrial Development Bank of India (IDBI), and assists mill owners in their modernization efforts. The cooperative sector, which moved into cotton spinning during the mid-1960s, is complementing these efforts through its State Cooperative Spinning Mill Federations (SCSMF). Together with the All-India and State Federations of Cooperative Spinning Mills they assist not only in the setting up of new mills but also provide technical assistance to existing mills.

Oilseed Processing

34. Until the mid 1970s, India was a net exporter of oils as well as oilseeds. This situation changed in the mid-1970s when domestic oilseed production was unable to keep pace with the rising domestic demand for edible oils. India now imports more than one million tons of edible oils annually, even though the average per-capita consumption of fats and oils remains among the lowest in the world.

35. GOI responded to the slow growth of edible oil production with incentive measures aimed at expanding domestic oilseed production and at improving the efficiency of oil extraction. While not neglecting groundnuts, India's most important edible oilseed crop, GOI's incentive measures were increasingly directed at expanding production of non-traditional oilseeds (e.g., soybeans, sunflower, safflower). Soybean production, for example, has grown at an average rate of almost 40% since the mid-1970s. By providing farmers with improved seeds, other agricultural inputs and services (credits, storage, etc.), farmer-owned cooperatives complement GOI's diversification efforts.

36. In addition to accelerating the growth of oilseed production, the availability of edible oils can be greatly enhanced by improving the overall efficiency of India's oilseed processing industry. The traditional village-based extraction process using bullock-powered mortar-and-pestle mechanisms has been largely replaced by motor powered expeller units. However, 75% of the oilseed harvest is still processed in outdated plants whose oil recovery rates are well below those of modern solvent extraction plants. This results not only in a considerable loss of edible oil, but yields also a low quality cake.

Previous Project Involvement

37. The first Bank Group-supported NCDC operation in the sector--NCDC I project, (Cr. 871-IN, December 4, 1978) provided credit for the construction of rural storage facilities in the three States of Haryana, Orissa and Uttar Pradesh. The NCDC II project (Cr. 1146-IN, April 17, 1981), extended this support into five more States, and introduced, in six States, cooperative cold storage facilities. Implementation of both projects is progressing satisfactorily and recovery rates for loans made under these two projects is excellent.

PART IV - THE PROJECT

38. The project was prepared by NCDC and appraised by a mission which visited India in November/December 1983. A Staff Appraisal Report is being distributed separately to the Executive Directors. Negotiations were held in Washington in May 1984. GOI and NCDC were represented by a delegation with Mr. P. Singh of the Department of Economic Affairs as coordinator. A Supplementary Project Data Sheet is attached as Annex III.

Project Objectives

39. The proposed project is a cooperative credit project. Its primary objective is to support the continued development of the Indian cooperative movement by strengthening the capabilities of the National Cooperative Development Corporation - expanding the scope of its activities. The proposed project is designed to (a) reduce grain losses and promote development in rural areas through expansion and improvement in storage and marketing of agricultural inputs and produce; (b) reduce edible oil imports by expanding the processing of locally-produced oilseeds; (c) increase the efficiency and quality of cooperatively run cotton ginning and spinning mills, and (d) strengthen cooperatives

through improving the recruitment and training of cooperative managers at all levels.

Rationale for IDA Involvement

40. Each project component aims at improving the efficiency of a certain cooperative activity. In each of these components, IDA has a specific contribution to make. For rural storage, IDA will support GOI's program for expanding storage capacity in remote rural areas where private investors tend not to invest. In soybean production and processing, to satisfy the needs for rising vegetable oil demand, IDA will actively promote the use of improved technology and efficiently-sized facilities. In cotton spinning and ginning, through IDA involvement, project investments will enhance product quality and the efficiency of operations by promulgating improved ginning techniques and demonstrating the advantages of higher quality lint, improved plant design, and more rational use of labor in spinning operations. The institution-building component will support the necessary efforts towards improving the quality of cooperative management in all activities with which the project would be involved. Additionally, problems in India's textile sector will be addressed through a dialogue between GOI and IDA on the appropriate steps to be taken to improve sectoral performance.

Description of the Project

41. The rural storage component will comprise the construction of some 7,800 storage facilities (godowns), varying in size between 50 and 10,000 tons, in Karnataka, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh (UP) and West Bengal, of which Madhya Pradesh, Rajasthan, and Karnataka are States not covered under previous NCDC projects. These godowns will be used for stocking and marketing of agricultural inputs (fertilizers, seeds, and pesticides), agricultural produce (foodgrains, oilseeds, and cash crops), and essential consumer goods. Together with agricultural credit and extension, the storage and marketing facilities form the third main element of an effective agricultural support system and will strengthen GOI's food procurement and consumer goods distribution system.

42. The soybean production and processing component involves the establishment of about 800 Oilseed Growers' Cooperative Societies (OSCS) in four project areas in Madhya Pradesh and Rajasthan. In addition, Cooperative Development Services (CDS), will be established under the project, which will provide farmers with improved input packages for soybean production, comprising seed, fertilizer and fungicides. Since it is critical that processing facilities be installed in the soybean growing areas as production is promoted, this component also involves the establishment of three seed processing plants equipped with climate-controlled storage facilities, which will, together, produce about 10,500 tons of seed per annum. In addition, four soybean solvent oil extraction plants will also be established and will be designed to use modern oil processing technology - each will process about 200 tons of soybean per day for 300 days per year. The soybean oil will be either refined for consumption as a cooking oil, or hydrogenated and consumed in the form of vegetable ghee. Initially, most of the high protein cake, the other major end product of the oil extraction process, will be exported.

43. The cotton processing component involves the establishment of eleven cotton ginneries in Karnataka, Rajasthan, Haryana, Maharashtra and UP with a total output of about 56,000 tons of lint per year. In addition to the ginneries, a spinning mill producing 100% cotton yarn will be established in each of these five States. Four cottonseed oil extraction plants of 100 tons per day throughput will also be constructed in major cotton-producing areas. Five of the eleven ginneries will be attached to spinning mills, three to cottonseed oil extraction plants, and three will be free-standing. IDA will be involved in the appraisal of these processing facilities and will approve the location, capacity and technology used, as necessary, during the appraisal of each facility.

44. The institution-building component is designed to ensure that all storage facilities and processing plants constructed under the project and implementing agencies have technically qualified and experienced staff. To this end, a training program for project participants at all levels is included. For the rural storage component, the program would improve the quality of trainers, and provide study materials and physical facilities for mandatory job-related training. Six training institutes, one for each of the States participating in the rural storage component, will be constructed or upgraded and equipped to train managers of rural storage units and other staff. Mobile training units will be deployed to complement the State level training. For the agro-processing components, senior and middle management staff of the State Cooperative Marketing Federations (SCMF) and the Cooperative Development Services (CDS), and staff in all processing plants, will be trained in appropriate technical or management Institutes. About 23 senior staff will receive technical training abroad. Local consultants will assist processing plant managers in the first phase of plant operations in developing management information and cost accounting systems in the plants.

45. While the textile industry has undergone many changes in recent years, it still suffers from serious problems, most notably a distorted policy environment, high cost operations, low quality products, low labor productivity, low lint quality, poor factory maintenance, and inadequate management practices. Nevertheless, some mills function well even in this difficult environment. The mills to be financed under the project will incorporate a number of innovative practices that should greatly increase their efficiency, and hence the profitability of their operations. Their improved functioning will demonstrate to other mills in the States the benefits of these improved operating practices. It is clear, however, that a re-examination of existing policy in the sector should be undertaken to develop a plan for gradual rationalization and policy reform. To this end, understandings were reached that GOI will carry out, by June 30, 1986, a review of the Indian textile sector under an agreed terms of reference.

Sectoral organization

46. NCDC is an all-India public undertaking established under the National Cooperative Development Corporation Act, 1962. Its main objectives are to promote and finance projects and programs carried out by agricultural and agro-industrial cooperative societies. The activities of these cooperative societies span virtually the whole spectrum of agricultural support services. Primary Cooperative Societies (PCS) are organized

around the production of specific crops, such as soybeans, or around the processing of agriculture products, such as ginning and spinning mills. In some activities, such as dairy farming and cotton spinning, cooperative institutions have been established which operate nationwide to provide technical services. Wholesale marketing services are provided by regional Cooperative Marketing Societies and Federations. Primary Agricultural Credit Societies (PACS) provide farmers with short-term credit, distribute inputs and consumer goods, and in some instances, have started to provide marketing services for agricultural commodities. District Cooperative Central banks provide PACS with medium- and short-term credit. They, in turn, are financed partly by State Cooperative Banks (SCB) and partly from their own resources. NCDC channels funds to client cooperatives either directly through the State Governments or through the SCB/SLDB's.

47. Under the proposed project, the larger rural godowns (1,000 tons to 10,000 tons) will be owned and operated by the State Marketing Federations, and the smaller godowns (50 tons to 1,000 tons) will be owned by the village level Primary Cooperative Societies. The soybean seed processing and soybean oil extraction plants will be owned and operated as independently-managed affiliates by the Madhya Pradesh State Cooperative Oilseed Growers' Federation (OILFED) and by the State Cooperative Marketing Federation (RAJFED) in Rajasthan. In Haryana the cotton ginneries, spinning mills and oil extraction plants will be owned and operated by the State Cooperative Marketing Federation (SCMF) as independent affiliates and, in the other four participating States, by Cotton Growers' Cooperatives (CGC). NCDC will own, and each SCB/SLDB will administer, the training institutes to be developed under the project. The State Governments will also contribute equity to each facility constructed under the project.

Project Implementation

48. Each rural storage godown and processing plant to be constructed under the project will represent an independent sub-project for which a sub-project appraisal report or feasibility study will be prepared by the owning cooperative Society or Federation and submitted, together with a loan application, to the appropriate State Cooperative Bank (SCB) or, in the case of West Bengal, the State Land Development Bank (SLDB) for appraisal and financing. NCDC would, in turn, refinance the SCB/SLDB for the amount of the investment in each appraisal sub-project. Furthermore, almost all of the larger agro-processing sub-projects will be individually reviewed by IDA prior to NCDC's making a commitment of funds. State Governments will provide their shares of the equity in project investments out of pre-allocated budget funds, supplemented, if necessary, by additional borrowing from NCDC.

49. NCDC will be the primary agency for coordinating project implementation activities in all nine participating States. The SCB and SLDB in each State will function as NCDC's onlending channels to the Cooperative Societies and will supervise sub-project implementation. In order to participate in the project, however, such State Banks will be required to demonstrate an annual recovery rate on loans received from NCDC of not less than 75% against demand for the preceding cooperative financial

year.1/ In the case of the SLDB in West Bengal which has had poor recovery performance recently, it will be required to demonstrate the following progressive minimum recovery rates: 50% by June 30, 1984; 55% by June 30, 1985; 62% by June 30, 1986; 75% by June 30, 1987, and thereafter (Section 2.02(a) and Schedule 2 (1,2) to the Project Agreement). Understandings have also been reached whereby the Cooperatives wishing to participate in the project will be required to have achieved a minimum repayment performance of 55% in the prior years with an exception that up to 10% of the cooperatives may be eligible, after thorough review, if their repayment performance has not yet reached 55% in the previous year.

50. Cotton ginneries attached to spinning mills or oil extraction plants will be constructed simultaneously. The two facilities will be managerially distinct entities, with separate accounts and financing. The ginneries will purchase seed cotton from CGC members and other farmers in the area, and sell lint to attached spinning mills and in the open market. The spinning mills will be designed to function more efficiently and profitably than mills currently in operation. This requires improving standards of equipment, plant design, management systems and worker deployment and training significantly above those now prevalent in the industry. NCDC will develop technical and environmental specifications, and management and staffing guidelines, satisfactory to the Association, and ensure that these specifications and guidelines will be followed (Section 2.02(a), Schedule 2, paragraph 4 of Project Agreement).

51. Technical advice on soybean cultivation in the project districts will be provided by the State Extension Services. To coordinate the various activities associated with soybean production, and to ensure appropriate representation of the participating institutions, understandings have been reached on key staffing appointments to the State Coordinating Committees, State Planning Committees and Regional Planning Committees and on the adequate supply of high-quality breeder and foundation seed under the project.

52. Training will be coordinated at the national level by a Manpower Planning and Training Committee chaired by the Managing Director of NCDC and NCDC's Regional Directors, or Regional Training Coordinators appointed by SCB/SLDB, will administer the program at the State level.

Project Cost and Financing

53. The total cost of the project, including contingencies but excluding about US$40 million in taxes and duties, is estimated at about US$428 million equivalent, of which about US$52 million (12%) represents the estimated foreign exchange costs. The principal cost components, excluding physical and price contingencies but including taxes and duties are: rural storage US$105 million; soybean production and processing, US$99 million; cotton processing, US$153 million; and institution

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1/ The "financial year" covers the period from July 1 to June 30, actual recovery rates have consistently exceeded 90% under earlier projects, although the eligibility criteria under these projects was set at 65%.

building, US$10 million. The project cost estimates are based on actual construction costs for similar installations (rural godowns and oil extraction facilities) and past experience (institution building), updated to April 1984 levels. Price contingencies, amounting to about 20% of base cost, are based on expected inflation rates, for local costs, of 7.3% for FY85, 8% for FY86, 7.5% for FY87; and 6% for FY88 and FY89; and, for foreign costs, 7.3% for FY85, 6.5% for FY86, and 6% thereafter. Physical contingencies were estimated separately for each project component and total some 7% of base costs.

54. The proposed IDA credit of US$220 million would finance all of the US$52 million of the foreign exchange costs and about US$168 million of the local costs, and would cover about 51% of the total project cost, net of taxes and duties. The balance of the funds required, aggregating about US$248 million equivalent, is expected to be provided by State Governments (US$80 million), NCDC's internally-generated funds (US$146 million), and cooperative societies (US$22 million).

55. NCDC's contribution to project costs will be financed from its own resources and from market borrowings and will not be less than 25% of the costs of the rural storage ginneries and spinning mill facilities nor less than 20% of the costs of the oil extraction and seed processing facilities (Section 2.03, Project Agreement). Equity participation by the State Governments in rural storage, ginneries and spinning mills will be 45% of investment costs, and, in seed processing and oil extraction plants, 35% of investment costs (Section 2.02(b), Project Agreement). Slightly less than half of this equity participation will be from budgetary allocations, the remainder being provided in the form of long-term loans to the State Governments from NCDC. Equity participation by the owner/operator cooperative societies will be 5% of investment costs for godowns and plants although, for the processing plants, the participation will be increased to 15% within 15 years of plant commissioning through the repurchase, by the cooperatives, of the State Government's equity in the sub-project (Section 3(b), Schedule 2 to the Project Agreement).

56. About US$11.5 million of the credit proceeds will be made available by GOI to NCDC as a grant for institution building and training purposes. The balance will be onlent by GOI to NCDC at an interest rate of not less than 7% per annum. 7% is GOI's current rate for financing projects of this type, and represents a lower limit below which GOI cannot on-lend the proceeds of the credit. The subsequent on-lending rates, shown in the table below, are expressed as a margin over the "base" lending rate from GOI to NCDC as follows:

	Margin over" Base"	Current Rate	Reference in project legal documents
(i) from GOI to NCDC ("base" rate)	--	7.0 %	Section 3.01(b) Development Credit Agreement
(ii) from NCDC to Intermediary Banks (SCBs, SLDB)			
(a) storage	+1.0%	8.0%	Section 2.02(c) of Project Agreement
(b) processing	+2.5%	9.5%	
(iii) from SCBs/SLDB to Cooperatives			
(a) storage	+3.0%	10.0%	Section 5 of Schedule 2 to the Project Agreement
(b) processing	+5.5%	12.5%	

The rates under (iii) above are the same as the prevailing rates for on-farm investments by small and marginal farmers in the case of rural storage facilities and for similar investments in backward areas from industrial lenders, in the case of agro-processing facilities.

Procurement and Disbursement

57. Procurement arrangements for the project are summarized in Annex IV attached hereto. About 7,000 civil works contracts for the rural godowns and 30 civil works contracts for the processing plants will be small, widely dispersed over the participating States, and implemented over a period of about four years, making packaging of such contents extremely difficult. Contracts for these civil works valued at about US$190 million would be of little interest to international contractors and will be awarded on the basis of local competitive bidding (LCB) under procedures acceptable to IDA. All IDA-financed contracts costing US$1 million or more for machinery and plant equipment to be awarded under ICB procedures will be subject to prior review by IDA and this review would cover the major part of the total value of such contracts.

58. The proceeds of the credit will be disbursed over a five-year period (FY85-89) against 85% of the total amount of loans made by NCDC to the participating State banks (SCB/SLDB), 50% of the construction cost of the training centers; 50% of the cost of domestic training and of incremental staff expenditures for CDS, 100% of the cost of training fellowships, and 100% of the ex-factory cost for teaching and office equipment and vehicles. All disbursements will be made against certified statements of expenditure submitted by NCDC. Documents in support of reimbursement claims will be made available to IDA for inspection during project supervision. Preparatory engineering and design work for project implementation began after project appraisal and, in support of these efforts, IDA financing is proposed for eligible expenditures incurred on the project after January 1, 1984 but prior to credit signing, up to a

limit of US$1 million (Schedule 1, para 4 of Development Credit Agreement). The credit is expected to be fully disbursed by December 31, 1988 and the Closing Date is June 30, 1989.

Project Justification and Risks

59. The project supports a number of cooperative activities in rural areas and would thereby substantially improve both the type and quality of services that cooperatives provide and the efficiency of the cooperative system. Economic rates of return (ERR) for the different project components vary from 28% to around 50%. The weighted average ERR for the project is 28%. In addition to direct economic benefits, project investments in cotton processing would significantly improve product quality and the efficiency of operations by promulgating improved ginnery techniques and demonstrating the advantages of higher quality lint, improved plant design, and more rational use of labor in spinning operations. The soybean component would develop the infrastructure for oilseed production and processing, provide greater integration of processing operations, and promote improved technology in soybean oil extraction. The project provides a major investment in training cooperative staff at all levels. The program would enhance NCDC's capabilities in this area and would substantially improve the quality and penetration of cooperative training services.

60. NCDC has considerable accumulated experience and capable management, and has performed adequately in previous IDA projects and other programs financed by international donors. Therefore, the risk of poor implementation is assessed to be small. In all project components, technical risks are minor, since facilities to be installed are well within the bounds of known technologies. Cost increases exceeding appraisal estimates for civil works could cause difficulties, but major instabilities in building materials markets are not expected. Uncertainties in agricultural production could affect raw materials supply for processing plants to be constructed under the project. However, as currently projected, both raw cotton and soybean production in the project areas would be more than sufficient by a wide margin. The financial returns of the soybean and cotton processing units would be subject to the risks inherent in all agro-processing activities--such as short-term input and output price fluctuations. However, the units would be provided with adequate permanent long-term and short-term working capital and sound management to weather periodic difficulties, should they arise. Sensitivity analysis on the various project components indicated that benefits could drop by more than 10% for all components before their ERR would fall under the 12% opportunity cost of capital level. On the other hand, operating costs could increase by more than 12% or investment costs by more than 100% before the ERR would fall below the 12% level.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

61. The draft Development Credit Agreement between India and the Association, the draft Project Agreement between the Association and NCDC, and the Recommendation of the Committee provided for in Article V, Section 1(d) of the Articles of Agreement of the Association are being distributed to the Executive Directors separately.

62. Special conditions of the project are listed in Section III of Annex III. Execution of the Subsidiary Loan Agreement between India and NCDC has been made an additional condition of credit effectiveness (Section 5.01 of the Development Credit Agreement).

63. I am satisfied that the proposed credit would comply with the Articles of Agreement of the Association.

PART VI - RECOMMENDATION

64. I recommend that the Executive Directors approve the proposed Credit.

A. W. Clausen
President

May 30, 1984

INDIA - SOCIAL INDICATORS DATA SHEET

	INDIA 1960/b	INDIA 1970/b	INDIA MOST RECENT ESTIMATE/b	REFERENCE GROUPS (WEIGHTED AVERAGES) /a (MOST RECENT ESTIMATE) /b LOW INCOME ASIA & PACIFIC	MIDDLE INCOME ASIA & PACIFIC
AREA (THOUSAND SQ. KM)					
TOTAL	3287.6	3287.6	3287.6	.	.
AGRICULTURAL	1760.7	1780.5	1811.3	.	.
GNP PER CAPITA (US$)	70.0	100.0	260.0	276.7	1028.6
ENERGY CONSUMPTION PER CAPITA					
(KILOGRAMS OF COAL EQUIVALENT)	114.0	165.0	210.0	398.4	792.8
POPULATION AND VITAL STATISTICS					
POPULATION, MID-YEAR (THOUSANDS)	434850.0	547569.0	690183.0	.	.
URBAN POPULATION (% OF TOTAL)	18.0	19.8	23.7	21.5	32.9
POPULATION PROJECTIONS					
POPULATION IN YEAR 2000 (MILL)			1001.3	.	.
STATIONARY POPULATION (MILL)			1838.3	.	.
YEAR STATIONARY POP. REACHED			2140	.	.
POPULATION DENSITY					
PER SQ. KM.	132.3	166.6	205.3	161.7	260.7
PER SQ. KM. AGRI. LAND	247.0	307.5	372.7	363.1	1696.5
POPULATION AGE STRUCTURE (%)					
0-14 YRS	40.9	42.7	39.7	36.6	39.4
15-64 YRS	54.5	54.2	57.2	59.2	57.2
65 AND ABOVE	4.6	3.1	3.0	4.2	3.3
POPULATION GROWTH RATE (%)					
TOTAL	1.8	2.3	2.1	1.9	2.3
URBAN	2.5	3.3	3.7	4.0	3.9
CRUDE BIRTH RATE (PER THOUS)	43.7	40.0	35.4	29.3	31.3
CRUDE DEATH RATE (PER THOUS)	21.8	16.7	13.3	10.9	9.6
GROSS REPRODUCTION RATE	2.9	2.7	2.4	2.0	2.0
FAMILY PLANNING					
ACCEPTORS, ANNUAL (THOUS)	64.0	3782.0	6826.0	.	.
USERS (% OF MARRIED WOMEN)	..	12.0	23.0	48.1	46.6
FOOD AND NUTRITION					
INDEX OF FOOD PROD. PER CAPITA (1969-71=100)	98.0	102.0	107.0	111.4	125.2
PER CAPITA SUPPLY OF					
CALORIES (% OF REQUIREMENTS)	96.0	90.0	87.0	98.1	114.2
PROTEINS (GRAMS PER DAY)	54.0	50.0	47.0	56.7	57.9
OF WHICH ANIMAL AND PULSE	17.0	15.0	13.0/c	13.9	14.1
CHILD (AGES 1-4) DEATH RATE	26.2	20.7	17.0	12.2	7.6
HEALTH					
LIFE EXPECT. AT BIRTH (YEARS)	43.2	48.1	52.2	59.6	60.2
INFANT MORT. RATE (PER THOUS)	165.0	139.0	121.2	96.6	68.1
ACCESS TO SAFE WATER (%POP)					
TOTAL	..	17.0	33.0/d	32.9	37.1
URBAN	..	60.0	83.0/d	70.8	54.8
RURAL	..	6.0	20.0/d	22.2	26.4
ACCESS TO EXCRETA DISPOSAL (% OF POPULATION)					
TOTAL	..	18.0	20.0/e	18.1	41.4
URBAN	..	85.0	87.0/e	72.7	47.5
RURAL	..	1.0	2.0/e	4.7	33.4
POPULATION PER PHYSICIAN	4850.0	4890.0	3640.0/f	3506.0	7771.9
POP. PER NURSING PERSON	10980.0/g	8300.0	5380.0/f	4797.9	2462.6
POP. PER HOSPITAL BED					
TOTAL	2180.0	1650.0	1310.0/d	1100.6	1047.2
URBAN	..	..	370.0/d	298.4	651.1
RURAL	..	..	10410.0/d	5941.6	2591.9
ADMISSIONS PER HOSPITAL BED	..	..	..	..	27.0
HOUSING					
AVERAGE SIZE OF HOUSEHOLD					
TOTAL	5.2	5.6	5.2/e	..	..
URBAN	5.2	5.6	4.8/e	..	..
RURAL	5.2	5.6	5.3/e	..	..
AVERAGE NO. OF PERSONS/ROOM					
TOTAL	2.6	2.8	..	..	..
URBAN	2.6	2.8	..	..	..
RURAL	2.6	2.8	..	..	..
ACCESS TO ELECT. (% OF DWELLINGS)					
TOTAL	..	..	..	..	..
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..

INDIA - SOCIAL INDICATORS DATA SHEET

	INDIA 1960/b	INDIA 1970/b	INDIA MOST RECENT ESTIMATE/b	REFERENCE GROUPS (WEIGHTED AVERAGES) /a (MOST RECENT ESTIMATE) /b LOW INCOME ASIA & PACIFIC	MIDDLE INCOME ASIA & PACIFIC
EDUCATION					
ADJUSTED ENROLLMENT RATIOS					
PRIMARY: TOTAL	61.0	73.0	76.0/f	96.1	101.2
MALE	80.0	90.0	90.0/f	107.8	106.0
FEMALE	40.0	56.0	61.0/f	82.9	97.5
SECONDARY: TOTAL	20.0	26.0	28.0/f	30.2	44.9
MALE	30.0	36.0	37.0/f	37.3	50.0
FEMALE	10.0	15.0	18.0/f	22.2	44.6
VOCATIONAL (% OF SECONDARY)	2.8	1.0	0.7/e	2.3	18.5
PUPIL-TEACHER RATIO					
PRIMARY	46.0	41.0	43.0/f	34.4	32.7
SECONDARY	16.0	21.0	..	18.4	23.4
ADULT LITERACY RATE (%)	27.8	33.4	36.0	53.5	72.9
CONSUMPTION					
PASSENGER CARS/THOUSAND POP	0.6	1.1	1.3/f	1.6	9.7
RADIO RECEIVERS/THOUSAND POP	4.9	21.5	44.4	96.8	113.7
TV RECEIVERS/THOUSAND POP	0.0	0.0	1.7	9.9	50.1
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION	10.6	16.2	19.7	16.4	54.0
CINEMA ANNUAL ATTENDANCE/CAPITA	3.2	4.1	3.7/e	3.6	3.4
LABOR FORCE					
TOTAL LABOR FORCE (THOUS)	185951.0	219194.0	271179.0	.	.
FEMALE (PERCENT)	30.7	32.5	31.8	33.3	33.6
AGRICULTURE (PERCENT)	74.0	74.0	69.3	69.0	50.9
INDUSTRY (PERCENT)	11.0	11.0	13.2	15.8	19.2
PARTICIPATION RATE (PERCENT)					
TOTAL	42.8	40.0	39.3	42.5	38.6
MALE	57.0	52.4	51.9	54.4	50.7
FEMALE	27.3	26.9	25.9	29.8	26.6
ECONOMIC DEPENDENCY RATIO	1.1	1.1	1.1	1.0	1.1
INCOME DISTRIBUTION					
PERCENT OF PRIVATE INCOME RECEIVED BY					
HIGHEST 5% OF HOUSEHOLDS	26.7	26.3/h	22.2/e	16.5	22.2
HIGHEST 20% OF HOUSEHOLDS	51.7	48.9/h	49.4/e	43.5	48.0
LOWEST 20% OF HOUSEHOLDS	4.1	6.7/h	7.0/e	6.9	6.4
LOWEST 40% OF HOUSEHOLDS	13.6	17.2/h	16.2/e	17.5	15.5
POVERTY TARGET GROUPS					
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US$ PER CAPITA)					
URBAN	..	..	132.0	133.9	194.5
RURAL	..	..	114.0	111.6	155.0
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US$ PER CAPITA)					
URBAN	..	..	..	..	178.0
RURAL	..	..	..	..	164.8
ESTIMATED POP. BELOW ABSOLUTE POVERTY INCOME LEVEL (%)					
URBAN	..	..	40.3	43.8	24.4
RURAL	..	..	50.7	51.7	41.1

.. NOT AVAILABLE
. NOT APPLICABLE

NOTES

/a The group averages for each indicator are population-weighted arithmetic means. Coverage of countries among the indicators depends on availability of data and is not uniform.

/b Unless otherwise noted, "Data for 1960" refer to any year between 1959 and 1961; "Data for 1970" between 1969 and 1971; and data for "Most Recent Estimate" between 1979 and 1981.

/c 1977; /d 1976; /e 1975; /f 1978; /g 1962; /h 1964-65.

DEFINITIONS OF SOCIAL INDICATORS

Notes: Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe orders of magnitude, indicate trends, and characterize certain major differences between countries.

The reference groups are (1) the same country group of the subject country and (2) a country group with somewhat higher average income than the country group of the subject country (except for "High Income" Oil Exporters" group where "Middle Income North Africa and Middle East" is chosen because of stronger socio-cultural affinities). In the reference group data the averages are population weighted arithmetic means for each indicator and shown only when majority of the countries in a group has data for that indicator. Since the coverage of countries among the indicators depends on the availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are only useful in comparing the value of one indicator at a time among the country and reference groups.

AREA (thousand sq.km.)
- Total - Total surface area comprising land area and inland waters; 1960, 1970 and 1980 data.
- Agricultural - Estimate of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or to lie fallow; 1960, 1970 and 1980 data.

GNP PER CAPITA (US$) - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1979-81 basis); 1960, 1970, and 1981 data.

ENERGY CONSUMPTION PER CAPITA - Annual apparent consumption of commerical primary energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of coal equivalent per capita; 1960, 1970, and 1980 data.

POPULATION AND VITAL STATISTICS
- Total Population, Mid-Year (thousands) - As of July 1; 1960, 1970, and 1981 data.
- Urban Population (percent of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries; 1960, 1970, and 1981 data.
- Population Projections
  - Population in year 2000 - Current population projections are based on 1980 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 77.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes.
  - Stationary population - In a stationary population there is no growth since the birth rate is equal to the death rate, and also the age structure remains constant. This is achieved only after fertility rates decline to the replacement level of unit net reproduction rate, when each generation of women replaces itself exactly. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.
  - Year stationary population is reached - The year when stationary population size will be reached.
- Population Density
  - Per sq. km. - Mid-year population per square kilometer (100 hectares) of total area; 1960, 1970, and 1980 data.
  - Per sq. km. agricultural land - Computed as above for agricultural land only; 1960, 1970 and 1980 data.
- Population Age Structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population; 1960, 1970, and 1981 data.
- Population Growth Rate (percent) - total - Annual growth rates of total mid-year population for 1950-60, 1960-70, and 1970-81.
- Population Growth Rate (percent) - urban - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-81.
- Crude Birth Rate (per thousand) - Annual live births per thousand of mid-year population; 1960, 1970, and 1981 data.
- Crude Death Rate (per thousand) - Annual deaths per thousand of mid-year population; 1960, 1970, and 1981 data.
- Gross Reproduction Rate - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970, and 1981.
- Family Planning - Acceptors, Annual (thousands) - Annual number of acceptors of birth-control devices under auspices of national family planning program.
- Family Planning - Users (percent of married women) - Percentage of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

FOOD AND NUTRITION
- Index of Food Production per Capita (1969-71=100) - Index of per capita annual production of all food commodities. Production excludes seed and feed and is on calendar year basis. Commodities cover primary goods (e.g. sugarcane instead of sugar) which are edible and contain nutrients (e.g. coffee and tea are excluded). Aggregate production of each country is based on national average producer price weights; 1961-65, 1970, and 1981 data.
- Per capita supply of calories (percent of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961-65, 1970 and 1980 data.
- Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for minimum allowances of 60 grams of total protein per day and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey; 1961-65, 1970 and 1980 data.
- Per capita protein supply from animal and pulse - Protein supply of food derived from animals and pulses in grams per day; 1961-65, 1970 and 1977 data.
- Child (ages 1-4) Death Rate (per thousand) - Annual deaths per thousand in age group 1-4 years, to children in this age group; for most developing countries data derived from life tables; 1960, 1970 and 1981 data.

HEALTH
- Life Expectancy at Birth (years) - Average number of years of life remaining at birth; 1960, 1970 and 1981 data.
- Infant Mortality Rate (per thousand) - Annual deaths of infants under one year of age per thousand live births; 1960, 1970 and 1981 data.
- Access of Safe Water (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs, and sanitary wells) as percentages of their respective populations. In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the housewife or members of the household do not have to spend a disproportionate part of the day in fetching the family's water needs.
- Access to Excreta Disposal (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) served by excreta disposal as percentages of their respective populations. Excreta disposal may include the collection and disposal, with or without treatment, of human excreta and waste-water by water-borne systems or the use of pit privies and similar installations.
- Population per Physician - Population divided by number of practicing physicians qualified from a medical school at university level.
- Population per Nursing Person - Population divided by number of practicing male and female graduate nurses, assistant nurses, practical nurses and nursing auxiliaries.
- Population per Hospital Bed - total, urban, and rural - Population (total, urban, and rural) divided by their respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities. For statistical purposes urban hospitals include WHOs principal/general hospitals, and rural hospitals, local or rural hospitals and medical and maternity centers. Specialized hospitals are included only under total.
- Admissions per Hospital Bed - Total number of admissions to or discharges from hospitals divided by the number of beds.

HOUSING
- Average Size of Household (persons per household) - total, urban, and rural - A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.
- Average number of persons per room - total, urban, and rural average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.
- Access to Electricity (percent of dwellings) - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

EDUCATION
- Adjusted Enrollment Ratios
  - Primary school - total, male and female - Gross total, male and female enrollment of all ages at the primary level as percentages of respective primary school-age populations; normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.
  - Secondary school - total, male and female - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally excluded.
- Vocational enrollment (percent of secondary) - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.
- Pupil-teacher ratio - primary, and secondary - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.
- Adult literacy rate (percent) - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

CONSUMPTION
- Passenger Cars (per thousand population) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.
- Radio Receivers (per thousand population) - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.
- TV Receivers (per thousand population) - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.
- Newspaper Circulation (per thousand population) - Shows the average circulation of "daily general interest newspaper", defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.
- Cinema Annual Attendance per Capita per Year - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

LABOR FORCE
- Total Labor Force (thousands) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc., covering population of all ages. Definitions in various countries are not comparable; 1960, 1970 and 1981 data.
- Female (percent) - Female labor force as percentage of total labor force.
- Agriculture (percent) - Labor force in farming, forestry, hunting and fishing as percentage of total labor force; 1960, 1970 and 1981 data.
- Industry (percent) - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force; 1960, 1970 and 1981 data.
- Participation Rate (percent) - total, male, and female - Participation or activity rates are computed as total, male, and female labor force as percentages of total, male and female population of all ages respectively; 1960, 1970, and 1981 data. These are based on ILO's participation rates reflecting age-sex structure of the population, and long time trend. A few estimates are from national sources.
- Economic Dependency Ratio - Ratio of population under 15 and 65 and over to the total labor force.

INCOME DISTRIBUTION
- Percentage of Private Income (both in cash and kind) - Received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

POVERTY TARGET GROUPS

The following estimates are very approximate measures of poverty levels, and should be interpreted with considerable caution.
- Estimated Absolute Poverty Income Level (US$ per capita) - urban and rural - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable.
- Estimated Relative Poverty Income Level (US$ per capita) - urban and rural - Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.
- Estimated Population Below Absolute Poverty Income Level (percent) - urban and rural - Percent of population (urban and rural) who are "absolute poor".

Economic and Social Data Division
Economic Analysis and Projections Department
May 1983

ECONOMIC DEVELOPMENT DATA

GNP PER CAPITA IN 1981 US$260 a/

GROSS DOMESTIC PRODUCT IN 1982/83 b/

	US$ Bln.	%
GDP at Market Prices	170.74	100.0
Gross Domestic Investment	41.99	24.6
Gross National Saving	38.12	22.3
Current Account Balance	- 3.87	- 2.3

ANNUAL RATE OF GROWTH (%, Constant Prices) c/

1955/56-1959/60	1960/61-1964/65	1965/66-1969/70	1970/71-1974/75	1975/76-1979/80
3.7	3.6	3.7	2.9	4.1

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1981

	Value added (at factor cost)		Labor Force i/		V.A. Per Worker	
	US$ Bln.	%	Mil.	%	US$	% of National Average
Agriculture	51.7	35.1	172.7	70.6	299	50
Industry	35.2	23.9	31.6	12.9	1114	185
Services	60.6	41.0	40.3	16.5	1504	249
Total/Average	147.5	100.0	244.6	100.0	603	100

GOVERNMENT FINANCE

	General Government e/			Central Government		
	Rs. Bln.	% of GDP		Rs. Bln.	% of GDP	
	1982/83	1982/83	1978/79-1982/83	1982/83	1982/83	1978/79-1982/83
Current Receipts	333.34	20.3	19.5	175.61	10.7	10.5
Current Expenditures	340.09	20.7	19.0	188.59	11.5	10.8
Current Surplus/Deficit	- 6.75	- 0.4	0.5	- 12.98	- 0.8	- 0.4
Capital Expenditures f/	131.28	8.0	8.1	95.13	5.8	5.7
External Assistance (net) d/	19.30	1.2	1.0			

MONEY, CREDIT AND PRICES	1970/71	1975/76	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	February 1983	February 1984
	(Rs Billion outstanding at end of period)									
Money and Quasi Money	109.8	224.8	329.1	401.1	472.3	555.5	624.9	723.8	711.7	845.7
Bank Credit to Government (net)	54.6	106.3	137.3	159.3	200.1	257.2	309.1	352.4	353.5	406.6
Bank Credit to Commercial Sector	64.6	156.2	212.2	255.3	310.1	363.5	430.5	504.5	487.7	576.4
	(Percentage or Index Numbers)								Apr-Feb 1982/83	Apr-Feb 1983/84
Money and Quasi Money as a % of GDP	27.3	30.3	36.7	41.1	44.1	43.6	42.0	44.0		
Wholesale Price Index (1970/71 = 100)	100.0	173.0	185.8	185.8	217.6	257.3	281.4	288.6	288.1	314.8
Annual percentage changes in:										
Wholesale Price Index	7.7	-1.1	5.2	-	17.1	18.2	9.4	2.6	2.3	9.3
Bank Credit to Government (net)	15.0	22.7	16.3	16.0	25.6	28.5	20.2	14.0	21.0 g/	18.9 h/
Bank Credit to Commercial Sector	19.4	22.7	12.6	20.2	21.5	17.2	18.4	17.2	15.5 g/	17.9 h/

a/ The per capita GNP estimate is at market prices, using World Bank Atlas methodology, base period 1979-1981. All other conversions to dollars in this table are at the average exchange rate prevailing during the period covered.
b/ Quick Estimates, Central Statistical Organization.
c/ Computed from trend line of GNP at factor cost series, including one observation before first year and one observation after last year of listed period.
d/ World Bank estimates of net disbursement of concessional aid and IBRD.
e/ Transfers between Centre and States have been netted out.
f/ All loans and advances to third parties have been netted out.
g/ Percentage change from end-March 1982 to end-February 1983.
h/ Percentage change from end-March 1983 to end-February 1984.
i/ Total Labor Force and percentage breakdown from 1981 Census. Excludes data for Assam.

BALANCE OF PAYMENTS (US$ Mln.)	1980/81	1981/82	1982/83 j/	1983/84 j/
Exports of Goods q/	8,504	8,519	8,001	8,466
Imports of Goods q/	-16,204	-15,500	-14,249	-14,412
Trade Balance	- 7,700	- 6,981	- 6,248	- 5,946
NFS (net)	1,365	974	940	856
Resource Balance	- 6,335	- 6,007	- 5,308	5,090
Interest Income (net) k/	600	286	- 415	- 648
Net Transfers l/	2,771	2,318	1,849	1,790
Balance on Current Account	- 2,964	- 3,403	- 3,874	- 3,948
Official Loans & Grants				
Gross Disbursements	2,651	2,570	3,086	3,441
Amortization	- 700	- 674	- 701	- 783
Transaction with IMF (net)	1,035	690	1,980	1,295
All Other Items o/	- 367	- 1,581	12	531
Increase in Reserves (-)	345	2,398	- 503	- 536
Gross Reserves (end year) p/	6,859	4,461	4,964	5,500
Net Reserves (end year) m/	6,532	3,497	2,088	1,449
Fuel and Related Materials				
Imports (Petroleum) q/	6,672	5,590	4,613	3,395

MERCHANDISE EXPORTS (AVERAGE 1979/80-1982/83) q/	US$ Mln.	%
Engineering Goods r/	980	12
Tea	455	6
Gems	779	9
Clothing	573	7
Leather and Leather Products	480	6
Jute Manufactures	333	4
Iron Ore	380	5
Cotton Textiles	328	4
Sugar	86	1
Others	3,849	46
Total	8,243	100

EXTERNAL DEBT, MARCH 31, 1983

	US$ billion
Outstanding and Disbursed	19.6
Undisbursed	11.1
Outstanding including Undisbursed	30.7

DEBT SERVICE RATIO FOR 1982/83 j/ n/ 10.1 per cent

IBRD/IDA LENDING, MARCH 31, 1984 j/

	US$ million IBRD	IDA
Outstanding and Disbursed	1,826	7,924
Undisbursed	2,081	4,331
Outstanding including Undisbursed	3,907	12,255

RATE OF EXCHANGE

June 1966 to mid-December 1971 :	US$1.00 = Rs 7.50 Rs 1.00 = US$0.13333
Mid-December 1971 to end-June 1972 :	US$1.00 = Rs 7.27927 Rs 1.00 = US$0.137376
After end-June 1972 :	Floating Rate
Spot Rate end-March 1983 :	US$1.00 = Rs 10.0301 Rs 1.00 = US$0.0997
Spot Rate end-March 1984 :	US$1.00 = Rs 10.7181 Rs 1.00 = US$0.0933

j/ Estimated
k/ Figures given cover all investment income (net). Major payments are interest on foreign loans and charges paid to IMF, and major receipts is interest earned on foreign assets.
l/ Figures given include workers' remittances but exclude official grant assistance which is included within official loans and grants, and non-resident deposits which are included within all other items.
m/ Exclude net use of IMF credit.
n/ Amortization and interest payments on foreign loans as a percentage of total current receipts.
o/ Includes exchange rate adjustments to the valuation of reserves and financing of imbalances in rupee trade.
p/ Excluding gold.
q/ Net of crude petroleum exports.
r/ Including iron and steel.

THE STATUS OF BANK GROUP OPERATIONS IN INDIA

A. STATEMENT OF BANK LOANS AND IDA CREDITS
(As of March 31, 1984)

Loan or Credit No.	Fiscal Year of Approval	Purpose	US$ million (Net of Cancellations) Bank	IDA 1/	Undisbursed 2/
49 Loans/			1,766.5	-	-
85 Credits fully disbursed			-	4,858.4	-
482-IN	1974	Karnataka Dairy	-	30.0	10.28
521-IN	1975	Rajasthan Dairy	-	27.7	4.78
598-IN	1976	Fertilizer Industry	-	105.0	0.21
604-IN	1976	Power Transmission IV	-	150.0	0.13
610-IN	1976	Integrated Cotton Development	-	18.0	0.95
1251-IN	1976	Andhra Pradesh Irrigation	145.0	-	37.55
1273-IN	1976	National Seeds I	25.0	-	14.29
1335-IN	1977	Bombay Urban Transport	25.0	-	2.84
680-IN	1977	Kerala Agric. Development	-	30.0	10.19
682-IN	1977	Orissa Agric. Development	-	20.0	1.86
685-IN	1977	Singrauli Thermal Power	-	150.0	2.82
690-IN	1977	West Bengal Agricultural Extension & Research	-	12.0	8.92
1394-IN	1977	Gujarat Fisheries	14.0	-	4.08
712-IN	1977	M.P. Agric. Development	-	10.0	0.29
720-IN	1977	Periyar Vaigai Irrigation	-	23.0	4.00
728-IN	1977	Assam Agricultural Development	-	8.0	3.38
736-IN	1978	Maharashtra Irrigation	-	70.0	1.91
747-IN	1978	Second Foodgrain Storage	-	107.0	56.87
756-IN	1978	Calcutta Urban Development II	-	87.0	1.88
761-IN	1978	Bihar Agric. Extension & Research	-	8.0	5.22
1511-IN	1978	IDBI Joint/Public Sector	25.0	-	1.97
1549-IN	1978	Third Trombay Thermal Power	105.0	-	4.20
788-IN	1978	Karnataka Irrigation	-	117.6	45.64
793-IN	1978	Korba Thermal Power	-	200.0	33.59
806-IN	1978	Jammu-Kashmir Horticulture	-	14.0	10.76
808-IN	1978	Gujarat Irrigation	-	85.0	3.99
815-IN	1978	Andhra Pradesh Fisheries	-	17.5	9.51
816-IN	1978	National Seeds II	-	16.0	6.74
1592-IN	1978	Telecommunications VII	120.0	-	20.61
824-IN	1978	National Dairy	-	150.0	60.67
842-IN	1979	Bombay Water Supply II	-	196.0	148.04
844-IN	1979	Railway Modernization & Maintenance	-	190.0	34.79
848-IN	1979	Punjab Water Supply & Sewerage	-	38.0	6.88
855-IN	1979	National Agricultural Research	-	27.0	15.87
862-IN	1979	Composite Agricultural Extension	-	25.0	4.82
871-IN	1979	National Cooperative Development Corporation	-	30.0	1.76
1648-IN	1979	Ramagundam Thermal Power	50.0	-	50.00

Loan or Credit No.	Fiscal Year of Approval	Purpose	US$ million (Net of Cancellations) Bank	IDA 1/	Undisbursed 2/
874-IN	1979	Ramagundam Thermal Power	-	200.0	18.95
889-IN	1979	Punjab Irrigation	-	129.0	48.83
899-IN	1979	Maharashtra Water Supply	-	48.0	12.19
911-IN	1979	Rural Electrification Corp. II	-	175.0	16.16
925-IN	1979	Uttar Pradesh Social Forestry	-	23.0	5.42
954-IN	1980	Maharashtra Irrigation II	-	210.0	58.97
961-IN	1980	Gujarat Community Forestry	-	37.0	10.82
963-IN	1980	Inland Fisheries	-	20.0	16.86
981-IN	1980	Population II	-	46.0	30.84
1003-IN	1980	Tamil Nadu Nutrition	-	32.0	21.19
1011-IN	1980	Gujarat Irrigation II	-	175.0	111.93
1012-IN	1980	Cashewnut	-	22.0	16.98
1027-IN	1980	Singrauli Thermal II	-	300.0	172.64
1028-IN	1980	Kerala Agricultural Extension	-	10.0	8.08
1033-IN	1980	Calcutta Urban Transport	-	56.0	21.32
1034-IN	1980	Karnataka Sericulture	-	54.0	35.56
1046-IN	1980	Rajasthan Water Supply & Sewerage	-	80.0	57.17
1843-IN	1980	Industry DFC XIII	100.0	-	7.71
1887-IN	1980	Farakka Thermal Power	25.0	-	25.00
1053-IN	1980	Farakka Thermal Power	-	225.0	118.94
1897-IN	1981	Kandi Watershed and Area Development	30.0	-	22.73
1925-IN	1981	Bombay High Offshore Development	400.0	-	2.92
1072-IN	1981	Bihar Rural Roads	-	35.0	17.11
1078-IN	1981	Mahanadi Barrages	-	83.0	51.69
1082-IN	1981	Madras Urban Development II	-	42.0	20.91
1108-IN	1981	M.P. Medium Irrigation	-	140.0	99.94
1112-IN	1981	Telecommunications VIII	-	314.0	111.50
1116-IN	1981	Karnataka Tank Irrigation	-	54.0	41.97
1125-IN	1981	Hazira Fertilizer Project	-	400.0	165.74
1135-IN	1981	Maharashtra Agricultural Ext.	-	23.0	15.75
1137-IN	1981	Tamil Nadu Agricultural Ext.	-	28.0	19.09
1138-IN	1981	M.P. Agricultural Ext. II	-	37.0	30.42
1146-IN	1981	National Cooperative Development Corp. II	-	125.0	80.24
1172-IN	1982	Korba Thermal Power Project II	-	400.0	297.60
1177-IN	1982	Madhya Pradesh Major Irrigation	-	220.0	175.64
2050-IN	1982	Tamil Nadu Newsprint	100.0	-	28.41
1178-IN	1982	West Bengal Social Forestry	-	29.0	22.42
1185-IN	1982	Kanpur Urban Development	-	25.0	18.67
2051-IN	1982	ICICI XIV	150.0	-	81.49
2076-IN	1982	Ramagundam Thermal Power II	300.0	-	300.00
2095-IN	1982	ARDC IV	190.0	-	5.43
1219-IN	1982	Andhra Pradesh Agricultural Ext.	-	6.0	5.05
2123-IN	1982	Refineries Rationalization	200.0	-	123.52
2165-IN	1982	Rural Electrification III	304.5	-	290.68
2186-IN	1982	Kallada Irrigation	20.3	-	20.00
1269-IN	1982	Kallada Irrigation	-	60.0	34.69
1280-IN	1983	Gujarat Water Supply	-	72.0	66.53
1286-IN	1983	Jammu/Kashmir and			

Loan or Credit No.	Fiscal Year of Approval	Purpose	US$ million (Net of Cancellations) Bank	IDA 1/	Undisbursed 2/
		Haryana Social Forestry	-	33.0	27.65
1288-IN	1983	Chambal Madhya Pradesh	-	-	
		Irrigation II	-	31.0	22.87
1289-IN	1983	Subernarekha Irrigation	-	127.0	117.32
2205-IN	1983	Krishna-Godavari Exploration	165.5	-	148.22
2210-IN	1983	Railways Modernization & Maintenance II	200.0	-	197.04
1299-IN	1983	Railways Modernization & Maintenance II	-	200.0	192.83
2241-IN	1983	South Bassein Gas Development	222.3	-	133.71
1319-IN	1983	Haryana Irrigation II	-	150.0	129.18
1332-IN	1983	U.P. Public Tubewells II	-	101.0	96.62
1356-IN	1983	Upper Indravati Hydro Power	-	170.0	158.07
2278-IN	1983	Upper Indravati Hydro Power	156.4	-	156.01
1369-IN	1983	Calcutta Urban Development III	-	147.0	145.05
1383-IN	1983	Maharashtra Water Utilization	-	32.0	31.13
2308-IN	1983	Maharashtra Water Utilization	22.7	-	22.64
2283-IN	1983	Central Power Transmission	250.7	-	250.07
2295-IN	1983	Himalayan Watershed Management	46.2	-	46.08
2329-IN	1983	Madhya Pradesh Urban	24.1	-	24.04
1397-IN	1984	Orissa Irrigation II	-	105.0	97.97
1424-IN	1984	Rainfed Areas Watershed Dev.	-	31.0	31.0
1426-IN	1984	Population III	-	70.0	70.0
1432-IN	1984	Karnataka Social Forestry	-	27.0	27.0
1454-IN	1984	Tamil Nadu Water Supply*	-	36.5	36.5
		Total	5,183.2	12,015.7	
		of which has been repaid	1,298.8	153.5	
		Total now outstanding	3,884.4	11,862.2	
		Amount Sold 133.8			
		of which has been repaid 133.8	-	-	
		Total now held by Bank and IDA 3/	3,884.4	11,862.2	
		Total undisbursed (excluding *)	2,021.25	3,701.25	

1/ IDA Credit amounts for SDR-denominated Credits are expressed in terms of their US dollar equivalents, as established at the time of Credit negotiations and as subsequently presented to the Board.

2/ Undisbursed amounts for SDR-denominated IDA Credits are derived from cumulative disbursements converted to their US dollar equivalents at the SDR/US dollar exchange rate in effect on March 31, 1984.

3/ Prior to exchange adjustment.

* Not yet effective.

B. STATEMENT OF IFC INVESTMENTS
(As of March 31, 1984)

Fiscal Year	Company	Amount (US$ million) Loan	Equity	Total
1959	Republic Forge Company Ltd.	1.5	-	1.5
1959	Kirloskar Oil Engines Ltd.	0.8	-	0.8
1960	Assam Sillimanite Ltd.	1.4	-	1.4
1961	K.S.B. Pumps Ltd.	0.2	-	0.2
1963-66	Precision Bearings India Ltd.	0.6	0.4	1.0
1964	Fort Gloster Industries Ltd.	0.8	0.4	1.2
1964-75-79	Mahindra Ugine Steel Co. Ltd.	11.8	1.3	13.1
1964	Lakshmi Machine Works Ltd.	1.0	0.3	1.3
1967	Jayshree Chemicals Ltd.	1.1	0.1	1.2
1967	Indian Explosives Ltd.	8.6	2.9	11.5
1969-70	Zuari Agro-Chemicals Ltd.	15.1	3.8	18.9
1976	Escorts Limited	6.6	-	6.6
1978	Housing Development Finance Corporation	4.0	1.2	5.2
1980	Deepak Fertilizer and Petrochemicals Corporation Ltd.	7.5	1.2	8.7
1981	Coromandel Fertilizers Limited	15.9		15.9
1981	Tata Iron and Steel Company Ltd.	38.0	-	38.0
1981	Mahindra, Mahindra Limited	15.0	-	15.0
1981	Nagarjuna Coated Tubes Ltd.	2.9	0.3	3.2
1981	Nagarjuna Signode Limited	2.3	-	2.3
1981	Nagarjuna Steels Limited	1.5	0.2	1.7
1982	Ashok Leyland Limited	28.0	-	28.0
1982	The Bombay Dyeing and Manufacturing Co. Ltd.	18.8	-	18.8
1982	Bharat Forge Company Ltd.	15.8	-	15.8
1982	The Indian Rayon Corp. Ltd.	8.3	-	8.3
1984	The Gwalior Rayon Silk Manufacturing (Weaving) Co. Ltd.	4.3	-	4.3
	TOTAL GROSS COMMITMENTS	211.8	12.1	223.9
	Less: Sold	53.0	3.4	56.4
	Repaid	32.0	-	32.0
	Cancelled	16.0	1.4	17.4
	Now Held	110.8	7.3	118.1
	Undisbursed	81.2	-	81.2

ANNEX III

INDIA

AGRO-INDUSTRIAL (NATIONAL COOPERATIVE DEVELOPMENT CORPORATION III) PROJECT

SUPPLEMENTARY PROJECT DATA SHEET

Section I: Timetable of Key Events

(a) Time taken by the Borrower to prepare the project

About four years.

(b) The agency which has prepared the project

National Cooperative Development Corporation.

(c) Date of first presentation to the Bank and date of the first mission to consider the project

The project was formally presented to the Bank in August 1983; a preparation mission visited India in February 1983.

(d) Date of departure of appraisal mission

November 10, 1983.

(e) Date of completion of negotiations

May 1984.

(f) Planned date of effectiveness

September, 1984.

Section II: Special IDA Implementation Actions

None

Section III: Special Conditions

(a) State Bank recovery rates (para 49);

(b) Execution of a Subsidiary Loan Agreement between GOI and NCDC is a condition of credit effectiveness (para 62).

ANNEX IV

INDIA

NATIONAL COOPERATIVE DEVELOPMENT CORPORATION (NCDC) III PROJECT

PROCUREMENT ARRANGEMENTS
(US$M)

	(US$ Millions)				
	Procurement Method a/				
Project Element	ICB	LCB	Other b/	N.A. c/	Total Cost
Civil Works	-	190.8	-	-	190.8
	-	(89.7)	-	-	(89.7)
Turnkey and Other Contracts for Agro-Processing Facilities	95.4	17.9 d/	6.0 e/	-	119.3
	(44.9)	(8.4)	(2.8)	-	(56.1)
Teaching and Office Equipment	-	3.2 f/	0.8	-	4.0
	-	(1.5)	(0.4)	-	(1.9)
Training, Fellowships, Incremental Staff Expenditure, Permanent and Working Capital	-	-	-	153.9	153.9
	-	-	-	(72.3)	(72.3)
	95.4	211.9	6.8	153.9	468.0
	(44.9)	(99.6)	(3.2)	(72.3)	(220.0)

a/ The figures include physical and price contingencies. Figures in parentheses are the respective amounts financed by the IDA Credit.
b/ Solicitation of at least three price quotations.
c/ Not applicable.
d/ Contracts of US$20,000 to US$500,000.
e/ Contracts of less than US$20,000, to be let after obtaining at least three quotations.
f/ Contracts exceeding US$20,000.

Note: (1) Figures in parentheses indicate amounts financed by IDA.
(2) Amounts include taxes and duties.