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Report No. P-3858-IN

REPORT AND RECOMMENDATION

OF THE

PRESIDENT OF THE

INTERNATIONAL DEVELOPMENT ASSOCIATION

TO THE

EXECUTIVE DIRECTORS

ON A

PROPOSED IDA CREDIT

IN AN AMOUNT OF SDR 30.6 MILLION

TO INDIA

FOR THE

KERALA SOCIAL FORESTRY PROJECT

July 11, 1984

CURRENCY EQUIVALENTS
(As of June 26, 1984)

US$1.00	=	Rs 11.205621
Rs 1.00	=	US$0.089
Rs 1 million	=	US$89,000

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 11.

FISCAL YEAR

April 1 - March 31

ABBREVIATIONS

CCF	-	Chief Conservator of Forests
GOI	-	Government of India
GOK	-	Government of Kerala
LCB	-	Local Competitive Bidding
MEO	-	Monitoring and Evaluation Office
SAF	-	Secretariat for Agriculture and Forests
SFW	-	Social Forestry Wing

INDIA

KERALA SOCIAL FORESTRY PROJECT

CREDIT AND PROJECT SUMMARY

Borrower:	India, acting by its President.
Beneficiary:	Government of Kerala (GOK).
Amount:	SDR 30.6 million (US$31.8 million equivalent)
Terms:	Standard
On-lending Terms:	From the Government of India (GOI) to the Government of Kerala as part of Central assistance to States for development projects on terms and conditions applicable at the time. GOI would bear the foreign exchange risk.
Project Description:	The project would increase supplies of fuelwood, small timber and poles through the establishment of about 85,000 ha of plantations. It would also execute a pilot program for producing medicinal plants and strengthen the institutional capabilities through provision for training of existing personnel; additional staff; investment in research and additional vehicles and equipment. A wood balance study would also be undertaken. The project faces no major risks. However, wastage of seedlings could occur if the Social Forestry Wing's capacity for distribution is overstretched. The risk would be minimized by an undertaking that GOK would not expand the seedling distribution program without prior consultation with the Association. Since it is intended to use the existing agricultural extension service instead of expanding the extension service of the Department of Forestry, the new approach entails a risk regarding effective coordination. However, GOK has finalized arrangements satisfactory to IDA to ensure effective coordination between the Department of Agriculture and Forestry Department with regard to providing forestry extension services. Furthermore, insect damage could occur on *Ailanthus* trees. However, effective insecticides are available and extension advice would focus on the potential problem.

Estimated Cost 1/:

	(US$ millions)		
	Local	Foreign	Total
A. Organization and Management	14.4	0.8	15.2
B. Plantation Activities			
Seedling Production	12.9	1.5	14.4
Large Block Plantations	6.4	0.0	6.4
Small Block Plantations	0.4	-	0.4
Strip Plantations	0.8	-	0.8
Tribal Fuelwood Plantations	0.8	-	0.8
Tribal Medicinal Pilot Scheme	0.1	-	0.1
Plantation Protection	0.3	-	0.3
Sub-total Plantation Activities	21.7	1.5	23.2
C. Extension and Publicity	0.3	0.1	0.4
D. Training	2.1	0.4	2.5
E. Research and Studies	0.1	-	0.1
Total Baseline Costs	38.6	2.8	41.4
Physical Contingencies	2.4	0.2	2.6
Price Contingencies	9.8	0.7	10.5
Total Project Cost	50.8	3.7	54.5

Financing Plan:

	(US$ millions)		
	Local	Foreign	Total
GOI/GOK	22.7	-	22.7
IDA	28.1	3.7	31.8
Total	50.8	3.7	54.5

Estimated Disbursements

	(US$ millions)						
	FY85	FY86	FY87	FY88	FY89	FY90	FY91
Annual	2.6	4.6	4.7	5.8	6.0	6.3	1.8
Cumulative	2.6	7.2	11.9	17.7	23.7	30.0	31.8

Rate of Return: About 26%.

Appraisal Report: No. 5036-IN, dated July 11, 1984.

1/ Includes taxes and duties of US$1.5 million equivalent.

INTERNATIONAL DEVELOPMENT ASSOCIATION

REPORT AND RECOMMENDATION OF THE PRESIDENT TO THE EXECUTIVE DIRECTORS ON A PROPOSED CREDIT TO INDIA FOR THE KERALA SOCIAL FORESTRY PROJECT

1. I submit the following report and recommendation on a proposed IDA Credit to India for SDR 30.6 million (US$31.8 million equivalent) on standard IDA terms, to help finance a social forestry project in order to increase supplies of fuelwood, poles and timber to rural and semi-urban areas in the State of Kerala. The proceeds of the Credit would be channeled to the Government of Kerala in accordance with the Government of India's standard terms and arrangements for financing State development projects. The exchange risk would be borne by the Government of India.

PART I - THE ECONOMY 1/

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

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1/ Parts I and II of the report are similar to Parts I and II of the President's Report for the National Cooperative Development Corporation III Project (No. P-3833-IN), dated May 30, 1984.

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 - FORESTRY IN INDIA AND KERALA

Background

29. India's forest reserve land covers about 75 M ha, or 23% of total land area, but only about 50% of this designated land is tree covered. One of the serious problems facing India is the degredation and depletion of its forests, which is causing considerable harm to the environment. Forests have been depleted through uncontrolled lopping and felling of trees for fuel and fodder. Overgrazing has also taken its toll on young trees and grasslands, further removing the groundcover necessary to protect and replenish the topsoil. Unless the decline in forests and other tree resources is stemmed, the shortage of fuelwood, timber, poles and other forest products will become increasingly critical.

30. A study by the National Council of Applied Economic Research estimated total fuelwood consumption in 1978/79 at 95 M tons (125 M m3) or 62 M tons of coal replacement equivalent. Of this, one-third was in the form of logs, the rest in twigs and branches. In addition, 71 M tons of cowdung were burnt (22 M tons coal replacement equivalent). The estimated demand in the year 2000 would be 200 M m3 without considering any substitution of dung with fuelwood. If 50% of the energy consumed by dung burning was substituted by fuelwood, the total fuelwood demand would be about 230 M m3. For industrial wood, the demand has been estimated at about 27 M m3 in 1980 and 65 M m3 in 2000. The total annual wood demand for the year 2000 is therefore

likely to be nearly 300 M m3, equivalent to some 20-30 M ha of mature plantation.

Government of India Policies and Social Forestry Programs

31. Over the years, GOI has taken an increasingly active role in forestry, which traditionally had been left to private interests and the commercial sector. To meet future fuelwood needs, a Fuelwood Commission Report of 1980 recommended a five-fold increase in the current level of social forestry planting. This is reflected in the country's Fifth (1974-79) and Sixth (1980-85) Five-Year Plans, which devoted respectively, 49% and 78% of forestry allocations to social forestry. It is expected that about 1.93 M ha of social forestry plantations would be established under the auspices of State forestry programs by the end of 1988, amounting to a total public investment of Rs 5,950 M (US$540 M).

Forestry in Kerala

32. Kerala covers 38,663 km2 and is one of the country's smallest States. The State generally enjoys good sunlight, has fertile soils, a plentiful network of water resources, and good rainfall from both the May-August southwest and September-October northeast monsoons. Agroforestry orientation in Kerala is strong. Besides commercially grown tree crops such as coconut and rubber, other trees, including those which provide support for pepper vines or shade for cocoa, cardamom and coffee, complement important agricultural crops. In addition, private farmers grow trees like Ailanthus for sale to matchbox/splint and packing case manufacturers, Casuarina for sale as poles, and other species for sale as small timber.

33. Forests cover about 11,239 km2, or 29% of the State's land. The growing stock comprises 167 M m3 of wood, expected to be utilized as follows: 53% fuelwood, 11% plywood, 2% matchwood, 2% pulpwood and 32% other industrial wood. The increasing difficulty in satisfying local demand for firewood, as well as other uses such as timber and poles, is reflected in the recent rapid price increases for these products. Moreover, the commercial market for wood does not fully reflect the current situation, since non-commercial consumption constitutes a major portion of total demand.

34. Decline of Forests. Forested areas have declined for several reasons, and have not been replanted at an adequate rate. Population pressures have led to deforestation. Landholdings are quite small (90% of them are under one ha), population density is the highest in India, and Kerala has a population growth rate of about 2.6% per annum. Natural sources of fuel including private trees and agricultural waste, have not increased at the same rate as the population. Formerly productive forest land has been encroached by farmers, submerged following hydro-electric and irrigation works, and redesignated as wildlife sanctuaries and parks. Moreover, the growing stock available for annual harvesting will further decrease since the Government of Kerala (GOK) recently decided, as an environmental measure, to stop clearfelling operations.

35. Forest Policy and Organization. GOK aims to protect the existing forests and establish new plantations, and expand the area for tree plantation through farm forestry. It has devoted increasing resources to social

forestry and has established regulations for protection. GOK's social forestry expenditure was Rs 0.4 million and Rs 4.5 million under the Fourth Five-Year Plan (1969-74) and the Fifth Five-Year Plan (1974-79), respectively, and it is planned to be Rs 19.6 million under the current Sixth Five-Year Plan (1980-85).

36. Forestry Institutions. The Government Secretariat for Agriculture and Forests (SAF) administers both agriculture and forestry. The Forest Department has four Chief Conservators of Forests (CCF) and one Additional Chief Conservator, each of whom is directly responsible to the Secretary/Agriculture Production Commissioner of the SAF. Two Forestry Training Schools provide a basic training course for Foresters and Rangers. In 1982, GOK established a separate Social Forestry Wing (SFW) in the Forest Department. Currently, the SFW is staffed with a small headquarters staff and very limited field staff.

37. SFW distributed 103 M seedlings for farm forestry, and planted 4,418 ha (on degraded land, block plantations, strip plantations and plots in tribal areas) in 1982-83. SFW now aims to strengthen its organization in order to improve the survival rates of seedlings, the quality of advice given to farmers and the impact of its programs.

38. Villages are grouped under panchayats, which undertake a wide variety of both compulsory and discretionary duties regarding forestry. In addition to Government agencies, voluntary organizations also are active in Kerala. Many of them have collaborated with the SFW in the distribution of seedlings and in advising farmers on planting.

The Bank's Involvement in Indian Forestry

39. The Bank Group, as well as other donors, including the United States Agency for International Development, the British Overseas Administration and the Swedish International Development Agency, have supported India's program for forestry development. The Bank has financed five social forestry projects in India, one of which includes two States: the Uttar Pradesh Social Forestry Project (Credit 925-IN; US$23 million; June 1979); the Gujarat Community Forestry Project (Credit 961-IN; US$37 million; April 1980); the West Bengal Social Forestry Project (Credit 1178-IN; US$29 million; February 1982); the Jammu and Kashmir and Haryana Social Forestry Project (Credit 1286-IN; US$33 million; September 1982) and the Karnataka Social Forestry (Cr. 1432-IN; US$27 million; February 1984). The recent mid-term reviews of the Uttar Pradesh and Gujarat Social Forestry Projects, and supervision of the social forestry projects generally, indicate good overall progress in implementation.

40. The relative emphasis on different types of plantation components has changed in social forestry projects. Focus is now on farm forestry, which is less expensive than planting on Government land and it yields higher and more direct benefits to farmers, since farmers take all produce/revenues. Farm forestry performance has exceeded appraisal expectations. Other social forestry components are generally progressing well, except for the self-help village woodlots schemes in which performance is below expectations, mainly due to the inability of village administrations to mobilize adequate funds for development works.

PART IV - THE PROJECT

Background

41. The project was appraised by a Bank mission which visited India in January/February 1984. Negotiations were held in Washington D.C. in June 1984 with an Indian delegation coordinated by Mr. P. Singh, of the Government of India's Department of Economic Affairs, Ministry of Finance. The Staff Appraisal Report, No 5036-IN, is being distributed to the Executive Directors separately. A Supplementary Data Sheet is attached as Annex III.

Project Rationale

42. Kerala, like a number of other Indian States, is experiencing a severe deficit with regard to forest products, especially fuelwood, building poles, small timber and fodder. The deficit is creating social, economic and ecological problems. GOK has devoted substantial resources in order to overcome the problem. However, assistance is needed to (i) adequately expand resource availability for the subsector; (ii) improve project design; (iii) foster family operated nurseries; (iv) implement a pilot program for cultivating medicinal plants; and (v) introduce key institutional changes in order to launch and execute effective social forestry programs.

Project Objectives and Description

43. The project's primary objectives are to (i) increase production of fuelwood, small timber poles and fodder; (ii) increase farmers' incomes; (iii) reduce soil erosion and conserve soil moisture; and (iv) strengthen forestry institutions. The project would consist of:

(a) forest planting of approximately 85,000 ha;
(b) establishment/improvement of nurseries;
(c) extension and publicity;
(d) training;
(e) research and studies; and
(f) institution building.

Detailed Features

Plantation Program

44. Farm Forestry (69,200 ha--81% of Total Planting Program Under the Project). The project would provide funds for establishing of 69,200 ha of forestry on private farm land through development of additional nurseries and provision of advisory services. For this purpose, GOK would raise and distribute, particularly to small farmers, about 340 million seedlings over a six year project period. A network of small family and school operated nurseries would support this effort. In line with GOI's policy and in accordance with previous agreements between the Bank and GOI, only a limited

number of seedlings--3,500 Casuarina and 500 for other species, would be distributed to each farm family free of charge. This is the estimated number of trees required to meet the domestic needs, mainly for fuelwood, of an average family. Seedlings in excess of the free limit would be charged at the full financial cost of production including the cost of transportation. Farm forestry, which would constitute the largest portion of the plantation program, is expected to be the most beneficial to farmers, and more flexible with regard to species mix and product utilization.

45. Block Plantations (12,000 ha--14% of Total Planting Program). Funds would be provided under the project to finance establishment of 12,000 ha of block plantations on Government land; 11,000 ha would be in large blocks and 1,000 ha would be in small blocks. Block plantations would produce additional fuelwood and poles on otherwise unproductive land. The plantations would be established by the SFW. Laborers from nearby villages and some forest guards would be employed for establishment, maintenance and harvesting of the plantations. SFW would bear the cost of establishment and maintenance. However, GOK would recover the direct costs by selling forestry produce at Government depots. GOK would finalize arrangements for sale of fuelwood by June 30, 1986 (paragraph 2 of Schedule 2 of the draft Project Agreement).

46. Strip Plantations (2,000 ha--2% of Total Planting). Under the project SFW would establish plantations along coastal belts, roadsides, railway and canal strips. SFW's role would be the same as under block plantations. The design of strip plantations would take into account the existing land use patterns so as to avoid adverse conflicts between competing needs.

47. Involvement of Tribals (2,100 ha--3% of Total Planting). Funds would be provided to enable SFW to extend special assistance to tribals by (i) establishing 2,000 ha of plantations adjacent to tribal communities to produce fuelwood; (ii) establishing, on a pilot basis, 100 ha of medicinal plants to be cultivated by tribals who would market the plants, and increasingly assume responsibility for running the operation; and (iii) setting up a limited number of small nurseries to be run by tribals. In addition, tribals would be employed on GOK plantations, and after acquiring forestry skills, progressively take over responsibility for the plantations adjacent to them.

48. Nurseries and Seedlings. The project would provide funds for establishment/improvement of a large number of small nurseries on family holdings, and to a limited extent, on school grounds. SFW already has been operating about 100 small nurseries, and 472 such nurseries are planned for the first year of the project, increasing to 1,055 by the fifth year. Foresters would closely supervise and assist the operators of the small nurseries--contractor operators. SFW would take an agreed number and type of seedlings for distribution and planting from each operator each year. The seedlings would meet agreed quality standards. Farmers would have easier access to seedlings through these nurseries, which would reduce distribution costs. The nurseries would be a source of income to the families employed to operate them, and would reduce SFW's costs. The nurseries would also be used as locations for extension advice to farmers. It is expected that SFW would

establish about 50 large nurseries of its own. Meanwhile, every August, GOI and GOK would review the small nurseries scheme and submit a report to IDA.

49. Extension and Publicity. Given the broad scope of the farm forestry component and the fact that farmers would be responsible for the planting and care of about 340 million seedlings, extension and publicity activities would play an important role in project success. On the field extension side, the Social Forestry Wing would have a relatively small but trained cadre of Rangers and Foresters to take responsibility for farm forestry promotion at key distribution and meeting points. As for follow-up with individual farmers, the existing agricultural extension system (with nearly 2,000 Village Level Workers making fortnightly visits) would lend valuable assistance in reinforcing messages on tree planting to farmers. SFW and Agricultural Extension staff would coordinate social forestry activities, in line with similar trends in other States with Bank-financed projects in both social forestry and the Training and Visit system of agricultural extension. The project would also provide funds to enable SFW to sponsor a variety of extension and publicity activities including: (i) a special promotion by voluntary organizations; (ii) extension and publicity publications and materials; (iii) radio announcements and dissemination of information through newspapers and other news media; (iv) talks and demonstrations at meetings and schools; (v) organizing farmers' rallies and meetings; (vi) tours by publicity vans, and (vii) hiring of a local consultant to prepare an information and publicity program.

50. Training. The project would provide funds for improving the capacity of the forestry training schools to conduct orientation, basic and inservice training for existing staff in social forestry techniques and extension. In addition, training programs would be developed for voluntary organizations, farmers and other interested parties. Training and accommodation facilities at Walayar and Arippa Forestry Training schools, would be expanded and existing buildings would be renovated. Tender documents, including detailed plans for the first year civil works, would be submitted to IDA and contracts are expected to be let by November 30, 1984.

51. Research and Studies. Funds would be provided for institutions and individual consultants to undertake research related to social forestry, including tree quality, effective extension and appropriate monitoring and evaluation procedures. Funds would also be provided to finance a wood supply and demand study to be completed by December 31, 1985.

Organization and Management

52. The Secretary/Forests, Government Secretariat, would have the overall responsibility for all coordination. However, the CCF/Social Forestry, would have the primary responsibility for project implementation by the SFW. The SFW will include at headquarters, four support divisions: (i) training, extension and publicity; (ii) planning and programming; (iii) monitoring and evaluation; and (iv) finance. Two regional Social Forestry Circles each headed by a Regional Conservator, have been established and would be responsible for field operations.

53. The SFW would be strengthened through improved organization, training additional staff and vehicles and equipment. The newly created position of the CCF/Social Forestry has been filled. The positions of Conservator for Training, Extension and Publicity, Conservator for Planning and Programming, Deputy Conservator of Forests for Monitoring and Evaluation and Finance Officer have been sanctioned and filled. The two Regional Conservator positions have been sanctioned and will be filled by December 31, 1984. In addition, 14 positions of District Divisional Conservators of Forests have also been sanctioned.

Monitoring and Evaluation

54. The Monitoring and Evaluation Office (MEO) would monitor progress of project implementation, and undertake an evaluation of the impact of the project, in accordance with the "Operational Guidelines to the Monitoring and Evaluation of Social Forestry in India" formulated by GOI, FAO and IDA. The MEO would carry out a mid-term review after the third year's planting season, and, by March 31, 1987, submit to IDA a report concerning the review (draft Project Agreement, Section 3.02).

Cost Recovery

55. The primary objective of the project is to meet critical basic needs of rural and semi-urban people. The Government investment associated with the project is seen as part of a program for the uplifting and welfare of the rural population, costs of which traditionally are not recovered from the beneficiaries. However, substantial cost recovery would be made for plantations on public lands, by selling the fuelwood and poles produced on such lands. In addition, the costs of seedlings in excess of the free limits would be fully recovered. Moreover, the project would aim at reducing GOK involvement in small nursery operations and thereby gradually divesting itself of a substantial fiscal burden associated with farm forestry development.

Project Cost and Financing

56. Total project cost, based on January 1984 prices and projected to July 1984, is estimated at US$54.5 million equivalent, including taxes and duties estimated at US$1.5 million equivalent, or 2.8% of total project cost. The foreign expenditure component is estimated at US$3.7 million equivalent or 6.8% of the total. Physical contingencies amount to about US$2.6 million or 6.2% of base costs, while price contingencies of about US$10.5 million are based on expected annual price increases for local expenditure of 8%, 7%, 7%, 7%, 6%, 6% for the Indian fiscal years 1984-90, and 5%, 8%, 9%, 9%, 9%, 7%, for foreign expenditures for the same years.

57. The credit of US$31.8 million equivalent would cover about 60% of total project costs net of duties and taxes. GOI and GOK would contribute the balance of US$22.7 million equivalent, or 40% of the total project cost. Retroactive financing not exceeding US$1.0 million would be provided to cover expenditures incurred after March 31, 1984, for nursery development, advance soilworks for plantations, civil works related to construction of training schools and Trivandrum and regional headquarters, essential vehicles and

equipment, incremental staff employed on the 1984 planting operation (paragraph 4 of Schedule 1 of the draft Credit Agreement) and consultancy services for the wood supply and demand study.

Procurement

58. All items to be procured under the project would involve local competitive bidding (LCB) or force account procedures. Civil works (US$10.8 million) would be small and scattered geographically and over time, consisting mainly of simple housing, office and training facilities. Consequently, contracts would be let on the basis of LCB under GOI's procedures satisfactory to IDA. If no responsive bids are received due to the small size of the individual contracts, work would be done by force account. Contracts over US$150,000 would be subject to IDA's prior review. Vehicles (US$1.1 million) comprising small numbers of several types, would be purchased over two years and, would require purchase of locally made vehicles of types already being used by Government departments. Procurement would be under LCB according to Government procedures acceptable to IDA. Imported research and other technical equipment (US$0.2 million) would be specialized, proprietory, required in small quantities, and therefore, would not be suitable for international competitive bidding. These items, together with other equipment, materials and furniture would be bulked wherever possible and purchased under LCB, except for contracts valued at less than US$20,000 which would be purchased through prudent shopping. Plantation activities (US$31.4 million) would be scattered throughout the State and would be carried out through force account according to Government procedures satisfactory to IDA. Consultant services would be procured in accordance with IDA guidelines.

Disbursements

59. The proceeds of the credit would be disbursed as follows: (a) 50% of total costs for civil works; (b) 100% of CIF price of imported vehicles, equipment and furniture, or 70% if locally procured; (c) 60% of total plantation costs; (d) 100% of total costs for foreign and local study tours, and studies, including consultancies; and (e) 60% of incremental staff salaries.

60. Disbursements against expenditures for the following items would be against statements of expenditures certified by the CCF/Social Forestry, the documentation for which would not be submitted to IDA for review but would be retained by the project authorities and made available to IDA review missions for their inspection: (a) plantation costs, local and overseas training costs; (b) payments under civil works contracts not exceeding Rs 300,000 and those carried out under force account; (c) locally procured vehicles, equipment and furniture costing Rs 150,000 or less; (d) research, studies and local consultant costs. Disbursement against all other items would be contingent upon full and satisfactory documentation. The estimated disbursement schedule has been based on the disbursement record for the ongoing IDA financed Social Forestry projects in India.

Accounts and Audit

61. The Forest Department's Social Forestry Wing would maintain separate project accounts in a readily identifiable form to facilitate their being audited independently from overall accounts. Such accounts and statements of expenditure would be audited annually by the Government or a private auditing firm satisfactory to IDA in accordance with general auditing principles consistently applied. Audited statements would be made available to IDA not later than six months after the end of each year (draft Project Agreement, Section 3.01).

Benefits, Justification and Risks

62. The annual incremental production of forestry products comprising 11.9 million m3 of fuelwood, 13.9 million m3 of sawlogs, 8.0 million m3 of small poles and 16.0 million m3 of large poles would assist in reducing the growing shortage of these products. Most of the production would benefit the rural and semi-urban poor, particularly, the landless laborers and small marginal farmers. The farm forestry and small nurseries components would directly increase farmer incomes. Over the six years, the project would generate 530 semi-skilled jobs in the SFW. The small nurseries would provide employment for about 3,000 farmers and the plantation activities would generate 9 million labor days of work on establishment and maintenance of the plantations. In addition, the project would strengthen the SFW and related institutions and enable them to provide effective social forestry guidance and extension services. The project would also help to improve the ecology, soil fertility and climatic conditions.

63. The economic rate of return is estimated at 26%. The economic rates of return for the individual plantation components range from 15% for strip plantations, to 33% for farm forestry. The sensitivity analysis indicates that the benefits would have to go down by 73% or costs increase by 278%, for the project to be economically unattractive.

64. The project faces no major risks. However, wastage of seedlings could occur if seedlings distribution programs exceeded SFW's capacity for efficient distribution. However, the risk would be minimized by an assurance that IDA would be consulted regarding the introduction of any new distribution programs. It is planned to use the existing agricultural extension service to advise on proper tree planting and maintenance instead of expanding the existing extension staff employed by the Department of Forestry. To minimize the risk involved in the new approach, GOK has finalized arrangements satisfactory to the Association, to ensure effective coordination between the agricultural and social forestry extension services. It is also possible for insect damage to occur on Ailanthus trees included in the farm forestry planting program. However, effective insecticides are available and extension advice would focus on this problem.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

65. The draft IDA Credit Agreement between India and the Association, the draft Project Agreement between the Association and the State of Kerala, 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.

66. Special conditions of the project are listed in Section III of Annex III.

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

PART VI - RECOMMENDATION

68. I recommend that the Executive Directors approve the proposed credit.

A.W. Clausen
President

Attachment

July 11, 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.

May 1983

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 contrasts 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 commercial 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 rate declines 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 population 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 upper 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 enrollments 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 enrollments 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; includes 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) US$ Bln.	%	Labor Force d/ Mil.	%	V.A. Per Worker 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/ Rs. Bln. 1982/83	% of GDP 1982/83	% of GDP 1978/79-1982/83	Central Government Rs. Bln. 1982/83	% of GDP 1982/83	% of GDP 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 Organisation.
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 1/	1983/84 1/
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	3,461
Amortization	- 700	- 674	- 701	- 783
Transaction with IMF (net)	1,035	690	1,980	1,295
All Other Items o/	- 367	- 1,381	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 10.0901 Rs 1.00 = US$0.0997
Spot Rate end-March 1984	:	US$1.00 = Rs 10.7181 Rs 1.00 = US$0.0933

1/ 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

INDIA

KERALA SOCIAL FORESTRY PROJECT

SUPPLEMENTARY PROJECT DATA SHEET

Section I: Timetsble of Key Events

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

15 months.

(b) The agency which has prepared the project

The Government of Kerala, assisted by the Association.

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

October 1983; January/February 1984.

(d) Date of departure of appraisal mission

January 1984.

(e) Date of completion of negotiations

June 1984.

(f) Planned date of effectiveness

October 1984.

Section II: Special IDA Implementation Actions

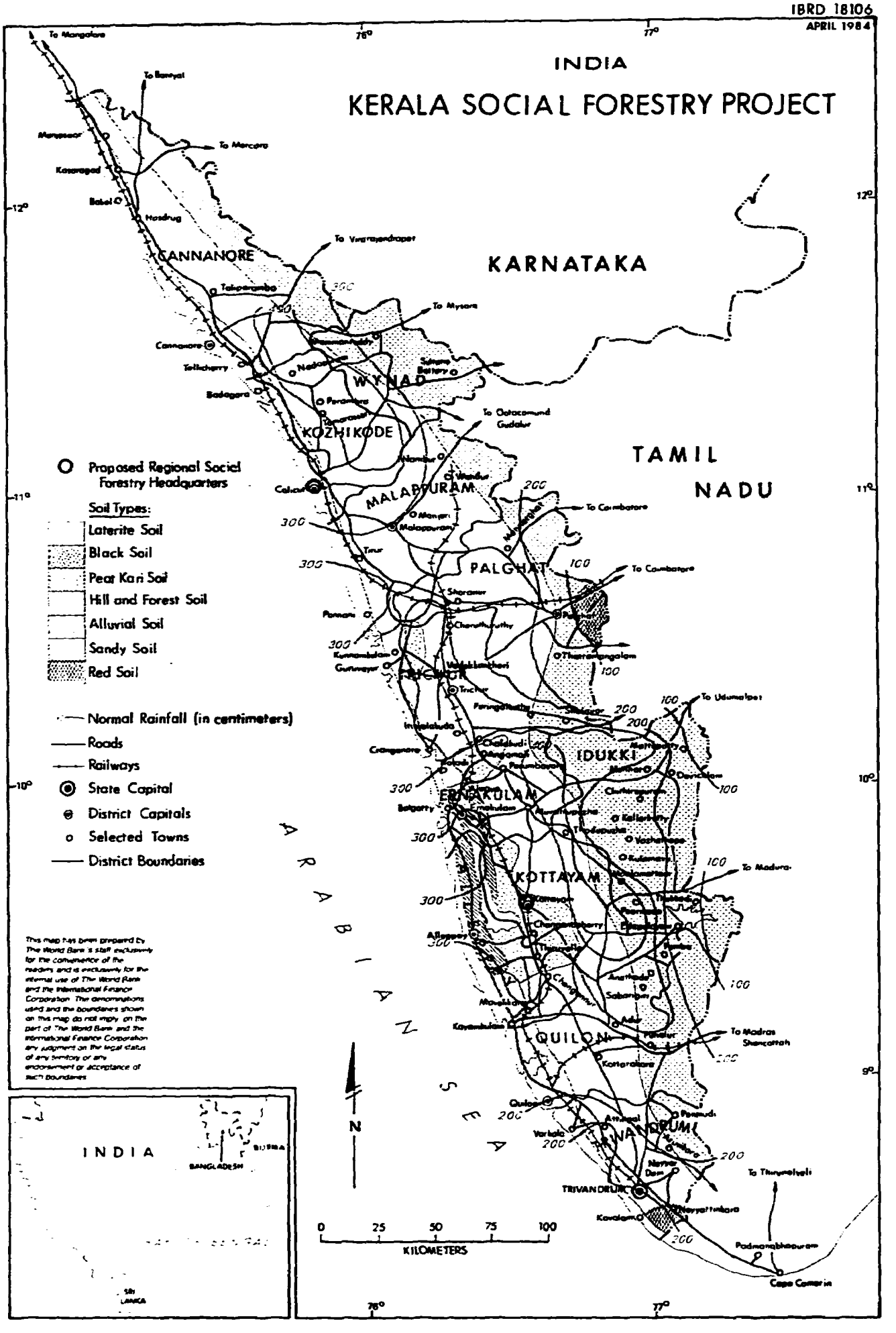
None.

Section III: Special Conditions

(a) The Government of Kerala would, within specified dates:

(i) finalize arrangements for sale of fuelwood by June 30, 1986 (paragraph 45);
(ii) review the nurseries scheme annually and submit a report to IDA (paragraph 48);
(iii) complete the wood supply and demand study by December 31, 1985 (paragraph 51);
(iv) fill vacant positions (paragraphs 52 and 53); and
(v) carry out a mid-term review (paragraph 54).

(b) GOK would consult IDA regarding introduction of any new social forestry programs other than activities financed under the project (paragraph 64).



Proposed Regional Social Forestry Headquarters

Soil Types:

	Laterite Soil
▨	Black Soil
	Peat Kari Soil
	Hill and Forest Soil
	Alluvial Soil
	Sandy Soil
▨	Red Soil

Normal Rainfall (in centimeters)
Roads
Railways
State Capital
District Capitals
Selected Towns
District Boundaries