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LOAN COMMITTEE - INDIA - CALCUTTA URBAN DEVELOPMENT 3



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FOR
EXECUTIVE
DIRECTORS'
MEETING

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FEB 14 2019

WBG ARCHIVES

For consideration on
May 19, 1983

IDA/R83-57

FROM: Vice President and Secretary

May 2, 1983

INDIA: Third Calcutta Urban Development Project

1. Attached is the President's Report and Recommendation (P-3544-IN) on a proposed credit to India for the Third Calcutta Urban Development Project.
2. A report entitled "Economic Situation of India and Resource Mobilization Issues" (4395-IN) was distributed on April 19, 1983 (SecM83-382).
3. A detailed report entitled "Staff Appraisal Report: India - Third Calcutta Urban Development Project" (4310-IN) is being distributed separately.
4. A draft Development Credit Agreement, a draft West Bengal Agreement, a draft Project Agreement and the Statutory Committee Recommendation are being distributed as report IDA/R83-57-L.
5. Questions on these documents should be referred to Mr. Upadhyay (X32266).

Distribution:

Executive Directors and Alternates
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Report No. P-3544-IN

REPORT AND RECOMMENDATION

OF THE

PRESIDENT OF THE

INTERNATIONAL DEVELOPMENT ASSOCIATION

TO THE EXECUTIVE DIRECTORS

ON A

PROPOSED CREDIT

IN AN AMOUNT OF SDR 136.3 MILLION

TO INDIA

FOR THE

THIRD CALCUTTA URBAN DEVELOPMENT PROJECT

April 28, 1983

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CURRENCY EQUIVALENTS
(As of April 21, 1983)

US\$1.00	=	Rs10.075812
Rs 1	=	US\$0.09925
Rs 1 million	=	US\$99,250

The US Dollar/Rupee exchange rate is subject to change. Conversions in the Staff Appraisal Report were made at US\$1.00 = Rs 9.5, which represents the average exchange rate projected over the disbursement period.

FISCAL YEAR

April 1 - March 31

Abbreviations and Acronyms used in this Report

CIT	-	Calcutta Improvement Trust
CMA	-	Calcutta Metropolitan Area
CMC	-	Calcutta Municipal Corporation
CMDA	-	Calcutta Metropolitan Development Authority
CMWSA	-	Calcutta Metropolitan Water and Sanitation Authority
CVB	-	Central Valuation Board
GOI	-	Government of India
GOWB	-	Government of West Bengal
HIT	-	Howrah Improvement Trust
HMC	-	Howrah Municipal Corporation
ILGUS	-	Institute of Local Government and Urban Studies

INDIATHIRD CALCUTTA URBAN DEVELOPMENT PROJECTCREDIT AND PROJECT SUMMARY

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Borrower: India, acting by its President.

Beneficiary: The Calcutta Metropolitan Development Authority (CMDA).

Amount: SDR 136.6 million (US\$147 million equivalent).

Terms: Standard.

Re-Lending Terms:

(a) The Government of India (GOI) to the Government of West Bengal (GOWB): as part of Central assistance to State development projects on terms and conditions applicable at the time. GOI to bear the foreign exchange risks.

(b) GOWB to CMDA: (i) for non-revenue producing investments, such as drainage and transportation infrastructure, funds would be provided on a grant basis; and (ii) for revenue-producing investments, GOWB would lend at 7% per annum for 15 years including a 5-year grace period.

(c) CMDA to operating agencies and local bodies: (i) for urban renewal schemes (see para 56), at commercial bank rate (presently, 12.5% per annum) for 15 years including a 5-year grace period; (ii) for transmunicipal water supply projects, for 20 years including a 5-year grace period at interest not less than 8.25% per annum, (including 0.5% service charge); (iii) for other revenue-producing schemes, for 15 years including 5 years' grace at interest not less than 8.25% per annum (including 0.5% service charge); (iv) for non revenue-producing municipal projects like parks and playgrounds, one-third grant and two-third loan on terms as in (iii); and (v) for transmunicipal drainage and transportation, 100% grant.

Project Description: The purpose of the project is to improve urban management in the Calcutta Metropolitan Area

(CMA) through a comprehensive approach in which institutional and financial reforms go hand-in-hand with physical improvements. The project would build upon significant institutional, financial and legislative reforms already underway to strengthen metropolitan agencies and municipal governments and other institutions responsible for urban planning, management and operation. At the same time, the project would substantially increase the availability of urban services, focusing on investments to provide minimum basic needs at affordable prices. Emphasis would be given to alleviate sectoral and spatial investment imbalances between the "metrocore" (Calcutta and Howrah) and the remainder of the CMA, to complete and complement earlier investments so that maximum benefits can be derived, and to improve cost recovery and financial management policies. The project investments would directly benefit over six million people, two-thirds of whom belong to the economically weaker section (with a monthly household income of up to US\$37). The main project risk is that the program will prove too complex to administer and manage. However, the positive experience from the on-going implementation of the Second Calcutta Urban Development Project and the preparation of the proposed project as well as the establishment of special units under CMDA, for program management and for appraisal, monitoring and evaluation, indicate that risk is within acceptable limits (para 75).

Estimated Cost:

Item	(US\$ Millions)		
	Local	Foreign	Total
Water Supply	39.2	6.9	46.1
Drainage and Sanitation	60.1	8.8	68.9
Slum Improvement	13.2	1.8	15.0
Transportation Infrastructure	25.1	4.3	29.4
Shelter and Area Development	11.3	0.2	11.5
Panchayat 1/ Development	8.2	0.9	9.1
Health	7.1	0.3	7.4
Small-scale Enterprise Development	2.2	-	2.2
Technical Assistance and Training	2.9	0.6	3.5
Design, Supervision and Management	15.8	15.7	31.5
Other Urban Services	12.7	1.4	14.1
Base Cost	197.8	40.9	238.7
Physical Contingencies	15.7	2.3	18.0
Price Contingencies	40.4	6.0	46.4
Total Project Cost	253.9	49.2	303.1
Less: Taxes and Duties	7.7	-	7.7
Total Net Project Cost	246.2	49.2	295.4

Financing Plan:	(US\$ Millions)		
	Local	Foreign	Total
IDA	97.8	49.2	147.0
GOI & GOWB Loans and Grants	64.1	-	64.1
Open Market Borrowings	92.0	-	92.0
Total	253.9	49.2	303.1

Estimated Disbursements:

	(US\$ Millions)					
	FY84	FY85	FY86	FY87	FY88	FY89
Annual	12.8	26.3	33.7	33.5	28.7	12.0
Cumulative	12.8	39.1	72.8	106.3	135.0	147.0

Rate of Return: 15%, based on evaluation of components accounting for 54% of project costs.

Appraisal Report: No. 4310-IN, dated May 2, 1983.

1/ Panchayats are the non-municipal urban areas within the Calcutta Metropolitan Area.

INTERNATIONAL DEVELOPMENT ASSOCIATION

REPORT AND RECOMMENDATION OF THE PRESIDENT TO THE EXECUTIVE DIRECTORS ON A PROPOSED CREDIT TO INDIA FOR THE THIRD CALCUTTA URBAN DEVELOPMENT PROJECT

1. I submit the following report and recommendation on a proposed development credit to India of SDR 136.3 million (US\$147 million equivalent) on standard IDA terms, to help finance a project designed to improve urban management in the Calcutta Metropolitan Area and expand and upgrade essential urban services in the metropolitan area. The proceeds of the credit would be channelled to the Government of West Bengal in accordance with the Government of India's standard terms and arrangements for the financing of State development projects.

PART I - THE ECONOMY

2. An economic report, "Economic Situation of India and Resource Mobilization Issues" (4395-IN, dated April 11, 1983), was distributed to the Executive Directors on April 19, 1983. Country data sheets are attached as Annex I.

Background

3. India is a large and diverse country with a population of about 700 million (in mid-1982) and an annual per capita income of US\$250. 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 with little or no land. Growth of value-added in agriculture -- 2.2% since 1950/51 -- has been slower than growth of industrial value-added (5.0% per annum). As a result, there has been a gradual decline in the share of agriculture in GDP (at factor cost) from 60% to just under 40%, while the share of industry rose from 15% to around 25%. 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: gross national savings more than doubled from 10.8% of GDP (at factor cost) to 22.8% in 1982/83, while gross domestic investment rose from 12.5% of GDP to 24.9% in 1982/83. Foreign savings (balance of payments deficit on current account) have never financed a major portion of domestic investment: a peak of about 20% was reached during the early 1960s. Surpluses

arose for a few years in the late 1970s, and at the present time, foreign savings are about 8% of investment. External assistance has been low both as a percentage of GDP and in per capita terms. Net 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 4.9%, 3.9% and 5.6%, respectively. 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 large trade deficit. Severe inflationary pressures also emerged after several years of virtual price stability. These setbacks in 1979/80 coincided with the preparation of the Sixth Five-Year Plan which laid down a program of adjustment that aimed at improving the trade deficit, infrastructural bottlenecks and price stability with an overall growth of the economy at 1.6 percentage points above the trend growth of 3.6%.

Recent Trends

7. In 1980/81 and 1981/82, the economy substantially recovered with real GDP growing by 7.9% and 5.2%, 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 availability of power, coal, and rail transport, already improved in 1980/81, was even better in 1981/82, recording growth rates of about 10%, 9.6% and 12.9%, respectively. The easing of constraints on the supply of infrastructure and basic commodities was a determining factor in the improved performance of the industrial sector. This overall improvement in the Indian economy, combined with a more restrictive monetary policy contributed to a sharp decline in the rate of inflation. Wholesale prices rose by about 9% on an average annual basis in 1981/82 and by only 2.5% in 1982/83, reflecting a strong deceleration from a peak increase of 18% in 1980/81.

8. After two years of fairly solid performance, the Indian economy faced a difficult year in 1982/83 due to the drought in mid-1982 which brought down the GDP growth rate to around 2% and put further strains on the already difficult balance of payments and domestic resource situation. Besides a significant decline in the range of 4.5%-6.5% in agricultural production, GDP

growth was also constrained by a slowdown in industrial growth from 8.6% in 1981/82 to about 4% in 1982/83. This resulted from a combination of several factors, notably the decline in agriculture income, persistent (though lessened) power shortages, a textile strike in Bombay, as well as depressed export markets and increased competition from imports. The Government was able, however, to protect the level of savings to a large extent and keep the momentum of the investment program through largely successful public sector resource mobilization efforts. Foreign savings played a crucial role in support of this effort. Similarly, the timely implementation of various economic policies mitigated the otherwise very distressing effects of a poor monsoon. Continued improvements of the infrastructure sectors, although at a slower pace than in the previous two years, also reduced the negative effects of the drought.

9. Agricultural production in 1982/83 received a serious setback from the drought. Foodgrain production, which had reached a record 133 million tons in 1981/82, declined to 124-127 million tons. Most other major crops also experienced negative growth in 1982/83. Corrected for weather variations, this still represents a creditable performance. In 1979/80, with a broadly comparable monsoon, foodgrain production reached only 109 million tons. The Government was able to mitigate the effects of the 1982 drought through efficient management of foodgrain procurement and distribution, careful timing of foodgrain imports, and appropriate allocation of power to irrigation pumps. These policies helped to avoid disruptions in basic food supplies and contributed to price stability during the year. While the management of the foodgrain economy after the drought was a significant achievement, the effect of the drought on production re-emphasized the continued importance of the monsoon in India's agriculture. The performance of the recent past and probable future trends suggest that on average foodgrain supplies will meet demand. 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, programs to expand irrigation, strengthen extension and encourage the efficient use of other agricultural inputs continue to receive high priority.

10. Basic infrastructure services performed generally well in 1982/83, although growth of coal, power and rail transport failed to maintain the momentum of the marked recovery of 1981/82. Despite lower hydro generation due to the failure of the monsoon, overall power generation recorded an increase of about 7%. This was due largely to an increase in capacity utilization in thermal plants resulting from improved overall management, stabilization of most of the new large units and better availability of coal due to the combination of increased coal production and improved railway performance. Nevertheless, power shortages remain the major bottleneck in the economy. Railway traffic grew by only 3.7% in 1982/83 reflecting a slowdown from 1981/82. The lower growth was due not to a decline in the operational efficiency of the railways but rather to slack demand from core sectors like steel, iron ore, coal washeries and fertilizers. Coal production growth (4% in 1982/83), after 10% growth in the two preceding years was creditable. There were no major shortages and there were improvements in the quality of coal. Recent easing of shortages and bottlenecks in infrastructure has come primarily from better utilization of existing capacity, but in the future most improvement must result from added capacity. It is therefore critically important that India maintain the pace of investment in these key sectors and mobilize sufficient resources to do so.

11. The Indian economy has reverted from a situation of resource surplus, which had been a temporary phenomenon of the late 1970s, to one of resource scarcity. Investment has again grown quicker than national savings, and the scope for further increases in the latter appears limited. India's gross national savings rate, which averaged 22.4% of GDP in the last three years, is high by any standard, particularly considering India's low income and the large proportion of its population living below the poverty line. 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. In 1981/82 there was a significant increase in public savings due to improved profitability of various public sector enterprises. This trend which was maintained in 1982/83 needs to be accelerated. The gap between gross investment and national savings which rose from 0.4% of GDP in 1979/80 to 1.8%, 2.3% and 2.1%, respectively in the first three years of the 1980s, has been financed by foreign savings.

12. India's ability to generate resources to meet its development objectives has become increasingly linked to the balance of payments. The current account balance which recorded surpluses between 1976/77 and 1978/79, sharply deteriorated to deficits of nearly US\$2.9 billion in 1980/81 and US\$3.8 billion in 1981/82 (1.8% and 2.3% of GDP, respectively). This was partly due to a sharp rise in the oil import bill as a result of both the disruption of oil production in northeast India in 1980 and significant oil price increases, and to 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 current account deficit in 1982/83 declined to US\$3.3 billion or 2.1% of GDP. The improvement would have been greater had not the drought resulted in the need to rebuild food stocks through imports and at the same time led to a lower level of GDP growth. This improvement in the balance of payments is to a significant degree the result of India's development and adjustment efforts over the past three years. It also reflects a reduction in the trade deficit as compared to the levels reached in 1980/81 and 1981/82. The trade deficit declined from US\$7.6 billion in 1980/81 to US\$6.0 billion in 1982/83 due to continued export volume growth (following the substantial resumption in 1981/82) despite poor world market conditions, coupled with the containment in import growth due to import substitution of petroleum products, metals and fertilizers while allowing substantial growth in "other" imports through more liberal import policies. Nevertheless, it is expected that the balance of payments will be under strain for the next several years, for India's adjustment program will continue to require high levels of imports.

13. The high investment rate, about 25% of GDP, envisaged in the Sixth Plan coupled with the limited possibilities of raising domestic savings beyond the present high levels, necessarily implies a need for external resources. Faced with a reduction in the availability of bilateral and multilateral concessional assistance, India has begun to borrow significant amounts on commercial terms from the Euro-dollar market in addition to much greater utilization of suppliers' and export credits. India's favorable debt service profile has enabled India to tap commercial capital markets at favorable spreads (over, relatively high underlying rates). In the period 1980-82 India contracted commercial loans totalling over US\$2,000 million and suppliers' credits of about US\$520 million. The bulk of the loans are linked to specific development projects in the public sector while the credits are linked, by and large, to development projects in the private sector. India also reached an agreement

with the International Monetary Fund for the use of the Extended Fund Facility for SDR 5 billion over three years (1981/82 to 1983/84), SDR 2.5 billion of which have already been drawn. The transfer of funds under the EFF has stemmed the use of foreign exchange reserves which had fallen to less than four months of import coverage in 1981/82. In 1982/83, in addition to continued use of the EFF, financing requirements were met by increased non-concessional borrowing (about US\$2,000 million) and a 10% increase in net aid disbursement.

Development Prospects

14. 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 is also well-endowed with human resources and with institutional infrastructure for development. 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.

15. The medium-term framework for advancing India's development objectives is the Sixth Five-Year Plan (1980/81-1984/85), which is now in its fourth year. The Plan assigns priority to agriculture, energy development, the growth of exports and domestic import substitutes where appropriate, and the removal of infrastructural bottlenecks. Overall performance has so far been encouraging, although bottlenecks in key sectors such as power and transport are likely to persist. Moreover, fulfillment of the Plan targets will require additional resource mobilization. The efforts of the Central Government to raise resources have so far been impressive and are likely to be broadly sufficient to meet the financing requirements of the Central Government's share in plan investment, even if some increase in inflation is experienced above current low levels. However, a shortfall in public savings is likely to occur in some States unless further measures are introduced. There will be a need also for continuous efforts to maintain the current level of private savings. Recent increases in interest rates and tax concessions on time deposits and the continued dampening of inflationary expectations should stimulate such savings.

16. The higher capital formation rates of the past few years augur well for future income growth. However, 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. These services, such as power, transport and irrigation, have inherently high capital-output ratios. However, there is scope to improve the sectoral capital-output ratios through greater efficiency and better management. Bottlenecks in basic infrastructural sectors clearly can prejudice growth in other sectors where large investments have been made. As demonstrated in the last three years, 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 to overall medium- and long-term development prospects. In the short term, however, achieving an adequate balance between supply and demand in these sectors will remain a difficult objective.

17. Under the Sixth Plan, India has an ambitious oil production program backed by substantial financial commitment. While the gap between domestic consumption of petroleum and production remains large, the prospects for progressive substitution of domestic petroleum for imports are quite bright. In 1981, and again in early 1983, resources for exploration and development were raised by successive price increases for domestic crude and products. India's dependence on oil imports dropped from 63% in 1979/80 to about 45% now and a scheduled expansion in production is expected to decrease oil imports (in crude equivalent terms) 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.

18. Despite an expected continued decline in its current account deficits from the current 2.1% to about 1.7% of GDP by the late 1980s, India will require growing access to world financial markets to complement concessional assistance. These commercial sources of funds will be important in the future since India's current account deficits, though not large relative to the size of the economy, will nevertheless be large in absolute terms and will necessitate external borrowing beyond levels expected to be available from normal concessional sources. Given the favorable structure of India's external debt, which reflects the past reliance on concessional sources, India should remain creditworthy for a substantial growth in external borrowing.

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. In the longer term, income growth represents the best strategy for achieving these needed adjustments, both by generating higher savings for further investment, and by fostering the development of export and import-substituting industry to improve the balance of payments. In the short term, a relatively large 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. 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 Government's efforts to maintain an adequate rate of growth while adjusting the structure of the Indian economy to a more open and efficient environment requires foreign resources in addition to the level of commercial borrowing available to India. Indeed, along with increasing exports, higher efficiency of investment to support an adequate rate of growth is a key element in maintaining India's recently improved creditworthiness. India is still a very poor country with a

large rural sector and enormous investment requirements for human development and basic infrastructure. The fact that India has been able over the past seven years to maintain a rate of growth above the long term trend, despite the poor monsoons of 1979/80 and 1982/83, lends substance to the hope that a more open trade policy and concerted efforts to remove constraints on the growth of productive capacity, supported by adequate mobilization of savings both foreign and domestic, can sustain a rate of growth closer to 5.0% per annum than the long-run trend of 3.6% per annum. Combined with a reduction in the rate of population increase 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 less than 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 placed India's population at 683.8 million, or about 12 million higher than official projections. The fact that there was no decline in inter-census rates of population growth, equivalent to about 2.2% per annum, is a cause for concern. While further analysis of the Census may suggest this rate of growth to be slightly overestimated, the expectation of a measurable decline in the population growth rate has not materialized. Until the results of the Census are fully analyzed, firm judgements about the reasons for this outcome are not possible. However, the results re-emphasize the need for continuing efforts to strengthen the health and family planning program 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.

21. Reduction of poverty remains the central goal of Indian economic growth. 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. Improvements in the living standards of the poor will depend to a large extent on the overall growth of the economy, particularly on increases in agricultural production and employment, and in non-farm rural employment. These developments will have to stem in large part from market forces which can be encouraged and reinforced by appropriate Government policies and the strengthening of basic services and infrastructure. The declining trend in real foodgrain prices between 1970 and 1981, resulting from India's sustained effort to raise agricultural production, reflects such developments. There is also a role for direct Government action in faster implementation of land reform (though the scope for significant reduction in poverty through land redistribution is quite limited in India), in increasing the supply of credit available to small farmers and rural artisans, and finally in broadening the provision of those services which enhance the human capital of the poor and improve living standards. Many of the latter are elements of the Minimum Needs Program, which has been an integral part of Indian planning for the past decade. Progress has been slow but steady in the expansion of primary education, the extension of rural health facilities and the provision of secure village water supplies. Operations such as the community health volunteer program and the national adult literacy campaign provide encouraging evidence that well-targeted, relatively low-cost programs can lead to enhanced prospects for India's poor.

PART II - BANK GROUP OPERATIONS IN INDIA

22. Since 1949, the Bank Group has made 71 loans and 156 development credits to India totalling US\$4,783 million and US\$11,447 million (both net of cancellation), respectively. Of these amounts, US\$1,332 million has been repaid, and US\$5,907 million was still undisbursed as of March 31, 1983. Bank Group disbursements to India in the current fiscal year through March 31, 1983 totalled US\$1,008 million, representing an increase of about 17 percent over the same period last year. Annex II contains a summary statement of disbursements as of March 31, 1983, and notes on the execution of ongoing projects.

23. Since 1959, IFC has made 28 commitments in India totalling US\$220.4 million, of which US\$28.3 million has been repaid, US\$56.2 million sold and US\$17.3 million cancelled. Of the balance of US\$118.6 million, US\$111.1 million represents loans and US\$7.5 million equity. A summary statement of IFC operations as of March 31, 1983, is also included in Annex II (page 5).

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, there is now a need for increased foreign assistance to India, not only to help the economy adjust to the more recent oil price increases and the overall deterioration in the world trade environment but also to maintain the relatively higher growth rates achieved during the first two 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, irrigation, and water supply.

27. India's poverty and needs are such that whenever possible, external capital requirements should be provided on concessionary terms. Accordingly, the bulk of the Bank Group assistance to India has been, and should continue to be, provided from IDA. However, the amount of IDA funds that can reasonably be allocated to India remains small in relation to India's needs for external support. This requirement for additional assistance can be met, in part, through 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 was about 11% in 1982/83 and is projected to remain below 20% through 1995/96. As of March 31, 1983, outstanding loans to India held by the Bank totalled US\$3,571 million, of which US\$1,854 million remain to be disbursed, leaving a net amount outstanding of US\$1,717 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 50%, 43% and 53%, respectively, in 1981/82. On March 31, 1982, India's outstanding and disbursed external public debt was about US\$17.9 billion, of which the Bank Group's share was US\$7.1 billion or 38% (IDA's US\$5.9 billion and IBRD's US\$1.2 billion). In 1981/82, about 16.0% of India's total debt service payments were to the Bank Group.

PART III - THE CALCUTTA SETTING

Physical Characteristics

29. The Calcutta Metropolitan Area (CMA) is the most populous urban agglomerate in India and the dominant urban and cultural center of eastern India--a nine-State region comprising nearly one-quarter of the country's population. With a population of 10 million (1981) in an area of about 1,400 km², the CMA contains nearly half of the urban population of eastern India and about 70% of the urban population of the State of West Bengal, of which it is the capital.

30. The CMA stretches north and south for nearly 70 km along both sides of the Hooghly River. For most of this distance it forms a narrow corridor along the limited area of elevated land close to the river. Competition for the high land on the banks of the river is keen, as much of the remaining land in the Hooghly's basin is low-lying, waterlogged, and unsuitable for settlement. The central core of the metropolitan area is on the east bank of the river, within the jurisdiction of the Calcutta Municipal Corporation (CMC), which has a population of 3.3 million. Howrah, Calcutta's twin city, lies on the west bank of the river, opposite the CMC area. Both Calcutta and Howrah are encircled by numerous municipalities, small towns, and semi-urban areas which extend north and south along the river and combine with Calcutta and Howrah to make up the CMA.

31. Within the CMA, three bridges link the east and west banks of the Hooghly River. Only two of these bridges serve motorized vehicles, trams, and pedestrians; the third is a rail bridge. Crossing facilities for pedestrian traffic and public transport, the dominant modes of travel, are particularly poor. As a result, travel between the east and west banks of the river is severely constrained, although two new bridges are currently under construction and new river-crossing ferry services have recently been introduced.

32. The CMA is the slowest growing metropolis in India. Its annual population growth rate is 2.2%, compared to 3.3% for the nine largest Indian cities and 3.9% urban growth for the whole country. Yet, it adds about 220,000 people annually in absolute numbers. The annual growth combines with the limited availability of suitable land to produce extremely high population density in the CMA. Population density in Calcutta city averages 32,000 persons per km². This is significantly higher than density statistics for metropolitan centers such as Manhattan Island (26,000/ km²), Paris (25,000/ km²), Bangkok (21,000/ km²), and Tokyo (15,000/ km²), whose infrastructure and facilities greatly exceed

Calcutta's and whose high-rise pattern of development acts to ease crowding, in contrast with Calcutta's low-rise structures.

33. Calcutta's high population density and inadequate past investments in infrastructure have resulted in serious deficiencies in the provision of all municipal services in the CMA despite significant advances made during the last decade (para 40). Some 60 percent of the area's population, or six million people, still live in conditions characterized by a lack of sewerage and drainage facilities and inadequate water supply and garbage collection. Of these, three million live in temporary or make-shift structures in refugee colonies or bustee areas.^{1/} Health and environmental conditions have historically been regarded as among the worst in the major cities of India. Existing health programs in the CMA are fragmented, with only weak links between preventive and curative services. Primary school facilities are equally inadequate, and reach less than 70% of eligible children in the area as a whole, less than 40% in the bustee areas.

The Urban Economy

34. Calcutta's economy suffered a major setback from the partition of India and Pakistan in 1947. It lost a major part of the hinterland that had provided raw materials and markets to its prominent manufacturing industries and, at the same, it began to receive an influx of refugees from East Pakistan (now Bangladesh) whose presence strained public service systems and increased unemployment. In addition, Calcutta has seen a significant decline in world demand for jute, one of its principal manufacturing outputs. Moreover, the progressive silting of the Hooghly River has undermined the capacity of Calcutta's port and contributed to its decline relative to other Indian ports. Finally, deteriorating public services in Calcutta have combined with political instability during 1960s, civil unrest and labor disruptions to discourage private investment in the CMA. The result of these developments is that, while the CMA is still a very important element in the Indian economy, its per capita income is much lower than that of its industrial rival, Bombay; CMA's value-added per industrial worker is considerably lower than the all-India average; and its the average annual rate of growth in employment between 1971 and 1981 was a modest 0.7%.

35. Structural adjustments in the economy of the CMA are underway. The Government of West Bengal, which considers the rapid economic development of Calcutta's rural hinterland a prerequisite for economic growth in the CMA, is implementing a variety of programs to bring modern

^{1/} "Bustee areas" are areas of land occupied by compact groups of small, single-story structures of temporary construction. Residents generally rent accommodation in these structures from a resident owner or "thika tenant". The thika tenant, in turn, rents the land from a non-resident landowner.

agricultural technology to West Bengal and to improve agricultural marketing and storage. Substantial investment has also been made in the coal and iron deposits of West Bengal, which provide raw materials for Calcutta's basic metals, metal products and machinery industries. The manufacturing sector of the CMA, which provides 40% of the area's employment, has undergone a major shift from dominance by the jute industry to dominance by the engineering industry, and a new port is being constructed at Haldia, 45 miles downstream from Calcutta city. The shortage of power (22% as against 11% for the whole of India), however, still remains acute.

36. The success of the efforts to spur the economy of the CMA depends not only on the wisdom of the individual investment decisions made, but also on the ability of local authorities to build and sustain a physical environment in which individual and industrial efficiency are possible. With this in mind, the Government of West Bengal has embarked upon a substantial program for the rehabilitation and expansion of urban infrastructure in the CMA. It is the Government's intention that these infrastructure investments combine with on-going development efforts to halt the economic decline of the Calcutta metropolitan area.

Metropolitan Institutions

37. The Calcutta Municipal Area has been designated as a unified planning region by the Government of West Bengal. It is not, however, a single administrative unit. Local administration in the CMA is the responsibility of the Calcutta and Howrah Municipal Corporations, 37 municipalities and 165 panchayats (non-municipal urban areas).

38. In effect, the Government of India and the Government of West Bengal exert a dominant influence on the CMA. GOI sponsors major industrial projects and has responsibility for the national highways, the railway system, airports and seaports. GOWB agencies execute projects within the CMA in the areas of education, public health, road construction and maintenance, housing, small-scale industry promotion, power, and public transport. Deficiencies in the organization and management of the local authorities reduce their ability to deal with their own development problems. Moreover, as self-generated revenues are inadequate to their needs, most of the local bodies in the CMA rely heavily on financial support from GOWB. Borrowings and grants from GOWB are tightly regulated. To qualify for financial assistance, development projects must be sanctioned and integrated into GOWB's overall development plan. The activities of local authorities are largely confined to the provision of primary education and preventive health services, limited commercial activities (e.g., market administration), and the operation and maintenance of infrastructure put in place by State and national authorities. Even in this last function, local bodies are given financial and technical assistance by GOWB.

39. In 1970, GOWB established the Calcutta Metropolitan Development Authority (CMDA), which was reconstituted under the West Bengal Town and

Country (Planning and Development) Act of 1979. CMDA is responsible for economic and physical planning as well as for design and construction of public works within CMA. Its Board includes two elected Corporation Counselors and three elected Municipal Commissioners representing the municipalities and other local bodies in CMA. CMDA has now evolved into an organization with over 4,000 staff, capable of executing an investment program of over US\$50 million annually. To finance its development schemes, CMDA obtains financial resources through State Plan allocations, 50% of the metropolitan entry tax (octroi), and its own market borrowing.

Recent Improvements in Service Delivery

40. Since the early 1970s, during which it was supported by two IDA Credits (see paras 43 to 46), CMDA has provided an overall institutional and intersectoral approach to Calcutta's problems, developed a strategy to address urgent high priority needs, and served as an executing agency to carry out investments to reduce the most serious service deficits. During this period, major efforts have been made to improve and strengthen the legal framework and managerial systems of the CMDA and the Calcutta Municipal Corporation (CMC), in whose jurisdiction the bulk of investments were located and which would be responsible for the operation and maintenance of completed works. With the completed investments, nearly two-thirds of the CMA's population living in registered slums (or about two million people) have benefitted from the "bustee" improvement program; CMA's water supply has tripled (from 100 million gallons a day in 1973 to 300 million in early 1983) with greater coverage under a much enhanced distribution network; and significant improvements have been made in other sectors, such as drainage, solid waste management and health.

41. There are a number of areas where improvements are lagging, however. For example, improvements in urban transport and delivery of serviced urban land have been less significant. Investments in the high-density areas are sometimes not well-coordinated and there are delays in complementary works (e.g. secondary and tertiary water distribution and sewerage collection systems). The disparity in service levels between the metrocore (Calcutta and Howrah) and the rest of the CMA has become more acute, as the former has received a concentration of investment while the latter is absorbing nearly all the recent population growth. Finally, there have been inadequate increases in self-generated local revenues and the financial gap in CMC and other local governments has become unacceptably large. This has resulted in delays in transferring new infrastructure facilities to local bodies, and poor maintenance of existing aged systems.

42. Building on the efforts of the 1970s, significant institutional intervention is continuing. CMDA is being further strengthened as a financial and policy intermediary with a strong Appraisal, Monitoring and Evaluation Unit, and a number of executing functions are being transferred to other agencies. The municipalities have been given an expanded role in capital budgeting and in setting the priority of local schemes within broad guidelines set by CMDA. CMC's internal organization, management and

financial systems are being further strengthened through appointment of a task force to address principally its water supply sector and property tax assessments and collection. Several pieces of legislation have been introduced to increase the financial resources of municipalities, to improve planning and control of land use, and to strengthen local governments. Finally, a number of changes are underway to improve the resource base of local bodies, to introduce better financial management practices, and to emphasize the importance of cost recovery and operations and maintenance in the delivery of urban services.

Bank Group Involvement

43. The first Calcutta Urban Development Project (Cr. 427-IN of September 1973) comprised a broad program of urban works, with emphasis on infrastructure to meet the urgent service needs of the population. The IDA credit of US\$35 million equivalent was directed mainly to investments in water supply, sewerage, drainage and traffic engineering. The credit was fully disbursed in November 1979, some two years behind the appraisal target. The slow progress under the first project reflected the lack of experience on the part of CMDA, the principal implementing agency.

44. The Operations Evaluation Department has audited the first Calcutta Urban project. It has stated in its report (No. 4023) that the "CMDA expanded quickly It became the dominant public works agency in the CMA. Developing the expanded organization to effectively deal with its expanded responsibilities proved more difficult and took longer than expected. Execution of the projects also took longer than expected and was hindered by inadequate preparation and CMDA's reorganization problems. With the development of a second project, the institutional goals for CMDA were substantially achieved and specific measures to strengthen operation and maintenance were identified". Regarding the execution of the investment schemes, the report states that progress was made "in expanding the supply and distribution of potable water, improving drainage, sanitation and general environment especially in Bustee (slum) areas and in improving facilities for traffic at critical points. Benefits were delayed in some cases by the inefficient sequence of project construction and the loose coordination of complementary investments." The report sees the institution-building attempts as a process of change--moving through stages--and, it further states, "the nature of the needed changes has become more clear with time and so has the pressure to make them. Present focus is on the need to strengthen the finance, operation and maintenance of the system". The proposed Third Calcutta Urban Development Project addresses the problems highlighted by the Operations Evaluation Department's report.

45. The Second Calcutta Urban Development Project (Cr. 756-IN of January 1978) continued IDA assistance with a credit of US\$87 million. In addition to the provision of shelter, municipal infrastructure improvements, solid waste management and technical assistance, the project includes other components such as school construction and health care, credit for small businesses, traffic engineering and management. The

major focus has, however, been on a series of organizational, administrative and fiscal reforms and on the operation and maintenance of the completed schemes. Although about a year behind appraisal target, progress under the second project has been considerably better than under the first, and it is now virtually complete.

46. IDA has also made a US\$56 million credit for the Calcutta Urban Transport Project (Cr. 1033-IN of October 1980) to support financial and operational rehabilitation of the public bus and tram operations in Calcutta. Although physical performance (acquisition of buses and trams, progress of civil works) has been satisfactory, the operational and financial performance of project agencies has been poor. To help improve the situation, GOWB has (i) appointed a task force of senior GOWB officials in the Calcutta State Transport Corporation, (ii) increased bus and tram fares effective March 1983, and (iii) concentrated the transportation planning responsibilities in CMDA.

PART IV - THE PROJECT

Background

47. The proposed project was prepared by the Calcutta Metropolitan Development Authority (CMDA). It was appraised in October 1982. Negotiations were held in Washington D.C. in April 1983, with an Indian delegation coordinated by Mr. S.P. Bajpai, Deputy Secretary of the Department of Economic Affairs, GOI. The Staff Appraisal Report (No. 4310-IN), dated May 2, 1983, is being circulated to the Executive Directors separately. A Supplementary Project Data Sheet is attached as Annex III.

Project Objectives

48. The project would continue IDA support to improve urban management in the Calcutta Metropolitan Area through a comprehensive approach in which institutional and financial reforms go hand-in-hand with physical improvements. The project would further strengthen metropolitan and municipal governments and other institutions responsible for urban planning, management and operation. At the same time, it would substantially increase the number of direct beneficiaries of urban services, focusing on investments to provide minimum basic needs at affordable costs. Emphasis would be given to rectifying sectoral and spatial investment imbalances between the "metrocore" (Calcutta and Howrah) and the remainder of CMA, completing and complementing earlier investments so that maximum benefits can be derived, and improving operation and maintenance of assets through improved cost recovery and financial management policies. The private sector would be encouraged to participate more actively in development (e.g., in financing and developing urban renewal schemes), and greater use would be made of institutional financing. The project investments would directly benefit

over six million people, 70% of whom belong to the economically weaker sector (EWS).^{1/}

Project Description

49. The project would pursue these objectives in three ways. First, it would build upon the institutional reforms already achieved and would strengthen the institutions further. Second, it would continue technical assistance and training to the agencies concerned. Finally, the project would expand urban services and employment in the CMA. For example, it would double the availability of water supply in the CMA for about 3 million people to an average of ten gallons per person per day, over 2 million people would also benefit from an improved drainage systems; 25,000 serviced housing sites would be provided, over 3 million people would benefit from improved transportation; and nearly 60,000 households would benefit from the small-scale entrepreneur program. The following paragraphs describe these elements in further detail.

50. Institutional Development. A number of institutional reforms have already been set in motion to improve the working of CMDA, the Calcutta and Howrah Municipal Corporations, the municipalities, and other agencies. Under the proposed project, emphasis has been directed to consolidate those steps and, at the same time, incorporating new ones to further strengthen the institutional development program. Among the reforms already implemented or planned are the following:

- (a) GOWB would complete its review of the current property tax assessment base of all CMA municipalities, by December 31, 1983; and if any tax base is found inadequate, the Central Valuation Board would carry out a general revaluation of that tax base (Section 3.04 of the West Bengal Agreement).
- (b) CMDA has been reorganized to reflect its future role. For example, an Appraisal, Monitoring and Evaluation Unit (AMEU) and a Shelter, Urban Renewal and Area Development Directorate (SURAD) have been added. All key management positions in these units have been filled. The AMEU was instrumental in the preparation of this project, and has developed a comprehensive monitoring framework for the project. AMEU and SURAD would remain part of CMDA beyond the project period.
- (c) CMDA is retaining the services of the Housing Development Finance Corporation (an IFC-assisted Corporation) for two years' advisory and training services to develop SURAD's

^{1/} About 45% of CMA population (about 4.5 million people) belong to households in EWS, with a monthly income of Rs 350 (about US\$37) or less per household.

marketing, loan administration and financial management capabilities.

- (d) The Calcutta Metropolitan Water and Sanitation Authority (CMWSA) has been strengthened by provision of additional staff. A new accounting system has been implemented effective April 1983.
- (e) The Calcutta Municipal Corporation is strengthening its financial management, particularly in the areas of water metering, property assessment, customer billing, and inventory control. Effective April 1983, CMC has established a new department responsible for meter reading, billing and customer service, and appointing three staff members to improve property assessment, a Special Officer and supporting staff to manage water metering, and two staff members for stores inventory and control.
- (f) GOWB, CMDA, CMC, HMC and other local bodies are taking a number of measures to improve public finance in the CMA, including revision of GOWB's financial grant system to local bodies and increase in cost recovery (see paragraphs 67 to 73).

51. Technical Assistance and Training. The project would provide advisory and consultancy services amounting to about 330 man-months and involving a cost of about US\$1.0 million, including US\$763,000 in foreign exchange. The services would include about 35 man-months of internationally recruited consultants for the Institute of Local Government and Urban Studies and for overseas training and teaching materials (US\$429,000). In addition, the following would be implemented by CMDA: (i) about 20 man-months of advisory services by international consultants to improve the water supply, drainage and sanitation facilities (US\$217,000); (ii) a CMA-wide transport study involving about 110 man-months of local consultants (US\$117,000) and 10 man-months of international consultants (US\$117,000); (iii) annual inspections of major infrastructure projects using 14 man-months of local consultants (US\$15,000); and (iv) technical assistance in accounting, organization, management and finance studies for smaller municipalities, and in finance studies for Howrah Municipal Corporation (HMC) and larger municipalities for a total of 142 man-months (US\$149,000).

52. In the past, both CMDA and CMC have run training courses for their staffs in their respective training centers. GOWB has recognized the need for systematic training of local government personnel in the whole of West Bengal and in May 1982 set up an Institute of Local Government and Urban Studies which is designed to meet this need. An ambitious training program has been set up to train 10,000 persons at the Institute, while the CMC Training Center would cater for another 10,000 persons and the CMDA Training Center for about 2,000, making a total of 22,000 persons to be trained during the project period.

53. Urban Services. On the basis of both technical characteristics and institutional responsibilities for planning and implementation, the five-year (April 1, 1983 to March 31, 1988) investment program to be financed under the project has been divided into four areas. They are the municipal development program, the transmunicipal infrastructure program, the metrocore (Calcutta/Howrah) investment program, and the CMA-wide complementary program.

54. The municipal development program, to be executed by the municipalities, seeks to deliver basic municipal services to the most deprived areas in each of 37 municipalities (4.2 million population), Calcutta Municipal Corporation (CMC) (3.3 million) and Howrah Municipal Corporation (HMC) (740,000) within a range of affordable service delivery norms recommended by CMDA. Services would include water supply, drainage, solid waste management, privy conversions, local road improvements, and improvement and expansion of markets. As part of area-based improvements, bustees (slums) in each municipality would be provided with basic utilities.

55. The transmunicipal infrastructure program, which would be planned and executed by CMDA and CMWSA, would improve and expand critical infrastructure, including construction and renovation of two water treatment plants and primary grids, renovation of four sewerage pumping stations, establishment of land-fill sites for solid waste disposal, implementation of area development and transportation schemes, the benefits of which are to be shared by two or more municipalities.

56. CMDA would also plan and execute programs of investment under the metrocore investment program in Calcutta and Howrah. Such programs would focus on the maximization of benefits from the existing infrastructure including that newly created under the first and second IDA credits. For example, it would include improvements to and expansion of the water supply and sewerage system, including bulk metering and leak detection, drainage, solid waste management, traffic management, and construction of key road links to enhance efficiency of existing inner-city road networks. Funds are included for seed capital for urban renewal schemes in both Calcutta and Howrah, to encourage the private sector to participate in redevelopment works in urban areas, thus attracting private commercial financing in such schemes which would also increase municipal revenues.

57. The CMA-wide complementary program would include the following:

- (a) Shelter and Area Development. Sites and services programs initiated under previous projects have faced serious delays due to management and land acquisition problems. Under the proposed project, CMDA's role as the primary planning and implementing agency would be strengthened, and it would make 25,000 serviced plots available to a range of income groups. The project would include "seed capital" to be placed in an Area Development Fund by GOWB by March 31, 1984. The purpose

of the Fund is to initiate and sustain a construction program, through bridging finance, while long-term funds from Indian financial institutions (estimated at US\$33.6 million) are being secured. The seed capital would amount to about US\$9.5 million, and IDA would reimburse 50% of the amount (US\$4.75 million) after GOWB makes the deposits in the Fund. IDA would subsequently receive full documentation of expenditures as the funds are actually used.

- (b) Health. A pilot health care program started under the second project would be expanded by provision of additional 60 ward health centers (one for every 30,000 population), and 8 polyclinics, expanding 15 maternity facilities, and by establishing a drug distribution system and one Urban Health Training Center.
- (c) Small-scale Enterprise. Building on the experience gained under the second project, about 43,000 families, resident in slums, would be provided with access to commercial credit to undertake small-scale enterprises. CMDA has identified a target group of about 170,000 families of self-employed and self-employable persons in the CMA, and they have been divided into three income levels (monthly family income of up to Rs 350, Rs 350-600 and above Rs 600). The project would cover about 25% in each income level. At present, the lowest-income families in the group are benefiting from low-interest (4% per annum) loans provided by commercial banks under a Reserve Bank of India directive which requires each bank to lend up to 1% of its deposits to such beneficiaries at an interest rate of 4%. Under the proposed project, the next income group (monthly family income of between Rs 350 to 600) would also benefit from a lower rate in the form of a rebate of 4.25% annual interest, for prompt re-payment of a first loan of up to Rs 10,000, which would reduce the effective rate from the prevailing market rate of 12.5% to 8.25% per annum. The rebate, amounting to a total of about US\$632,000 during the project period, would be provided by GOWB and forms part of the project cost. CMDA would review annually the interest rebate feature to determine its effectiveness (Paragraph 2 of Schedule 2 to the Project Agreement).
- (d) Panchayat Development Program. This program was also started under the second project to provide a minimum standard of all-weather roads, water supply and sanitation for the 165 panchayats (non-municipal urban areas) within the CMA. Under the proposed project, about 650 km of roads would be paved, about 2,000 hand-operated tubewells would be sunk and about 15,000 of the existing 65,000 privies would be replaced with sanitary latrines.

Project Implementation

58. The project would be implemented by existing institutions and agencies of GOWB and the local bodies, with assistance from the national institutions like the Housing and Urban Development Corporation, the Housing Development Finance Corporation and commercial banks. While CMDA would be responsible for overall coordination of project implementation, the principal implementing agencies include CMDA, CMC, HMC, 37 municipal authorities, the Calcutta Metropolitan Water and Sanitation Authority (CMWSA), the Calcutta Improvement Trust (CIT), the Howrah Improvement Trust (HIT) and GOWB departments responsible for Local Government and Urban Development, Metropolitan Development, Irrigation and Waterways, and Health. Implementation responsibility for major components would be as follows:

<u>Components</u>	<u>Agencies Responsible</u>
Municipal development program	CMC, HMC, municipalities
Transmunicipal Infrastructure	
-Water supply, sanitation drainage, solid waste	CMDA, CMWSA
-Transportation, area development	CMDA
Calcutta/Howrah Investment	
-Water supply, sewerage, drainage, solid waste	CMDA, CMC, HMC, CMWSA
-Transport infrastructure	CMDA, CIT, HIT
-Traffic management	CMDA
-Urban renewal	CMDA, CIT, HIT
CMA-wide program	
-Shelter	CMDA, CIT, HIT
-Small-scale entrepreneur program	CMDA
-Training	CMDA, CMC, ILGUS
-Health	Department of Health, GOWB
-Panchayat Development	CMDA, Panchayats

59. CMDA has been restructured to meet its future role. An Appraisal, Monitoring and Evaluation Unit and a Shelter, Urban Renewal and Area Development Directorate have been added. A Program Management Unit has also been established specifically to coordinate and monitor physical and financial progress of this project. The CMDA Board has approved the staffing structure for these units and all key management positions have been filled. Recruitment is currently underway to fill positions of economists, physical planners, financial analysts, data processing operators and programmers. Similarly, CMC has completed staffing for management of its water metering, financial management, and stores and inventory control programs. Finally, additional staffing is underway to

strengthen CMWSA in the areas of revenue administration, accounting, finance and maintenance.

Project Costs and Financing

60. The total estimated cost of the project is US\$303.1 million, including US\$49.2 million (16%) in foreign exchange costs and US\$7.7 million in taxes and duties. The project cost components are water supply (US\$46.1 million), drainage and sanitation (US\$68.9 million), slum improvement (US\$15.0 million), transportation infrastructure (US\$29.4 million), shelter and area development (US\$11.5 million), design, supervision and management (US\$31.5 million) and others (US\$36.3 million). In addition, physical contingencies (US\$18.0 million), at 10% for civil works with detailed engineering and 15% for works with preliminary engineering, and price contingencies (US\$46.4 million), at 8.0%, 7.5%, 7%, 6% and 6% for fiscal years 1984 through 1988, respectively, have been added for local as well as foreign exchange costs.

61. The proposed IDA credit of US\$147 million equivalent would finance about 50% of total costs, net of taxes and duties. The balance would come from GOI grants (under its Minimum Needs Program), GOWB grants and loans, octroi receipts to CMDA, and CMDA's market borrowings. Retroactive financing of up to US\$500,000 is provided in the proposed credit, to cover expenditures incurred after March 1, 1983, for civil works, equipment purchases and consultants' services for engineering design.

62. GOI would pass the proceeds of the credit to GOWB on its standard terms and arrangements for financing of State development projects. In turn, GOWB would channel the funds to CMDA as grants and loans. For revenue-producing schemes, such as urban renewal, water supply, shelter and area development, GOWB would lend to CMDA at 7% per annum for 15 years including 5 years' grace, and for non-revenue-producing schemes, such as roads and drainage, funds would be provided on grant basis. The projected weighted average cost of CMDA borrowings is 7.75% per annum. CMDA would on-lend for urban renewal schemes at the prevailing commercial bank rate (presently 12.5%), and for other investments at not less than 8.25% per annum (Paragraph 1 of Schedule 2 to the Project Agreement).

Procurement and Disbursement

63. The total cost of civil works, including contingencies, is estimated at US\$215 million. Within this amount, about US\$36 million of works would be procured through international competitive bidding (ICB), in accordance with IDA Guidelines. ICB procurement would be required for (i) construction of the Baranagar-Kamarhati Water Treatment Plan, (ii) renovation of the Serampore Water Treatment Plant (iii) construction of the new water main from Tallah to central Calcutta, and (iv) reconstruction of the Durgapur Bridge. Bidders for the above works would be prequalified in accordance with criteria agreed with IDA. Eligible domestic bidders would be accorded a preference of 7 1/2% under ICB procurement. The balance of civil works, totalling US\$179 million,

are not likely to interest foreign bidders as they are widely dispersed over area and time requiring several thousand small contracts. CMDA would, however, where practicable, group these works into contract packages of not less than US\$2.6 million, to be let on a "slice and package" basis under competitive bidding advertised on an all-India basis in accordance with procedures acceptable to IDA. Civil works which cannot be grouped as indicated above, would be awarded under contracts following competitive bidding advertised locally, which are satisfactory to IDA.

64. Procurement of plant, equipment, and vehicles under the project totals about US\$25 million equivalent, including contingencies. Contracts for about US\$9.5 million, for bulk meters, leak detection equipment, gully-pit emptiers, jetting machines, tipping trucks, tanker lorries, tractors, payloaders and bulldozers, would be awarded by CMDA (and other executing agencies) on the basis of ICB in accordance with IDA's Guidelines. Qualifying domestic manufacturers would receive a preference in bid evaluation of 15% or the import duty, whichever is the lower. Pipes (US\$8 million) and pumps (US\$2 million) would be awarded by CMDA and other executing agencies under local competitive bidding procedures which are satisfactory to IDA. These involve a variety of sizes procured by several agencies over the whole project period. Cars and jeeps (US\$0.2 million) and miscellaneous solid waste equipment including handcarts, tricycle trailers, containers and small tools (US\$3.8 million), which are readily available locally and have well-established repair and spare-part outlets, would also be procured similarly. Small items of plant, equipment, and materials in packages of less than about Rs 100,000 and totalling approximately Rs 15 million, would be let after obtaining quotations from at least three suppliers.

65. All bidding packages for civil works estimated to cost US\$500,000 equivalent or more, and all bidding packages for plant, equipment, and vehicles estimated to cost US\$200,000 equivalent or more, would be subject to IDA's prior review of procurement documentation, resulting in a coverage of about 20% of the total estimated value of works contracts, and about 66% of goods contracts. This would involve a review of about 59 contracts (21 equipment, 38 civil works).

66. The proceeds of the proposed credit would be disbursed as follows:

- (a) 70% of total expenditures for civil works procured through ICB and 50% of total expenditures for other civil works;
- (b) 100% of foreign expenditures for directly imported plant, equipment, and vehicles, or 100% of local expenditures (ex factory) for locally manufactured goods procured through ICB, and 50% for other locally manufactured goods;
- (c) 100% of total expenditures on consulting services, technical assistance and training.

Disbursements would be fully documented except for: (a) payments made under civil works contracts for one or more progress payments not exceeding R. 300,000; and (b) payments for locally procured items of equipment costing Rs 150,000 or less. Such disbursements would be made against statement of expenditures (SOEs), the documentation for which would not be submitted to IDA but retained and made available for inspection during the course of project review missions. Independent auditors acceptable to IDA would be retained to carry out an annual audit of all SOEs submitted in a fiscal year, and CMDA would be required to furnish the audit reports to IDA within nine months of the end of each fiscal year.

Cost Recovery

67. Performance on cost recovery under the first and second projects (Cr. 427-IN and Cr. 756-IN) has been poor. CMC has not been able to recover the costs of providing water as expected, on account of its poor financial management. In view of the large investments already made and those included under the proposed project, it is vital that the local bodies be able to generate adequate funds for proper operations and maintenance. The local bodies will continue to sell their services at below cost and the deficits, albeit smaller than before, will continue to be met by transfer of resources from GOWB. Nevertheless, GOWB is undertaking a number of measures to enhance cost recovery, through enhanced property tax revenues and increased user charges.

68. Property Taxes. Property taxes continue to be the largest source of revenue of the local bodies. In recent years, property taxes have accounted for about 70% of internal revenue (about 45% of total revenues including State Government transfers). This significant source of revenue suffers from a low assessment base, an inefficient rate structure and poor collection performance. Under the proposed project, CMC would: (i) reduce its reliance on GOWB revenue subventions from 24% of its revenue expenditures in fiscal year 1982/83 to 10% by 1987/88; (ii) take steps to achieve cash collection of not less than 85% of the current demand of its consolidated property taxes by fiscal years 1987/88; and (iii) take steps to achieve cash collections of its arrears demand of property taxes of at least 50% annually. (Paragraphs 1, 2 and 3 of Schedule to the West Bengal Agreement). In addition, the Central Valuation Board of GOWB would assist all CMA municipalities in updating their property tax roll to improve their collection performance.

69. In the proposed project, direct cost recovery measures through user charges are included for water supply, area development and urban renewal. In the water supply program, CMC would aim at recovering, by 1987/1988, all expenditures for operations, maintenance, purchase of bulk water, and a charge in lieu of depreciation. To achieve this, CMC would, as a condition of Credit effectiveness, revise the rates for metered non-domestic users as agreed with the Association (Section 5.01 of the Development Credit Agreement). It would also introduce graduated water rates in consultation with the Association for all unmetered domestic

consumers, by November 1, 1983 (paragraph 6 of the Schedule to the West Bengal Agreement). In addition, CMC intends to introduce annual licencing for all new private tubewells by about October 1983. Finally, CMC would carry out installation of water meters in accordance with a schedule acceptable to IDA (Paragraphs 8 and 9 of the Schedule to the West Bengal Agreement).

70. The Calcutta Metropolitan Water and Sanitation Authority (CMWSA) operates primarily as a bulk supplier of water to municipalities and to CMC. However, a number of industrial, commercial and institutional users remain CMWSA's retail customers for reasons of locational convenience. CMWSA is expected to achieve full cost recovery by 1985/86. To realize this, CMWSA would introduce, as a condition of Credit effectiveness, such charges for water supply which would be agreed with the Association (Section 5.01 of the Development Credit Agreement). These charges would be revised periodically to enable CMWSA to cover all expenditures for operation, maintenance and debt service requirements by its financial year 1985/86 (Section 3.05 of the West Bengal Agreement).

71. The area development program would achieve full cost recovery and would actually generate a net surplus of 6-8% of capital investments. Under this program, the economically weaker section and the low-income group would get affordable plots at actual or slightly below costs, whereas premiums of 10% to 75% would be added to the costs for middle-income, higher income and commercial plots. By September 30, 1983, CMDA would submit for the Association's review and approval its administrative, operational and financial guidelines for implementing the shelter and area development program under the project, including costing and pricing formula, maintenance charges, the criteria for beneficiary selection, conditions of lease and terms and conditions of loans for the sites and services beneficiaries (Paragraph 3 of Schedule 2 to the Project Agreement).

72. Under the urban renewal schemes, the concerned agencies (for example, Calcutta Improvement Trust and Howrah Improvement Trust) would auction the rights for further development to private developers based on a minimum price set to cover all costs. Of the net surplus, 50% would be retained by the agencies themselves for further urban renewal schemes and the other 50% would go to CMDA toward investments in its shelter and area development program.

73. As stated earlier, the improvements in cost recovery measures alone are unlikely to meet the needs of the local bodies in the near future and GOWB would have to continue to transfer resources in the form of grants and shared taxes. At present, GOWB's annual grants to local bodies are based on the organizational structure and staffing of the respective bodies. This project would initiate a fundamental change in the municipal finance system. To ensure the most effective utilization of limited State Government resources, and to introduce a structural shift in municipal finance toward greater reliance on self-generated resources, GOWB has announced implementation of a revised grant structure, beginning

April 1, 1983. Under this system, the level of GOWB grants to be paid out of a "Fund Assigned to Municipalities" would be based on absolute levels of performance of the local bodies, linked with both a penalty and an incentive mechanism. Initially, the revised grant structure would be implemented in CMC, HMC and the CMA municipalities. It would be spread to other parts of the State in the future based on the lessons and experience of this initial application. A set of minimum performance targets have been worked out for individual municipalities, which includes performance on revenue collection (primarily property tax) as well as on expenditures needs (for investments, operations and maintenance, debt service, etc).

Benefits and Risks

74. The most direct benefit from the project is the improvement in service delivery, which is estimated to benefit over six million people (or 60% of CMD's population). The execution of the project activities would directly result in generation of 30,000 construction jobs over the 5-year implementation period, and 20,000 full-time jobs for operation and maintenance over the schemes' operational life. In addition, the small-scale enterprise program would directly benefit about 43,000 persons and would generate 16,000 net additional jobs. Perhaps the most important project benefits would accrue from the institutional and fiscal reforms which are crucial for sustaining an expanded program of public investments and for developing the organizational and management capabilities necessary to plan, execute and operate such an investment program. Economic rates of return from the investments range from 13% for area development to about 24% for some local road improvements. Based on the 54% of the project costs for which benefits have been quantified, the weighted average economic rate of return is estimated at 15%.

75. The major project risk is that the program will prove too complex to administer and manage, particularly in the light of recent adjustments in CMDA's responsibilities, under which its role for planning and coordination has been increased while its implementation responsibilities have been somewhat decentralized to other local bodies (para 42). This risk would grow if the caliber of key personnel of CMDA is reduced from the present high quality. However, experience during project preparation indicates that CMDA is fully capable of handling the complexities involved. Furthermore, the establishment of the Program Management Unit and the recent strengthening of appraisal, monitoring and evaluation capabilities of CMDA (para 59) should reduce the implementation risks by means of improved and structured monitoring of project progress which should allow timely actions to correct any problems as they emerge. Another risk could be the lack of political will to implement the cost recovery measures built into the project. Although this risk can not be completely eliminated, the commitments shown by GOWB and the local bodies and the implementation of the revised financial grant system, based on, inter alia, cost recovery performance, should minimize this risk.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

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

77. Special conditions of the Project are listed in Section III of Annex III. The following are additional conditions of effectiveness: (a) CMC has revised the agreed rates for metered non-domestic users (Section 5.01(b) of the Development Credit Agreement); and (b) CMWSA has introduced the agreed bulk water supply rates (Section 3.05 of the West Bengal Agreement (Section 5.01(a) of the Development Credit Agreement).

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

PART VI - RECOMMENDATION

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

A.W. Clausen
President

April 28, 1983

INDIA - SOCIAL INDICATORS DATA SHEET

AREA (THOUSAND SQ. KM.)	INDIA			REFERENCE GROUPS (WEIGHTED AVERAGES)		
				MOST RECENT ESTIMATE ^{/a}		
				LOW INCOME	MIDDLE INCOME	
TOTAL	3287.6			ASIA & PACIFIC	ASIA & PACIFIC	
AGRICULTURAL	1818.2	1960 /b	1970 /b	ESTIMATE /b		
GNP PER CAPITA (US\$)		70.0	110.0	240.0	261.4	890.1
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)		111.2	152.5	194.4	448.7	701.7
POPULATION AND VITAL STATISTICS						
POPULATION, MID-YEAR (THOUS.)	434850.0		547569.0	673207.0	.	.
URBAN POPULATION (PERCENT OF TOTAL)	17.9		19.7	22.3	17.3	32.4
POPULATION PROJECTIONS						
POPULATION IN YEAR 2000 (MILLIONS)				994.1	.	.
STATIONARY POPULATION (MILLIONS)				1694.4	.	.
YEAR STATIONARY POPULATION IS REACHED				2115	.	.
POPULATION DENSITY						
PER SQ. KM.	132.3		166.6	200.6	158.1	255.9
PER SQ. KM. AGRICULTURAL LAND	247.0		307.8	362.8	355.9	1748.0
POPULATION AGE STRUCTURE (PERCENT)						
0-14 YRS.	40.9		42.7	40.2	36.8	39.9
15-64 YRS.	54.5		54.2	56.8	59.7	56.8
65 YRS. AND ABOVE	4.6		3.1	3.0	3.5	3.3
POPULATION GROWTH RATE (PERCENT)						
TOTAL	1.8		2.3	2.1	2.0	2.3
URBAN	2.5		3.3	3.3	3.3	3.9
CRUDE BIRTH RATE (PER THOUSAND)	43.7		40.0	35.6	29.3	31.8
CRUDE DEATH RATE (PER THOUSAND)	21.8		16.7	13.6	11.0	9.8
GROSS REPRODUCTION RATE	2.9		2.7	2.4	2.0	2.0
FAMILY PLANNING						
ACCEPTORS, ANNUAL (THOUSANDS)	64.0		3782.0	5619.0	.	.
USERS (PERCENT OF MARRIED WOMEN)	..		12.0	22.6	19.3	36.3
FOOD AND NUTRITION						
INDEX OF FOOD PRODUCTION PER CAPITA (1969-71=100)	98.0		102.0	99.0	108.1	115.6
PER CAPITA SUPPLY OF						
CALORIES (PERCENT OF REQUIREMENTS)	95.6		90.4	88.8/c	97.3	106.4
PROTEINS (GRAMS PER DAY)	53.6		49.7	48.4/c	56.9	54.4
OF WHICH ANIMAL AND PULSE	17.2		14.8	13.1/c	20.0	13.9
CHILD (AGES 1-4) MORTALITY RATE	26.2		20.7	17.4	10.9	6.7
HEALTH						
LIFE EXPECTANCY AT BIRTH (YEARS)	43.2		48.1	51.8	57.8	59.8
INFANT MORTALITY RATE (PER THOUSAND)	165.0		139.0	123.4	89.1	63.7
ACCESS TO SAFE WATER (PERCENT OF POPULATION)						
TOTAL	..		17.0	33.0	32.9	32.0
URBAN	..		60.0	83.0	70.7	51.9
RURAL	..		6.0	20.0	22.2	20.5
ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)						
TOTAL	..		18.0	20.0	18.1	37.7
URBAN	..		85.0	87.0	72.7	65.7
RURAL	..		1.0	2.0	4.7	24.0
POPULATION PER PHYSICIAN	4850.4		4889.0	3630.6	3297.8	8540.4
POPULATION PER NURSING PERSON	10975.3/d		8296.5	5696.1	4929.3	4829.4
POPULATION PER HOSPITAL BED						
TOTAL	2178.7		1612.9	1311.0/e	1100.4	1047.5
URBAN	..		..	362.3/e	301.3	651.6
RURAL	..		..	10432.8/e	5815.7	2597.6
ADMISSIONS PER HOSPITAL BED	..		..	..	..	27.0
HOUSING						
AVERAGE SIZE OF HOUSEHOLD						
TOTAL	5.2		5.6	5.2	..	..
URBAN	5.2		5.6	4.8	..	..
RURAL	5.2		5.6	5.3	..	..
AVERAGE NUMBER OF PERSONS PER ROOM						
TOTAL	2.6		2.8	..	..	..
URBAN	2.6		2.8	..	..	..
RURAL	2.6		2.8	..	..	..
ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)						
TOTAL	..		..	..	..	..
URBAN	..		..	..	..	..
RURAL	..		..	..	..	..

INDIA - SOCIAL INDICATORS DATA SHEET

	INDIA			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) ^d	
	1960	1970	MOST RECENT	LOW INCOME	MIDDLE INCOME
	/b	/b	ESTIMATE /b	ASIA & PACIFIC	ASIA & PACIFIC
EDUCATION					
ADJUSTED ENROLLMENT RATIOS					
PRIMARY: TOTAL	61.0	73.0	78.0/c	97.4	96.2
MALE	80.0	90.0	92.0/c	101.0	99.8
FEMALE	40.0	56.0	63.0/c	87.8	92.1
SECONDARY: TOTAL	20.0	26.0	27.0/c	53.0	37.6
MALE	30.0	36.0	36.0/c	63.8	41.1
FEMALE	10.0	15.0	17.0/c	41.3	34.1
VOCATIONAL ENROL. (% OF SECONDARY)	8.0	1.0	0.7/f	1.7	20.8
PUPIL-TEACHER RATIO					
PRIMARY	46.1	41.5	51.8/c	37.7	35.5
SECONDARY	16.0	20.9	..	20.2	25.0
ADULT LITERACY RATE (PERCENT)	28.0	33.4	36.0	52.1	73.1
CONSUMPTION					
PASSENGER CARS PER THOUSAND					
POPULATION	0.6	1.1	1.3/c	1.5	9.8
RADIO RECEIVERS PER THOUSAND					
POPULATION	4.9	21.5	33.6	35.4	116.5
TV RECEIVERS PER THOUSAND					
POPULATION	0.0	0.0	1.0	3.2	37.6
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION	10.6	16.0	19.8	16.4	53.7
CINEMA ANNUAL ATTENDANCE PER CAPITA	4.1	4.1	3.7	3.6	2.8
LABOR FORCE					
TOTAL LABOR FORCE (THOUSANDS)	185951.1	219194.2	264204.4	.	.
FEMALE (PERCENT)	30.7	32.5	31.8	29.5	33.6
AGRICULTURE (PERCENT)	74.0	74.0	69.3	70.0	52.2
INDUSTRY (PERCENT)	11.0	11.0	13.2	15.0	17.9
PARTICIPATION RATE (PERCENT)					
TOTAL	42.8	40.0	39.2	40.0	38.5
MALE	57.0	52.4	51.8	51.8	50.5
FEMALE	27.3	26.9	25.9	23.8	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 PERCENT OF HOUSEHOLDS	26.7	26.3/g	22.2/f	..	..
HIGHEST 20 PERCENT OF HOUSEHOLDS	51.7	48.9/g	49.4/f	..	..
LOWEST 20 PERCENT OF HOUSEHOLDS	4.1	6.7/g	7.0/f	..	..
LOWEST 40 PERCENT OF HOUSEHOLDS	13.6	17.2/g	16.2/f	..	..
POVERTY TARGET GROUPS					
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)					
URBAN	..	..	132.0	133.8	194.7
RURAL	..	..	114.0	111.1	155.1
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)					
URBAN	..	..	..	..	178.2
RURAL	..	..	..	..	164.9
ESTIMATED POPULATION BELOW ABSOLUTE POVERTY INCOME LEVEL (PERCENT)					
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; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1978 and 1980.

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

DEFINITIONS OF SOCIAL INDICATORS

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

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

AREA (thousand sq.km.)

Total - Total surface area comprising land area and inland waters; 1979 data.

Agricultural - Estimate of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or to lie fallow; 1979 data.

GNP PER CAPITA (US\$) - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1978-80 basis); 1960, 1970, and 1980 data.

ENERGY CONSUMPTION PER CAPITA - Annual consumption of commercial energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of coal equivalent per capita; 1960, 1970, and 1979 data.

POPULATION AND VITAL STATISTICS

Total Population, Mid-Year (thousands) - As of July 1; 1960, 1970, and 1980 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 1980 data.

Population Projections

Population in year 2000 - Current population projections are based on 1980 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 77.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes.

Stationary population - In a stationary population there is no growth since the birth rate is equal to the death rate, and also the age structure remains constant. This is achieved only after fertility rates decline to the replacement level of unit net reproduction rate, when each generation of women replaces itself exactly. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.

Year stationary population is reached - The year when stationary population size will be reached.

Population Density

Per sq. km. - Mid-year population per square kilometer (100 hectares) of total area; 1960, 1970 and 1979 data.

Per sq. km. agricultural land - Computed as above for agricultural land only; 1960, 1970 and 1979 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 1980 data.

Population Growth Rate (percent) - total - Annual growth rates of total mid-year population for 1950-60, 1960-70, and 1970-80.

Population Growth Rate (percent) - urban - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-80.

Crude Birth Rate (per thousand) - Annual live births per thousand of mid-year population; 1960, 1970, and 1980 data.

Crude Death Rate (per thousand) - Annual deaths per thousand of mid-year population; 1960, 1970, and 1980 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 1980.

Family Planning - Acceptors (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 1980 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 1977 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 1977 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 1980 data.

HEALTH

Life Expectancy at Birth (years) - Average number of years of life remaining at birth; 1960, 1970 and 1980 data.

Infant Mortality Rate (per thousand) - Annual deaths of infants under one year of age per thousand live births; 1960, 1970 and 1980 data.

Access to 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 stand piped 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 practising physicians qualified from a medical school at university level.

Population per Nursing Person - Population divided by number of practising 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 WHO's principal/general hospitals, and rural hospitals, local or rural hospitals and medical and maternity centers. Specialized hospitals are included only under total.

Admissions per Hospital Bed - Total number of admissions to or discharges from hospitals divided by the number of beds.

HOUSING

Average Size of Household (persons per household) - total, urban, and rural - A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.

Average number of persons per room - total, urban, and rural - average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.

Access to Electricity (percent of dwellings) - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

EDUCATION

Adjusted Enrollment Ratios

Primary school - total, male and female - Gross total, male and female enrollment of all ages at the primary level as percentages of respective primary school-age populations; normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.

Secondary school - total, male and female - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally excluded.

Vocational enrollment (percent of secondary) - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.

Pupil-teacher ratio - primary, and secondary - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.

Adult literacy rate (percent) - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

CONSUMPTION

Passenger Cars (per thousand population) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.

Radio Receivers (per thousand population) - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

TV Receivers (per thousand population) - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.

Newspaper Circulation (per thousand population) - Shows the average circulation of "daily general interest newspaper", defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.

Cinema Annual Attendance per Capita per Year - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

LABOR FORCE

Total Labor Force (thousands) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc., covering population of all ages. Definitions in various countries are not comparable; 1960, 1970 and 1980 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 1980 data.

Industry (percent) - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force; 1960, 1970 and 1980 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 1980 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 DEVELOPMENT DATA

a/
GNP PER CAPITA IN 1981 US\$250

GROSS NATIONAL PRODUCT IN 1981/82 b/

ANNUAL RATE OF GROWTH (% constant prices) c/

	US\$ Bln.	%	1955/56-1959/60	1960/61-1964/65	1965/66-1969/70	1970/71-1974/75
GNP at Market Prices	165.38	100.0	3.7	3.6	3.6	2.9
Gross Domestic Investment	41.74	25.2				
Gross National Saving	37.66	22.8				
Current Account Balance	-4.08	-2.4				

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1978

	Value Added (at factor cost)		Labor Force i/		V.A. Per Worker	
	US\$ Bln.	%	Mil.	%	US\$	% of National Average
Agriculture	39.8	39.6	180.6	70.7	220	56
Industry	25.2	25.1	32.2	12.6	783	199
Services	35.5	35.3	42.6	16.7	833	211
Total/Average	100.5	100.0	255.4	100.0	394	100

GOVERNMENT FINANCE

	General Government e/			Central Government		
	Rs. Bln.	% of GDP		Rs. Bln.	% of GDP	
	1981/82	1981/82	1977/78-1981/82	1981/82	1981/82	1977/78-1981/82
Current Receipts	285.77	19.4	19.1	149.28	10.1	10.4
Current Expenditures	280.34	19.0	18.2	155.03	10.5	10.6
Current Surplus/Deficit	5.43	0.4	0.9	-5.75	-0.4	-0.2
Capital Expenditures f/	116.91	7.9	7.8	83.66	5.7	5.5
External Assistance (net) d/	16.45	1.1	1.0			

MONEY, CREDIT AND PRICES

	1970/71	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	February 1982	February 1983
	(Rs Billion outstanding at end of period)									
Money and Quasi Money	110.2	224.8	277.8	329.1	401.1	472.3	554.5	625.5	615.5	711.7
Bank Credit to Government (net)	54.6	69.2	77.6	76.4	94.2	124.1	164.4	204.4	292.2	353.5
Bank Credit to Commercial Sector	65.2	156.2	188.5	212.2	255.3	310.1	362.8	430.4	422.2	487.7
	(percentage or Index Numbers)								April-Feb 1981/82	April-Feb 1982/83
Money and Qasi Money as % of GDP	27.4	30.3	34.6	36.5	41.2	44.1	43.3	42.5		
Wholesale Price Index (1970/71 = 100)	100.0	173.0	176.6	185.8	185.8	217.6	257.3	281.3	281.7	287.3
Annual percentage changes in:										
Wholesale Price Index	7.7	-1.1	2.1	5.2	-	17.1	18.2	9.3	10.0	2.0
Bank Credit to Government (net)	15.0	6.3	11.1	16.3	16.0	25.6	29.6	19.1	22.7 g/	21.0
Bank Credit to Commercial Sector	20.5	22.7	20.7	12.6	20.3	21.5	17.0	18.7	20.9 g/	15.5 h/

a/ The per capita GNP estimate is at market prices, using World Bank Atlas methodology, base period 1979-1981.

All other conversions to dollars in this table are at the average exchange rate prevailing during the period covered.

b/ Quick Estimates, Central Statistical Organization.

c/ Computed from trend line of GNP at factor cost series, including one observation before first year and one observation after last year of listed period.

d/ World Bank estimates of net disbursement; not necessarily consistent with official figures.

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 1981 to end-February 1982.

h/ Percentage change from end-March 1982 to end-February 1983.

i/ Total Labor Force and percentage breakdown from Sixth Five Year Plan, Table 2.6 and Annexure Table 13.8.

BALANCE OF PAYMENTS (US\$ Mln.)	1979/80	1980/81	1981/82 ^{j/}	1982/83 ^{j/}
Exports of Goods ^{q/}	7,948	8,504	8,511	8,800
Imports of Goods ^{q/}	-11,383	-16,119	-15,253	-14,801
Trade Balance	-3,435	-7,615	-6,742	-6,001
NFS (net)	1,042	1,365	1,120	1,088
Resource Balance	-2,393	-6,250	-5,622	-4,913
Interest Income (net) ^{k/}	287	600	212	-128
Net Transfers ^{l/}	1,852	2,771	1,577	1,668
Balance on Current Account	-254	-2,879	-3,833	-3,373
Official Aid				
Gross Disbursements	1,218	1,629	1,821	1,933
Amortization	1,894	2,338	2,475	2,569
Transactions with IMF	-	1,035	690	1,980
All Other Items ^{o/}	-740	-130	-1,075	-358
Increase in Reserves (-)	-224	345	2,397	-182
Gross Reserves (end year) ^{p/}	7,204	6,859	4,462	4,644
Net Reserves (end year) ^{m/}	7,204	6,532	3,498	1,703
Fuel and Related Materials				
Imports (Petroleum) ^{q/}	4,046	6,657	5,570	4,686

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-December 1981	:	US\$1.00 = Rs 9.099 Rs 1.00 = US\$0.110
Spot Rate end-December 1982	:	US\$1.00 = Rs 9.634 Rs 1.00 = US\$0.104

MERCHANDISE EXPORTS (AVERAGE 1978/79-1981/82) ^{q/}	US\$ Mln.	%
Engineering Goods	901	11
Tea	457	6
Gems	759	10
Clothing	556	7
Leather & Leather Products	470	6
Jute Manufactures	279	4
Iron Ore	352	4
Cotton Textiles	319	4
Sugar	104	1
Others	3,789	47
Total	7,986	100

EXTERNAL DEBT, MARCH 31, 1982

	US\$ billion
Outstanding and Disbursed	18.3
Undisbursed	8.5
Outstanding, including Undisbursed	26.8

DEBT SERVICE RATIO FOR 1981/82 ^{j/} n/ 8.9 per cent

IBRD/IDA LENDING, as of February 28, 1983

	US\$ million	
	IBRD	IDA
Outstanding and Disbursed	1,357	6,688
Undisbursed	1,896	4,270
Outstanding including Undisbursed	3,253	10,958

Spot Rate end-March 1983: US\$1.00 = Rs 10.03
Rs 1.00 = US\$0.0997

- ^{j/} Estimated.
^{k/} Figures given cover all investment income (net). Major payments are interest on foreign loans and charges paid to IMF, and major receipts is interest earned on foreign assets.
^{l/} Figures given include workers' remittances but exclude official grant assistance which is included within official aid disbursements.
^{m/} Excludes net use of IMF credit.
^{n/} Amortization and interest payments on foreign loans as a percentage of exports of goods and services and current transfers.
^{o/} Includes commercial borrowing.
^{p/} Excluding gold.
^{q/} Net of crude petroleum exports.

THE STATUS OF BANK GROUP OPERATIONS IN INDIA

A. STATEMENT OF BANK LOANS AND IDA CREDITS
(As of March 31, 1983)

Loan or Credit No.	Fiscal Year of Approval	Purpose	US\$ million (Net of Cancellations)		
			Bank	IDA 1/	Undisbursed 2/
46 Loans/			1,568.0	-	-
76 Credits fully disbursed			-	4,364.4	-
482-IN	1974	Karnataka Dairy	-	30.0	11.87
502-IN	1975	Rajasthan Canal CAD	-	83.0	13.99
521-IN	1975	Rajasthan Dairy	-	27.7	6.84
522-IN	1975	Madhya Pradesh Dairy	-	16.4	0.31
585-IN	1976	Uttar Pradesh Water Supply	-	40.0	8.55
598-IN	1976	Fertilizer Industry	-	105.0	3.59
604-IN	1976	Power Transmission IV	-	150.0	10.17
609-IN	1976	Madhya Pradesh Forestry T.A.	-	4.0	0.98
610-IN	1976	Integrated Cotton Development	-	18.0	5.02
1251-IN	1976	Andhra Pradesh Irrigation	145.0	-	52.44
1260-IN	1976	IDBI II	40.0	-	1.31
1273-IN	1976	National Seeds I	25.0	-	17.08
1313-IN	1977	Telecommunications VI	80.0	-	3.68
1335-IN	1977	Bombay Urban Transport	25.0	-	5.69
680-IN	1977	Kerala Agric. Development	-	30.0	14.82
682-IN	1977	Orissa Agric. Development	-	20.0	4.01
685-IN	1977	Singrauli Thermal Power	-	150.0	9.62
690-IN	1977	West Bengal Agricultural Extension & Research	-	12.0	11.60
1394-IN	1977	Gujarat Fisheries	14.0	-	4.68
712-IN	1977	M.P. Agric. Development	-	10.0	1.57
720-IN	1977	Periyar Vaigai Irrigation	-	23.0	10.40
728-IN	1977	Assam Agricultural Development	-	8.0	4.81
736-IN	1978	Maharashtra Irrigation	-	70.0	6.34
737-IN	1978	Rajasthan Agric. Extension	-	13.0	1.37
740-IN	1978	Orissa Irrigation	-	58.0	0.24
1475-IN	1978	Industry DFC XII	78.5	-	3.86
747-IN	1978	Second Foodgrain Storage	-	107.0	64.61
756-IN	1978	Calcutta Urban Development II	-	87.0	8.30
761-IN	1978	Bihar Agric. Extension & Research	-	8.0	6.19

Loan or Credit No.	Fiscal Year of Approval	Purpose	US\$ million (Net of Cancellations)		
			Bank	IDA 1/	Undisbursed 2/
1511-IN	1978	IDBI Joint/Public Sector	25.0	-	4.66
1549-IN	1978	Third Trombay Thermal Power	105.0	-	16.68
788-IN	1978	Karnataka Irrigation	-	117.6	57.00
793-IN	1978	Korba Thermal Power	-	200.0	49.63
806-IN	1978	Jammu-Kashmir Horticulture	-	14.0	11.56
808-IN	1978	Gujarat Irrigation	-	85.0	29.91
815-IN	1978	Andhra Pradesh Fisheries	-	17.5	10.53
816-IN	1978	National Seeds II	-	16.0	10.55
1592-IN	1978	Telecommunications VII	120.0	-	28.48
824-IN	1978	National Dairy	-	150.0	87.61
842-IN	1979	Bombay Water Supply II	-	196.0	170.17
843-IN	1979	Haryana Irrigation	-	111.0	0.10
844-IN	1979	Railway Modernization & Maintenance	-	190.0	63.60
848-IN	1979	Punjab Water Supply & Sewerage	-	38.0	9.88
855-IN	1979	National Agricultural Research	-	27.0	20.30
862-IN	1979	Composite Agricultural Extension	-	25.0	9.45
871-IN	1979	National Cooperative Development Corporation	-	30.0	6.07
1648-IN	1979	Ramagundam Thermal Power	50.0	-	50.00
874-IN	1979	Ramagundam Thermal Power	-	200.0	52.90
889-IN	1979	Punjab Irrigation	-	129.0	68.92
899-IN	1979	Maharashtra Water Supply	-	48.0	17.49
911-IN	1979	Rural Electrification Corp. II	-	175.0	26.76
925-IN	1979	Uttar Pradesh Social Forestry	-	23.0	9.77
954-IN	1980	Maharashtra Irrigation II	-	210.0	99.51
961-IN	1980	Gujarat Community Forestry	-	37.0	18.45
963-IN	1980	Inland Fisheries	-	20.0	18.29
981-IN	1980	Population II	-	46.0	39.48
1003-IN	1980	Tamil Nadu Nutrition	-	32.0	25.95
1004-IN	1980	U.P. Tubewells	-	18.0	3.75
1011-IN	1980	Gujarat Irrigation II	-	175.0	132.77
1012-IN	1980	Cashewnut	-	22.0	18.95
1027-IN	1980	Singrauli Thermal II	-	300.0	221.29
1028-IN	1980	Kerala Agricultural Extension	-	10.0	8.99
1033-IN	1980	Calcutta Urban Transport	-	56.0	30.35
1034-IN	1980	Karnataka Sericulture	-	54.0	44.68
1046-IN	1980	Rajasthan Water Supply and Sewerage	-	80.0	64.42
1843-IN	1980	Industry DFC XIII	100.0	-	15.29

Loan or Credit No.	Fiscal Year of Approval	Purpose	US\$ million (Net of Cancellations)		
			Bank	IDA 1/	Undisbursed 2/
1887-IN	1980	Farakka Thermal Power	25.0	-	25.00
1053-IN	1980	Farakka Thermal Power	-	225.0	179.32
1897-IN	1981	Kandi Watershed and Area Development	30.0	-	25.30
1925-IN	1981	Bombay High Offshore Development	400.0	-	42.02
1072-IN	1981	Bihar Rural Roads	-	35.0	28.17
1078-IN	1981	Mahanadi Barrages	-	83.0	77.59
1082-IN	1981	Madras Urban Development II	-	42.0	29.88
1108-IN	1981	M.P. Medium Irrigation	-	140.0	132.36
1112-IN	1981	Telecommunications VIII	-	314.0	210.79
1116-IN	1981	Karnataka Tank Irrigation	-	54.0	53.85
1125-IN	1981	Hazira Fertilizer Project	-	400.0	344.72
1135-IN	1981	Maharashtra Agricultural Ext.	-	23.0	21.75
1137-IN	1981	Tamil Nadu Agricultural Ext.	-	28.0	25.25
1138-IN	1981	M.P. Agricultural Ext. II	-	37.0	36.27
1146-IN	1981	National Cooperative Development Corp. II	-	125.0	109.46
1172-IN	1982	Korba Thermal Power Project II	-	400.0	366.87
1177-IN	1982	Madhya Pradesh Major Irrigation	-	220.0	206.58
2050-IN	1982	Tamil Nadu Newsprint	100.0	-	81.29
1178-IN	1982	West Bengal Social Forestry	-	29.0	26.86
1185-IN	1982	Kanpur Urban Development	-	25.0	23.37
2051-IN	1982	ICICI XIV	150.0	-	124.82
2076-IN	1982	Ramagundam Thermal Power II	300.0	-	300.00
2095-IN	1982	ARDC IV	190.0	-	190.00
1209-IN	1982	ARDC IV	-	160.0	23.34
1219-IN	1982	Andhra Pradesh Agricultural Extension	-	6.0	5.80
2123-IN	1982	Refineries Rationalization	200.0	-	181.91
2165-IN	1982	Rural Electrification III	304.5	-	300.00
2186-IN	1982	Kallada Irrigation	20.3	-	20.00
1269-IN	1982	Kallada Irrigation	-	60.0	48.41
1280-IN	1983	Gujarat Water Supply	-	72.0	71.45
1286-IN	1983	Jammu/Kashmir and Haryana Social Forestry	-	33.0	31.70
1288-IN	1983	Chambal Madhya Pradesh Irrigation II	-	31.0	31.00
1289-IN	1983	Subernarekha Irrigation	-	127.0	123.26
2205-IN	1983	Krishna-Godavari Exploration	165.5	-	163.05
2210-IN	1983	Railways Modernization & Maintenance II	200.0	-	197.04
1299-IN	1983	Railways Modernization & Maintenance II	-	200.0	200.00

Loan or Credit No.	Fiscal Year of Approval	Purpose	US\$ million (Net of Cancellations)		
			Bank	IDA 1/	Undisbursed 2/
2241-IN	1983	South Bassein Gas Development*	222.3	-	222.30
1319-IN	1983	Haryana Irrigation II*	-	150.0	150.00
1332-IN	1983	U.P. Public Tubewells II*	-	101.0	101.00
Total			4,783.1	11,446.6	
of which has been repaid			1,211.8	120.4	
Total now outstanding			3,571.3	11,326.2	
Amount Sold					133.8
of which has been repaid			-	-	133.8
Total now held by Bank and IDA 3/			3,571.3	11,326.2	
Total undisbursed (excluding *)			1,854.3	4,052.3	

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 on the basis of the SDR/US dollar exchange rate (1 SDR = US\$1.07867) in effect on March 31, 1983.

3/ Prior to exchange adjustment.

* Not yet effective.

B. STATEMENT OF IFC INVESTMENTS
(As of March 31, 1983)

Year	Company	Amount (US\$ million)		
		Loan	Equity	Total
1959	Republic Forge Company Ltd.	1.5	-	1.5
1959	Kirloskar Oil Engines Ltd.	0.9	-	0.9
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 Ugin 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.	16.3	-	16.3
1982	The Indian Rayon Corp. Ltd.	8.5	-	8.5
TOTAL GROSS COMMITMENTS		208.3	12.1	220.4
Less: Sold		53.0	3.2	56.2
Repaid		28.3	-	28.3
Cancelled		15.9	1.4	17.3
Now Held		111.1	7.5	118.6
Undisbursed		93.1	0.2	93.3

C. PROJECTS IN EXECUTION 1/
(As of March 31, 1983)

Generally, the implementation of projects has been proceeding reasonably well. Brief notes on the execution of individual projects are below. The level of disbursements was US\$1,245 million in FY82, compared to US\$962 million in the previous year. Disbursements in the current fiscal year through March 31, 1983 total US\$1,008 million, representing an increase of about 17% over the same period last year. The undisbursed pipeline as of March 31, 1983, is US\$5,907 million.

Ln. No. 1475 Twelfth Industrial Credit and Investment Corporation of India Project; US\$80 million loan of July 22, 1977; Effective Date: October 4, 1977; Closing Date: September 30, 1983

Ln. No. 1843 Thirteenth Industrial Credit and Investment Corporation of India Project; US\$100 million loan of May 16, 1980; Effective Date: June 27, 1980; Closing Date: December 31, 1985

Ln. No. 2051 Fourteenth Industrial Credit and Investment Corporation of India Project; US\$150 million loan of October 8, 1981; Effective Date: December 3, 1981; Closing Date: March 31, 1988

These loans are supporting industrial development in India through a well-established development finance company and are designed to finance the foreign exchange cost of industrial projects. ICICI continues to be a well-managed and efficient development bank financing medium- and large-scale industries, often in the high technology fields and are also mostly export-oriented. Disbursements are on schedule for the twelfth loan and ahead of schedule for the thirteenth and fourteenth loans.

Ln. No. 1260 Second Industrial Development Bank of India Project; US\$40 million loan of June 10, 1976; Effective Date: August 10, 1976; Closing Date: March 31, 1983

1/ These notes are designed to inform the Executive Directors regarding the progress of projects in execution, and in particular to report any problems which are being encountered and the action being taken to remedy them. They should be read in this sense and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

Ln. No. 1511 IDBI Joint/Public Sector Project; US\$25 million loan of
March 1, 1978; Effective Date: May 31, 1978; Closing Date:
March 31, 1983

Loan 1260 has been completed and was closed on March 31, 1983. Disbursements are expected to be completed by the end of April 1983.

Loan 1511 is nearly complete and was also scheduled to close on March 31, 1983. Although project implementation has been satisfactory, a small number of sub-projects remain unfinished. Following a detailed review of the project by a Bank mission in April, a short extension of the closing date will be made to allow completion of these sub-projects and full disbursement of the loan proceeds.

Ln. No. 2050 Tamil Nadu Newsprint Project; US\$100 million loan of
September 23, 1981; Effective Date: March 22, 1982; Closing
Date: August 31, 1985

Project progress is good. Land acquisition has been completed and construction began in July 1982. Basic engineering work was completed on schedule at the end of August. Procurement is proceeding as planned.

Cr. No. 598 Fertilizer Industry Project; US\$105 million credit of
December 31, 1975; Effective Date: March 1, 1976; Closing
Date: December 31, 1982

Cr. No. 1125 Hazira Fertilizer Project; US\$400 million credit of
October 28, 1981; Effective Date: January 21, 1982; Closing
Date: June 30, 1986

Following completion of 37 fertilizer sub-projects, Credit 598 was closed on December 31, 1982. Disbursements are expected to be completed by the end of April 1983. About US\$3 million in the credit account are expected to be cancelled.

Credit 1125 is proceeding generally satisfactorily. Procurement of all critical items is on schedule. The need to undertake unexpected piling and foundation work identified by detailed soil surveys delayed somewhat the start of major civil works. This has now been completed, and erection of the ammonia and urea plants is scheduled to begin in April-May 1983.

Ln. No. 2123 Refineries Rationalization Project; US\$200 million loan of
May 5, 1982; Effective Date: June 29, 1982; Closing Date:
September 30, 1986

Project implementation is satisfactory. The conversion component is making very good progress, with construction about to commence. Preparation work and investment approvals for the energy efficiency and pollution control components are underway.

Ln. No. 1925 Second Bombay High Offshore Development Project; US\$400 million
loan of December 11, 1980; Effective Date: February 24, 1981;
Closing Date: March 31, 1984

- Ln. No. 2205 Krishna-Godavari Exploration Project; US\$165.5 million loan of November 9, 1982; Effective Date: February 28, 1983; Closing Date: March 31, 1986
- Ln. No. 2241 South Bassein Offshore Gas Development Project; US\$222.3 million loan of March 31, 1983; Effective Date: Expected June 1983; Closing Date: December 31, 1985.

The Bombay High Project is progressing well. All platforms and subsea pipelines have been installed essentially on schedule. ONGC reached its targetted production level of 240,000 Bbl/day in May 1982, and is presently producing 250,000 Bbl/day, 44% of which comes from project wells.

Initial activities under the Krishna-Godavari Project are about four months behind schedule due to longer than anticipated testing and completion time for on-shore wells, lack of adequate number of geophysicists for processing the seismic data, and delay in initiating procurement actions. These problems have been discussed in depth with ONGC, and they are in the process of undertaking steps to correct the situation.

The South Bassein Gas Project is designed to assist India to increase her gas production capability through the installation of offshore platforms for drilling, processing, and gas flaring, and the laying of a subsea pipeline to Gujarat State and the fertilizer plant at Hazira. Initial procurement activities are underway.

- Cr. No. 604 Power Transmission IV Project; US\$150 million credit of January 22, 1976; Effective Date: October 22, 1976; Closing Date: June 30, 1983
- Cr. No. 685 Singrauli Thermal Power Project; US\$150 million credit of April 1, 1977; Effective Date: June 28, 1977; Closing Date: December 31, 1983
- Cr. No. 793 Korba Thermal Power Project; US\$200 million credit of May 12, 1978; Effective Date: August 14, 1978; Closing Date: March 31, 1985
- Ln. No. 1549 Third Trombay Thermal Power Project; US\$105 million loan of June 19, 1978; Effective Date: February 8, 1979; Closing Date: March 31, 1984
- Ln. No. 1648 Ramagundam Thermal Power Project; US\$50 million loan and
Cr. No. 874 US\$200 million credit of February 2, 1979; Effective Date: May 22, 1979; Closing Date: December 31, 1985
- Cr. No. 1027 Second Singrauli Thermal Power Project; US\$300 million credit of June 5, 1980; Effective Date: July 30, 1980; Closing Date: March 31, 1988

<u>Ln. No. 1887</u>	<u>Farakka Thermal Power Project; US\$25 million loan and</u>
<u>Cr. No. 1053</u>	<u>US\$225 million credit of July 11, 1980; Effective Date:</u> <u>December 10, 1980; Closing Date: March 31, 1987</u>
<u>Ln. No. 2076</u>	<u>Second Ramagundam Thermal Power Project; US\$300 million loan of</u> <u>January 6, 1982; Effective Date: March 16, 1982; Closing</u> <u>Date: June 30, 1988</u>
<u>Cr. No. 1172</u>	<u>Second Korba Thermal Power Project; US\$400 million credit of</u> <u>February 4, 1982; Effective Date: March 16, 1982; Closing</u> <u>Date: December 31, 1989</u>

Credits 685 and 1027 assist in financing the 2,000 MW Singrauli development, which is the first of four power stations in the Government's program for the development of large central thermal power stations feeding power into an interconnected grid. Credit 793, together with Credit 1172, which became effective March 16, 1982, support the construction of the 2100 MW development, consisting of three 200 MW and three 500 MW generating units, at the second such station, at Korba, together with related facilities and associated transmission. Loan 1648/Credit 874, together with Loan 2076, which also became effective March 16, 1982, support similar investments at Ramagundam. Loan 1887/Credit 1053 assists in financing the first three 200 MW generating units at the Farakka station. The National Thermal Power Corporation (NTPC) has been carrying out construction and operation of these power stations. Loan 1549 supports the construction of a 500 MW extension of the Tata Electric Company's station at Trombay, designed to help meet the forecast load growth in the Bombay area.

All these large-scale thermal power projects are progressing satisfactorily. Construction works for the Singrauli, Korba, and Farakka stations are on or ahead of schedule, although some slippage has occurred in the implementation schedule for the Ramagundam project. The first unit at the Singrauli station was commissioned on schedule in February 1982, the second unit in October 1982, and the third in March 1983. The first unit at the Korba station was also commissioned in March 1983. In the Third Trombay project, procurement is complete and the generator is expected to be commissioned in April/May 1983. Tata Electric Company's financial performance in 1982, and projections through 1985, are satisfactory. Cost overruns, caused by design modifications, price increases in materials, and increases in customs duties, will be met by the Government of India.

<u>Cr. No. 911</u>	<u>Second Rural Electrification Corporation Project; US\$175 million</u> <u>credit of June 21, 1979; Effective Date: October 17, 1979;</u> <u>Closing Date: March 31, 1984</u>
<u>Ln. No. 2165</u>	<u>Third Rural Electrification Corporation Project; US\$304.5 million</u> <u>loan of June 22, 1982; Effective Date: October 21, 1982;</u> <u>Closing Date: June 30, 1986</u>

These projects are progressing satisfactorily with no major problems. Procurement of materials and equipment is on schedule, and disbursements are keeping pace with appraisal estimates. Detailed plans for the new Rural Electrification Corporation (REC) training institute to be established in

Hyderabad are well advanced. REC's financial performance continues to be satisfactory. In the near future, REC's major thrust under both projects will be on improving consumer connection performance, which is lagging considerably behind projections. REC is in the process of reassessing the annual work programs of the State Electricity Boards, including an analysis of the reasons for the poor connection performance, the setting of realistic new goals, and the introduction of measures to improve the situation.

Ln. No. 1313 Telecommunications VI Project; US\$80 million loan of July 22, 1976; Effective Date: September 14, 1976
Closing Date: March 31, 1983

Ln. No. 1592 Telecommunications VII Project; US\$120 million loan of June 19, 1978; Effective Date: October 30, 1978; Closing Date: December 31, 1983

Cr. No. 1112 Telecommunications VIII Project; US\$314 million credit of March 26, 1981; Effective Date: June 24, 1981;
Closing Date: December 31, 1984

Loan 1313 has been successfully concluded and was closed on March 31, 1983. Disbursements are expected to be completed by May 31, 1983.

Loan 1592 and Credit 1112 are both progressing satisfactorily and there are no major problems. Initial delays in Loan 1592 as a result of late procurement caused by a strike have been offset by accelerated implementation during 1982. All bidding under Credit 1112 is now complete and civil works are underway. Institutional improvements under all projects have been achieved and the financial position of the Posts & Telegraph Department remains sound.

Cr. No. 844 Railway Modernization and Maintenance Project; US\$190 million credit of November 13, 1978; Effective Date: January 10, 1979;
Closing Date: December 31, 1984

Ln. No. 2210 Second Railway Modernization and Maintenance Project;
Cr. No. 1299 US\$200 million loan and US\$200 million credit of December 23, 1982; Effective Date: February 23, 1983; Closing Date: September 30, 1987

These projects are designed to help the Indian Railways reduce re-manufacturing and maintenance costs of locomotives and rolling stock and to improve their performance and availability. The physical execution of Credit 844 continues to make good progress. Procurement of all critical equipment is complete and civil works are well advanced. Commitments under the project total nearly 97% of the Credit amount. Initial activities for the second project are underway. The Indian Railways' financial and traffic performance continued its significant improvement in FY1982/83, and this is expected to be sustained in FY1983/84.

Cr. No. 1072 Bihar Rural Roads Project; US\$35 million credit of December 5, 1980; Effective Date: January 15, 1981; Closing Date: June 30, 1986

The project aims to construct or rehabilitate 700 km of rural roads and to improve maintenance of the rural road network in Bihar. It is proceeding on schedule. The majority of the equipment required for the project has been delivered. Contracts have been awarded for civil works totalling to about US\$13 million and work began last March.

Ln. No. 1335 Bombay Urban Transport Project; US\$25 million loan of December 20, 1976; Effective Date: March 10, 1977; Closing Date: June 30, 1983

Cr. No. 1033 Calcutta Urban Transport Project; US\$56 million credit of October 27, 1980; Effective Date: December 18, 1980; Closing Date: December 31, 1984

Implementation of the Bombay project is satisfactory, with about 75% of the loan disbursed. Construction of new workshop facilities began in January 1982, but to allow for completion the loan closing date may have to be extended one year. A bus fare revision on April 1, 1982 increased revenues by 20% and will enable the project authority to achieve its targeted operating ratio.

There has been considerable recent improvement in the Calcutta project, including definite progress at the policy level in response to IDA's 15-point action program to improve project implementation, which was presented to the project authorities in October 1982. All 75 new tramcars financed under the project have been delivered, an additional 60 should be renovated and in service by December 1983, and the operating performance of the tram company has improved substantially over the last six months. Although the operating performance of the bus corporation remains unsatisfactory, the recent appointment of three new senior staff members to the corporation's management and a new Chairman of the Board is expected to improve operations, and there are now over 500 new buses in service.

Cr. No. 756 Second Calcutta Urban Development Project; US\$87 million credit of January 6, 1978; Effective Date: April 7, 1978; Closing Date: December 31, 1983

Cr. No. 1082 Second Madras Urban Development Project; US\$42 credit of January 14, 1981; Effective Date: March 2, 1981; Closing Date: March 31, 1986

Cr. No. 1185 Kanpur Urban Development Project; US\$25 million credit of February 4, 1982; Effective Date: April 22, 1982; Closing Date: June 30, 1986

Physical performance in the Calcutta project is generally good. All sub-projects presently under implementation are scheduled to be completed by March 31, 1983. Following a review of the overall program for Calcutta's further development, the Government of West Bengal shifted its investment

priorities somewhat and consequently requested a revision of some components of this project. IDA agreed to the suggested changes, and the closing date has been extended by nine months to allow for completion of the redefined project.

Credit 1082, is proceeding satisfactorily, with the exception of the sites and services component, where legal challenges are causing delays in land acquisition. The Government of Tamil Nadu (GOTN) is actively pursuing the resolution of these court cases and has identified alternative sites to be used so that the sites and services works can be finished by the project closing date. The financial performance of the Pallavan Transport Corporation (PTC), the project implementing agency, is unsatisfactory. It is not generating funds sufficient to meet its financial targets. An action plan to cut operating costs, reduce new investment, and raise revenues has recently been formulated and, subject to the agreement of GOTN, will enable PTC to achieve the required targets by 1983/84 and maintain them thereafter.

Progress under Credit 1185 is mixed. Procedures to improve cost recovery have not been introduced as agreed, studies on institutional strengthening of the project agencies have not begun, and the project authority suffers from a serious lack of staff with proper management expertise. However, there has been considerable improvement recently in land acquisition for slum upgrading, where completed works have benefitted nearly 6,700 households. Procurement is proceeding well and all physical works are expected to be completed on schedule.

Cr. No. 585 Uttar Pradesh Water Supply and Sewerage Project; US\$40 million credit of September 25, 1975; Effective Date: February 6, 1976; Closing Date: December 31, 1982

Following the completion of physical works, the project was closed on December 31, 1982. Institutional and financial performance under the project were unsatisfactory, and several of the implementing agencies were unable to achieve the financial performance targets which had been agreed with IDA.

Cr. No. 842 Second Bombay Water Supply and Sewerage Project; US\$196 million credit of November 13, 1978; Effective Date: June 12, 1979; Closing Date: March 31, 1985

Cr. No. 848 Punjab Water Supply and Sewerage Project; US\$38 million credit of October 27, 1978; Effective Date: January 25, 1979; Closing Date: March 31, 1984

Cr. No. 899 Maharashtra Water Supply and Sewerage Project; US\$48 million credit of June 21, 1979; Effective Date: November 9, 1979; Closing Date: June 30, 1984

Cr. No. 1046 Rajasthan Water Supply and Sewerage Project; US\$80 million credit of June 25, 1980; Effective Date: August 5, 1980; Closing Date: December 31, 1985

Cr. No. 1280 Gujarat Water Supply and Sewerage Project; US\$72 million credit
of November 9, 1982; Effective Date: February 8, 1983;
Closing Date: September 30, 1987

Recent progress under Credit 842 has been encouraging. Preparation of contract documents and drawings for the water supply component is well advanced. For the 137 sewerage sub-projects, all tender documents have been completed and construction is well underway, although there have been serious delays on the two major sewerage treatment plants due to land acquisition difficulties. Cost overruns are expected and IDA has requested the project authorities to prepare detailed estimates and proposals for dealing with these. The financial performance of the Bombay Water Supply and Sewerage Department continues to be satisfactory, and all financial conditions under the project are being met.

The closing date of Credit 848 has been extended one year as a result of initial procurement delays. Physical implementation of the project is now proceeding satisfactorily, and all works are expected to be finished by the extended completion date of December 1983. The quality of construction work is excellent, and the Punjab Water Supply and Sewerage Board is proving to be an effective implementing agency. However, there continue to be significant problems with financial and operational performance, which must be improved considerably if agreed targets under the project are to be met. IDA has brought this to the attention of the project authorities repeatedly, and plans to concentrate its supervision efforts for the duration of the project on improving the financial and operational aspects of implementation.

Credit 899 is proceeding reasonably well. It has now entered the full construction stage, and work is satisfactory. Disbursements are in line with the appraisal estimates. The level of tariffs is adequate to achieve the financial performance targets under the project. The Government of Maharashtra is preparing detailed estimates and proposals for dealing with the anticipated cost increases which have occurred as a result of delayed start of construction and retendering on one major water supply facility. Attention now needs to be devoted to the resolution of the staffing difficulties in the Maharashtra Water Supply and Sewerage Board, particularly the lack of financial staff to properly administer their financial operations.

Under the Rajasthan project, Credit 1046, the rural water supply schemes are well advanced and engineering designs for the urban schemes have been nearly finalized. Progress in the project has been hampered by the Government of Rajasthan (GOR) fund allocations running at between 50%-60% of annual requirements. A recent Cabinet decision has deferred the construction of the planned Hemawas/Kuri Pipeline to provide water to the city of Jodhpur, in order to consider the possibility of accessing water from the Rajasthan Canal instead. A feasibility report has been completed. GOR has decided on the alternative Rajasthan Canal source, which will be funded without Bank assistance.

Initial work under Credit 1280 is proceeding well. The design team has been established and detailed design of all sub-projects is on schedule. The bid documents for civil works in Ahmedabad, one of the project cities, have been approved and will be issued shortly. Work is now concentrating on preparation of bids for materials procurement.

<u>Cr. No. 502</u>	<u>Rajasthan Canal Command Area Development Project; US\$83 million credit of July 31, 1974; Effective Date: December 12, 1974; Closing Date: June 30, 1983</u>
<u>Ln. No. 1251</u> <u>(TW)</u>	<u>Andhra Pradesh Irrigation and Command Area Development Composite Project; US\$145 million loan (Third Window) of June 10, 1976; Effective Date: September 7, 1976; Closing Date: December 31, 1982</u>
<u>Cr. No. 720</u>	<u>Periyar Vaigai Irrigation Project; US\$23 million credit of June 30, 1977; Effective Date: September 30, 1977; Closing Date: March 31, 1984</u>
<u>Cr. No. 736</u>	<u>Maharashtra Irrigation Project; US\$70 million credit of October 11, 1977; Effective Date: January 13, 1978; Closing Date: March 31, 1983</u>
<u>Cr. No. 740</u>	<u>Orissa Irrigation Project; US\$58 million of October 11, 1977; Effective Date: January 16, 1978; Closing Date: October 31, 1983</u>
<u>Cr. No. 788</u>	<u>Karnataka Irrigation Project; US\$126 million credit of May 12, 1978; Effective Date: August 10, 1978; Closing Date: March 31, 1984</u>
<u>Cr. No. 808</u>	<u>Gujarat Medium Irrigation Project; US\$85 million credit of July 17, 1978; Effective Date: October 31, 1978; Closing Date: June 30, 1984</u>
<u>Cr. No. 843</u>	<u>Haryana Irrigation Project; US\$111 million credit of August 16, 1978; Effective Date: December 14, 1978; Closing Date: August 31, 1983</u>
<u>Cr. No. 889</u>	<u>Punjab Irrigation Project; US\$129 million credit of March 30, 1979; Effective Date: June 20, 1979; Closing Date: June 30, 1985</u>
<u>Cr. No. 954</u>	<u>Second Maharashtra Irrigation Project; US\$210 million credit of April 14, 1980; Effective Date: June 6, 1980; Closing Date: December 31, 1985</u>
<u>Cr. No. 1011</u>	<u>Second Gujarat Irrigation Project; US\$175 million credit of May 12, 1980; Effective Date: June 27, 1980; Closing Date: April 30, 1986</u>
<u>Cr. No. 1078</u>	<u>Mahanadi Barrages Project; US\$83 million credit of December 5, 1980; Effective Date: February 11, 1981; Closing Date: March 31, 1987</u>
<u>Cr. No. 1108</u>	<u>Madhya Pradesh Medium Irrigation Project; US\$140 million credit of March 26, 1981; Effective Date: May 13, 1981; Closing Date: March 31, 1987</u>

<u>Cr. No. 1177</u>	<u>Madhya Pradesh Major Irrigation Project; US\$220 million credit of February 24, 1982; Effective Date: April 16, 1982; Closing Date: June 30, 1987</u>
<u>Ln. No. 2186</u> <u>Cr. No. 1269</u>	<u>Kallada Irrigation Project; US\$20.3 million loan and US\$60 million credit of July 6, 1982; Effective Date: September 21, 1982; Closing Date: March 31, 1987</u>
<u>Cr. No. 1288</u>	<u>Second Chambal Madhya Pradesh Irrigation Project; US\$31 million credit of September 7, 1982; Effective Date: December 1, 1982 Closing Date: March 31, 1987</u>
<u>Cr. No. 1289</u>	<u>Subernarekha Irrigation Project; US\$127 million credit of November 9, 1982; Effective Date: January 10, 1983; Closing Date: April 30, 1987.</u>
<u>Cr. No. 1319</u>	<u>Haryana II Irrigation Project; US\$150 million credit of February 23, 1983; Effective Date: Expected May 1983; Closing Date: March 31, 1988.</u>

These projects, based on existing large irrigation systems, are designed to improve the efficiency of water utilization and, where possible, to use water savings for bringing additional areas under irrigation. Canal lining and other irrigation infrastructure, drainage, and land shaping are prominent components of these projects. In addition, provisions have been made to increase agricultural production and marketing by reforming and upgrading agricultural extension services and by providing processing and storage facilities and village access roads.

Following unsatisfactory early project progress, Loan 1251 was reformulated in May 1980, at which time project completion was planned for December 1984. On the basis of improved implementation performance under the reformulated program, a one-year extension of the closing date is now under consideration.

Implementation of Maharashtra I has been unbalanced, with emphasis on major works. As of March 31, 1983, the original closing date, the large construction components were about 80% complete, but there were major shortfalls in the minor irrigation and CAD works. Over recent months there has been some improvement in implementation, with the provision of adequate budget resources and staff, and the preparation of detailed work programs for completion of the works. Therefore, a one-year extension of the closing date is being considered to allow completion of all project components and hence full development of the irrigation potential of the area.

As a result of cost overruns, the Periyar Vaigai Project was reformulated in 1981, at which time completion was planned for March 1984. Accordingly, the closing date has been extended by one year to March 31, 1984. Recent implementation progress has been encouraging, particularly in the construction of field channels. The project could profit still further, however, from improved coordination among the various Government of Tamil Nadu agencies responsible for project execution.

The Karnataka Project is experiencing serious delays in command area development and completion of construction of the distribution system, due mainly to lack of proper support from the State Government and inadequate staffing of the project entity. The urgent attention of the State Government must be devoted to the early resolution of these implementation problems.

Although the Gujarat Medium Project is 30% behind schedule on average, there has been considerable recent improvement. There is no longer a shortage of field staff, construction standards have improved, and there has been substantial progress in finalizing the designs of the distribution systems. Disbursements, at 50% of the SAR target, are expected to improve following the introduction of steps designed to reduce ineligible expenditures. The GOG is currently preparing detailed implementation schedules to ensure completion of the 23 sub-projects by June 1984.

The Gujarat II Project has also demonstrated recent signs of improvement. Staffing problems, which had been a cause of serious delays, have now been resolved. The quality of construction work has improved, design problems have been corrected, and the Water and Land Management Institute is contributing significantly to the training of Irrigation Department staff. Although the project remains considerably behind schedule and will face cost overruns, all components continue to be economically and financially viable. The GOG is now preparing detailed implementation schedules for the completion of project works which will form the basis for future monitoring.

Shortages of cement and inadequate provision of budgetary resources continue to delay implementation of the Punjab Project. In addition, there are cost overruns in the canal and watercourse lining components of about 15% and 40%, respectively; and the study of water charges, due in August 1981, remains incomplete. The Government of Punjab has repeatedly been requested by Bank supervision missions to address these issues urgently.

The Madhya Pradesh Medium Irrigation Project is considerably behind schedule. The sub-project appraisal process has been overly slow. While there are 12 sub-projects now under implementation, approximately 20-25 are needed to assure expected project benefits and full disbursement of the credit proceeds. Moreover, the works are unbalanced in favor of construction of dams rather than conveyance systems. Several significant procurement contracts are scheduled to be awarded in April 1983, which is expected to bring about accelerated project implementation.

There has been significant recent progress in the MP Major Project. Procurement procedures have been streamlined, several major ICB and LCB contracts are expected to be awarded in March-April 1983, and design work for the canal structures is progressing well. The GOMP's planned intensification of project activities during the current December 1982-June 1983, and the 1983/84 construction seasons, should be adequate to offset initial start-up delays. Attention can now be devoted to completion of the resettlement plan for persons to be displaced by project reservoirs, and to initiation of the minor project components, such as roads, research stations, and the establishment of drainage and hydrometeorological networks.

Credit 1289 supports an irrigation and industrial/water supply program on 255,000 ha in the States of Bihar, Orissa and West Bengal. Credit 1319 continues the Government of Haryana's modernization program through the lining of irrigation channels and the provision of supplementary water from augmentation tubewells. Early project activities are proceeding as scheduled.

Progress of the remaining projects is generally satisfactory.

Cr. No. 1116 Karnataka Tank Irrigation Project; US\$54 million credit of March 26, 1981; Effective Date: May 5, 1981; Closing Date: March 31, 1986

Th project is designed to finance the construction of 120-160 tank irrigation schemes throughout the State of Karnataka. The Government of Karnataka has proposed a reduction to 87 in the number of schemes to be completed. Project preparation has been slow due to serious staffing vacancies and the overloading of senior project staff with non-project responsibilities. Design work is seriously behind schedule and construction has not yet begun at the dam sites. The Government of Karnataka has been asked to prepare a program to complete the scheduled works within the agreed project period, together with a staffing and budget plan, by the end of October 1982.

Credit No. 1004 Uttar Pradesh Public Tubewells Project; US\$18 million credit of May 12, 1980; Effective Date: June 27, 1980; Closing Date: March 31, 1983.

Credit No. 1332 Uttar Pradesh Public Tubewells II Project; US\$101 credit of March 31, 1983; Effective Date: Expected June 1983; Closing Date: March 31, 1988.

The first project has been successfully completed within the original closing date. In fact an additional 70 tubewells above the 500 originally planned at appraisal were constructed. Disbursements are expected to be completed by June 30, 1983.

Initial activities are underway for Credit 1332, which provides for the installation of 2200 new tubewell systems, and the upgrading of 750 existing tubewell systems, based on the modernized design which was successfully proven in the first project.

Cr. No. 682 Orissa Agricultural Development Project; US\$20 million credit of April 1, 1977; Effective Date: June 28, 1977; Closing Date: December 31, 1983

Cr. No. 690 West Bengal Agricultural Extension and Research Project; US\$12 million credit of June 1, 1977; Effective Date: August 30, 1977; Closing Date: September 30, 1983

Cr. No. 712 Madhya Pradesh Agricultural Extension and Research Project; US\$10 million credit of June 1, 1977; Effective Date: September 2, 1977; Closing Date: September 30, 1983

<u>Cr. No. 728</u>	<u>Assam Agricultural Development Project; US\$8 million credit of June 30, 1977; Effective Date: September 30, 1977; Closing Date: March 31, 1984</u>
<u>Cr. No. 737</u>	<u>Rajasthan Agricultural Extension and Research Project; US\$13 million credit of November 14, 1977; Effective Date: February 6, 1978; Closing Date: June 30, 1983</u>
<u>Cr. No. 761</u>	<u>Bihar Agricultural Extension and Research Project; US\$8 million credit of January 6, 1978; Effective Date: May 2, 1978; Closing Date: October 31, 1983</u>
<u>Cr. No. 862</u>	<u>Composite Agricultural Extension Project, US\$25 million credit of February 16, 1979; Effective Date: December 14, 1979; Closing Date: December 31, 1984</u>
<u>Cr. No. 1028</u>	<u>Kerala Agricultural Extension Project; US\$10 million credit of June 25, 1980; Effective Date: August 18, 1980; Closing Date: June 30, 1986</u>
<u>Cr. No. 1137</u>	<u>Tamil Nadu Agricultural Extension Project; US\$28 million credit of May 7, 1981; Effective Date: July 22, 1981; Closing Date: June 30, 1987</u>
<u>Cr. No. 1135</u>	<u>Maharashtra Agricultural Extension Project; US\$23 million credit of May 7, 1981; Effective Date: July 22, 1981; Closing Date: June 30, 1987</u>
<u>Cr. No. 1138</u>	<u>Second Madhya Pradesh Agricultural Extension Project; US\$37 million credit of May 7, 1981; Effective Date: July 22, 1981; Closing Date: June 30, 1987</u>
<u>Cr. No. 1219</u>	<u>Andhra Pradesh Agricultural Extension and Research Project; US\$6 million credit of May 5, 1982; Effective Date: July 27, 1982; Closing Date: March 31, 1988</u>

These twelve credits finance the reorganization and strengthening of agricultural extension services and the development of adaptive research capabilities in thirteen States in India. In areas where the reformed extension system is in operation, field results have been most encouraging, both in terms of adoption of new agricultural techniques and of increased crop yields.

In Madhya Pradesh I and Orissa, significant gains have been made under the projects.

There has been considerable improvement in the West Bengal Project over the past year. Staffing problems have been resolved, and civil works have started. Attention now needs to be devoted to improvement in fieldwork, which is weak due to insufficient supervision of extension workers and poor generation of agricultural recommendations.

In Rajasthan, too, significant early gains were achieved following the establishment of a well organized and stable extension service. Although the quality of field work is somewhat uneven, the basic extension system is well established.

Implementation of the Assam Project is slow due in part to unsettled conditions in the State. Insufficient supervision contributes, inter alia, to lack of coordination among various implementing agencies, staff vacancies, and poor understanding of the AEOs appropriate role in the extension system--all of which result in ineffective field work.

Implementation of the Bihar Project is unsatisfactory. Despite the decision of the Government of Bihar (GOB) one year ago to commit adequate budget funds and appoint key staff, there has been no progress to date. Staff vacancies remain, field extension continues to be weak, and civil works have not yet started.

In Gujarat, Haryana and Karnataka, all covered under the Composite Agricultural Extension Project, the basic extension system has been established and attention now needs to focus on the quality of extension recommendations and the filling of remaining staff vacancies. The Directorate of Extension in the Central Government's Department of Agriculture needs strengthening.

In Kerala, following the successful introduction of the T&V system in three Districts, the project was extended to the entire State in December 1982. The recruitment of the additional staff should be completed by April 1983, after which project implementation is expected to accelerate considerably.

In Maharashtra, project implementation is ahead of schedule. The basic infrastructure of the revised extension service is well established. Field workers are visiting farmers regularly and their recommendations are being widely accepted.

The Madhya Pradesh II Project remains behind schedule due to delayed sanctioning of budget resources during the first two project years. There has recently been considerable improvement in implementation which is expected to continue.

Implementation of the Andhra Pradesh Project has been hampered during its first year by vacancies in senior staff positions caused by the decision of the newly elected State Government to retire all staff over 55 years of age. Promotion boards are now meeting to choose staff for the vacant positions. Field activities have been ongoing for about six months and are generally satisfactory, although an improved orientation program would be of benefit to staff at all levels. Civil works and procurement activities are on schedule.

Cr. No. 680 Kerala Agricultural Development Project; US\$30 million credit of April 1, 1977; Effective Date: June 29, 1977; Closing Date: March 31, 1985

Project progress continues satisfactorily. Implementation of the smallholder component, the project's largest, continues to gain momentum with a 36% increase in plantings in 1982/83. One crumb rubber factory of the nine included in the project is in operation and a further two should be commissioned in late 1983. The cashewnut component is completed.

Ln. No. 2095 Agricultural Refinance and Development Corporation IV Project;
Cr. No. 1209 US\$190 million loan and US\$160 million credit of February 24, 1982; Effective Date: May 25, 1982; Closing Date: June 30, 1984

The project, which is a continuation of ARDC III, consists of a two-year time slice of ARDC's lending program to farmers. The project is proceeding well, with disbursements ahead of schedule. In July 1982, ARDC and ACD/RBI were successfully merged into the National Bank for Agriculture and Rural Development (NABARD). The merger was carried out efficiently, permitting operations to continue uninterrupted. The loan recovery performance of the State Land Development Banks during 1981/82 was weak. NABARD has introduced rehabilitation programs and management studies designed to improve loan recovery and the overall performance of the participating banks.

Cr. No. 855 National Agriculture Research Project; US\$27 million credit of December 7, 1978; Effective Date: January 22, 1979; Closing Date: September 30, 1983

The project has made significant progress over the last six months. Contact has improved with the State agricultural universities, where there is considerable enthusiasm for NARP objectives. Implementation of sub-projects in Haryana, Kerala and Tamil Nadu is proceeding on schedule. The basic research projects, although satisfactory thus far, need to focus their attention on local needs and problem-oriented multi-disciplinary research.

Cr. No. 747 Second Foodgrain Storage Project; US\$107 million credit of January 6, 1978; Effective Date: May 17, 1978; Closing Date: June 30, 1983

The project was revised in May 1982 to provide additional bag storage capacity in lieu of the bulk storage component. A one-year extension of the closing date was granted, with the possibility of further extension if project implementation improved. The project continues to be considerably behind schedule. However, implementation has gained some momentum since September 1982, when specific targets were established for accomplishment of certain project works by June 1983. Land acquisition, construction, and procurement are, overall, in line with these targets, but there remain deficiencies in staffing, and in the monitoring, training and research programs which have to be overcome to ensure satisfactory project progress.

Cr. No. 871 National Cooperative Development Corporation (NCDC) Project;
US\$30 million credit of February 2, 1979; Effective Date:
May 3, 1979; Closing date: December 31, 1984

Cr. No. 1146 Second National Cooperative Development Corporation (NCDC)
Project; US\$125 million credit of July 21, 1981; Effective
Date: November 11, 1981; Closing Date: June 30, 1987

These credits provide funds to rural cooperatives in various States for the construction and operation of godowns (warehouses) and cold storage and marketing facilities. Major emphasis is placed on institution building in order to make NCDC grow into a more effective development institution to serve India's rural cooperative sector. Disbursements under Credit 871 are on schedule. However, the construction of godowns has been slower than anticipated because cement supplies have been erratic and the response by contractors to tender offers has been poor in remote areas. Although the project is expected to be completed on time, increases in construction costs are likely to require a revision of the project scope to keep expenditures within the project financing provisions.

Project implementation in most of the nine participating States under Credit 1146 is also behind schedule, principally because of organizational delays. The participating agencies have taken steps to speed up implementation, but progress continues to be hampered by lack of adequate number of properly trained staff, supply shortages and cost escalations. NCDC and the State agencies concerned have resolved to do what is required to speed up implementation of these projects.

Cr. No. 482 Karnataka Dairy Development Project; US\$30 million credit
of June 19, 1974; Effective Date: December 23, 1974; Closing
Date: September 30, 1983

Cr. No. 521 Rajasthan Dairy Development Project; US\$27.7 million credit of
December 18, 1974; Effective Date: August 8, 1975; Closing
Date: December 31, 1982

Cr. No. 522 Madhya Pradesh Dairy Development Project; US\$16.4 million credit
of December 18, 1974; Effective Date: July 23, 1975; Closing
Date: March 31, 1983

Cr. No. 824 National Dairy Project; US\$150 million credit of June 19,
1978; Effective Date: December 20, 1978; Closing Date:
December 31, 1985

These four credits, totalling US\$224.1 million, support dairy development projects organized along the lines of the successful AMUL dairy cooperative scheme in Gujarat. Farmer response has been excellent. About 18,000 dairy cooperative societies (DCS) have been established, with over two million members. Profitability of most DCSs is good and construction of dairy and feed plants is proceeding well.

In Credit 482, construction of the mother dairy at Bangalore, the key processing facility, was delayed by litigation. Construction by an experienced civil works contractor has now begun. To allow for near completion of this dairy, and for the Government of Karnataka to implement improvements in their management support of the dairy producers' unions as required under the project, the closing date has been extended by one year.

Under Credit 521, nearly 1,500 dairy cooperative societies (DCSs) have been formed, benefitting over 78,000 families. During 1981/82, these DCSs collected over 30 million liters of milk, for which the producers were paid Rs 67 million. The project was scheduled to close on December 31, 1982. However, as several project-financed facilities are not yet complete, including two processing plants, one powder plant, four training centers, and living quarters for staff, the GOI has requested an extension of the closing date, which is now under consideration.

Credit 522 has been successfully completed and was closed on March 31, 1983. Over 800 dairy cooperative societies were formed, serving a membership of approximately 35,000 families. Disbursements are expected to be completed by May 31, 1983.

Physical execution under Credit 824 is excellent, with the establishment of new rural and urban dairies, cattle feed plants, and the acquisition of rail and road milk tankers. The cooperative processing industry is served by 18,000 cooperatives with membership of over two million households. In addition, substantial institution building is taking place through the formation of federations, unions and cooperatives in 59 milksheds covered under the Operation Flood II Agreements designed to ensure autonomy in pricing and a three-tiered cooperative structure.

Ln. No. 1273 National Seed Project; US\$25 million loan of June 10, 1976;
Effective Date: October 8, 1976; Closing Date: June 30, 1984

Cr. No. 816 Second National Seed Project; US\$16 million credit of July 17,
1978; Effective Date: December 20, 1978; Closing Date:
December 31, 1984

These projects are designed to increase the availability of high quality agricultural seed, and cover nine States. Although they are two to three years behind schedule because of initial problems in coordination and monitoring, mainly at the national level, there has been significant progress over the last year. The construction of transit and bulk storehouses has been delayed by land acquisition problems. However, there has been good progress in civil works and equipment procurement for the seed processing plants. It is expected that all works except seed farm development under both projects will be completed by December 1984.

Cr. No. 1012 Cashewnut Project; US\$22 million credit of June 10, 1980;
Effective Date: September 3, 1980; Closing Date: September 30,
1985

This project helps to finance cashew planting and plantation improvement programs in the States of Andhra Pradesh, Karnataka, Kerala and Orissa.

The planting and improvement programs initially made very good progress although this has been dampened in 1982/83 by decreased cashewnut prices and Corporation land acquisition problems resulting from the Forest Conservation Act (1980). There is still every expectation that the project will fulfill its objective of significantly increasing cashew production and improving the incomes of the farmers.

Cr. No. 610 Integrated Cotton Development Project; US\$18 million credit of February 26, 1976; Effective Date: November 30, 1976; Closing Date: December 31, 1983

Project implementation continues to improve. The area to be covered by the project (183,000 ha) has been attained, and yields are increasing. Major processing facilities in Maharashtra and Haryana are under contract and work is progressing satisfactorily. The link between university research and project activity is excellent. However, because of poor performance in the early stages, the project closing date has been extended by two years to December 31, 1983, to allow for completion of the project works and full utilization of the credit proceeds.

Cr. No. 1034 Karnataka Sericulture Project; US\$54 million credit of October 27, 1980; Effective Date: December 18, 1980 Closing Date: December 31, 1985

The recent significant improvement in the staffing situation of the Department of Sericulture should bolster the previously curtailed extension program and should lead to increased bivoltine silk production which is a major project objective hitherto not being achieved. All other project components are progressing satisfactorily, especially the industrial component where spun silk mill and silk filature are expected to be operational within 9-12 months.

Cr. No. 806 Jammu-Kashmir Horticulture Project; US\$14 million credit of July 17, 1978; Effective Date: January 16, 1979; Closing Date: June 30, 1984

The recent change in management of Jammu and Kashmir Horticultural Produce Marketing and Processing Corporation is expected to recoup implementation progress lost in the last 12 months, and about 60% of project facilities could be operational for the 1983 harvest. Training programs and research activities are now well behind schedule.

Cr. No. 925 Uttar Pradesh Social Forestry Project; US\$23 million credit of June 21, 1979; Effective Date: January 3, 1980; Closing Date: December 31, 1984

Cr. No. 961 Gujarat Community Forestry Project; US\$37 million credit of April 14, 1980; Effective Date: June 24, 1980; Closing Date: December 31, 1985

Cr. No. 1178 West Bengal Social Forestry Project; US\$29 million credit of February 24, 1982; Effective Date: April 9, 1982; Closing Date: December 31, 1987

Cr. No. 1286 Jammu-Kashmir and Haryana Social Forestry Project; US\$33
million credit of September 7, 1982; Effective Date:
December 7, 1982; Closing Date: March 31, 1988

Physical progress under Credit 925 is satisfactory, except in the Eastern Region of the State, where greater population density, lower per capita income and fragmented farm size have been disincentives to the planting programs. Remedial measures designed to address these problems, including free distribution of seedlings and a planned land consolidation program, are under consideration by the project authorities.

Credit 961 is proceeding well. In response to rising prices for poles and pulpwood, the project has been adopted enthusiastically by the local residents. The current rate of planting is more than five times that which existed before the project. Project management is good, with cost control, audit, disbursement and procurement activities in line with appraisal report schedules. If the present momentum is maintained, it may be possible to resolve the rural fuelwood crisis in Gujarat within a decade.

Implementation of the West Bengal Project is satisfactory. The overall physical targets of the project have been exceeded. The building program is progressing well and ahead of schedule. Attention now needs to focus on the recruitment and training of forestry extension workers, who are becoming urgently needed as tree plantings increase and project activities accelerate.

Credit 1286, which became effective in December 1982, is designed to increase supplies of fuelwood and secondary products through the establishment of 94,000 ha of a new tree plantations, the rehabilitation of 17,000 ha of degraded forests, and the strengthening of research, training and forestry extension services in Haryana and Jammu and Kashmir. Both States have made a good start in implementing the first season's plantation program, and procurement of vehicles and equipment is underway.

Ln. No. 1897 Kandi Watershed and Area Development Project; US\$30 million
loan of September 12, 1980; Effective Date: November 18, 1980;
Closing Date: March 31, 1986

The recent improvement in project execution continues, and project activities are well coordinated. Progress on the main Dholbaha Dam is satisfactory, and the afforestation and soil conservation components are on schedule. Feasibility reports for ten watersheds have been completed, five of which have been reviewed and approved by the Bank. There are expected to be cost savings from the irrigation and flood control components of the project, as a result of which the Bank is now reviewing the overall project design and concept and the possibility of expanding the project scope.

Ln. No. 1394 Gujarat Fisheries Project; US\$14 million loan and US\$4
(TW) million credit of April 22, 1977; Effective date: July 19, 1977;
Cr. No. 695 Closing Date: June 30, 1984

Cr. No. 815 Andhra Pradesh Fisheries Project; US\$17.5 million credit of June 19, 1978; Effective Date: October 31, 1978; Closing Date: September 30, 1984

In Gujarat, the harbor works are now proceeding well following the finalization of a contractual dispute in September 1982. These harbor works and shore facilities are expected to be completed within the next year. The village roads and water supply components have been largely completed. However, the credit component is considerably behind schedule as a result of the weak financial position of the Gujarat Fisheries Central Cooperative Association (GFCCA) and loan recovery problems of the participating banks. Recommendations for improvement of GFCCA are currently under review by the Government of Gujarat.

In Andhra Pradesh, one of three fishing harbors being constructed under the project has been operation for nearly one year, and the remaining two are scheduled to be completed by mid-1983 and early 1984. The financing of mechanized fishing vessels remains at a standstill due to loan recovery problems of the participating banks. NABARD is in the process of discussing with the banks ways to rectify this situation. Due to an expansion of private sector investment in seafood processing plants, the Government has decided to delete one of the two processing plants from the project and reduce the scope of the second one.

Cr. No. 963 Inland Fisheries Project; US\$20 million credit of January 18, 1980; Effective Date: May 5, 1980; Closing Date: September 30, 1985

Project implementation is generally satisfactory. Construction of the fish hatcheries in all five project States has commenced, and the first hatcheries are expected to begin limited operations by June 1983. All 58 Fish Farmer Development Agencies are fully functional and, as project activities accelerate, are placing necessary extension agents in the field. Progress of the pond improvement schemes has slowed considerably due to difficulties with loan sanctioning by the participating banks. Through a more active involvement in the loan approval process, NABARD is taking steps to correct this situation.

Cr. No. 981 Second Population Project; US\$46 million credit of April 14, 1980; Effective Date: June 26, 1980; Closing Date: December 31, 1985

Implementation of the project is proceeding well. Marked improvement has occurred in several components especially construction, now that cement is being allocated to the project on a priority basis. As a consequence, disbursements are accelerating. The Director of the Population Centre in Uttar Pradesh has been appointed and the training program is well underway.

Cr. No. 1003 Tamil Nadu Nutrition Project; US\$32 million credit of May 12, 1980; Effective Date: August 5, 1980; Closing Date: March 31, 1987

The project is fully operational in Madurai District, with all nutrition and health workers in place. Evaluation data show a significant decline in malnourishment in the project area and the participation rate for those people eligible for project benefits is over 90%. Civil works are a few months behind schedule, but the Government of Tamil Nadu has intensified its supervision work which is expected to speed up completion of the health subcenters and training facilities. Preparations are well advanced for the planned expansion of the project into two more Districts in the State in 1983.

INDIA

THIRD CALCUTTA URBAN DEVELOPMENT PROJECT

SUPPLEMENTARY PROJECT DATA SHEET

Section I: Timetable of Key Events

- (a) Time taken by the country to prepare the project
One year and 8 months.
- (b) The agency which has prepared the project
Calcutta Metropolitan Development Authority (CMDA)
assisted by State and local government agencies.
- (c) Date of first presentation to the Bank and date of first mission to consider the project
May 1979, February 1981.
- (d) Date of departure of appraisal mission
October 1982.
- (e) Date of completion of negotiations
April 13, 1983.
- (f) Planned date of effectiveness
July 1983.

Section II: Special IDA Implementation Actions

None.

Section III: Special Conditions

- (a) GOWB to complete its review of the adequacy of the property tax assessment base of all local bodies by December 31, 1983 and cause CVB to undertake a

general revaluation wherever inadequacies are found (para 50(a)).

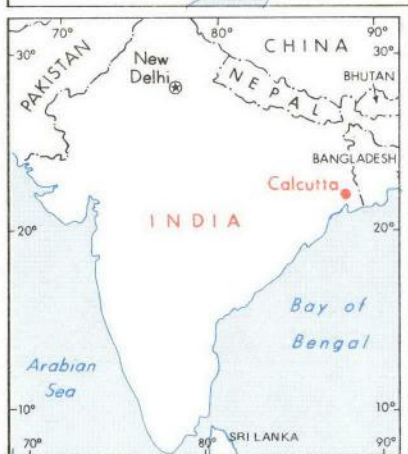
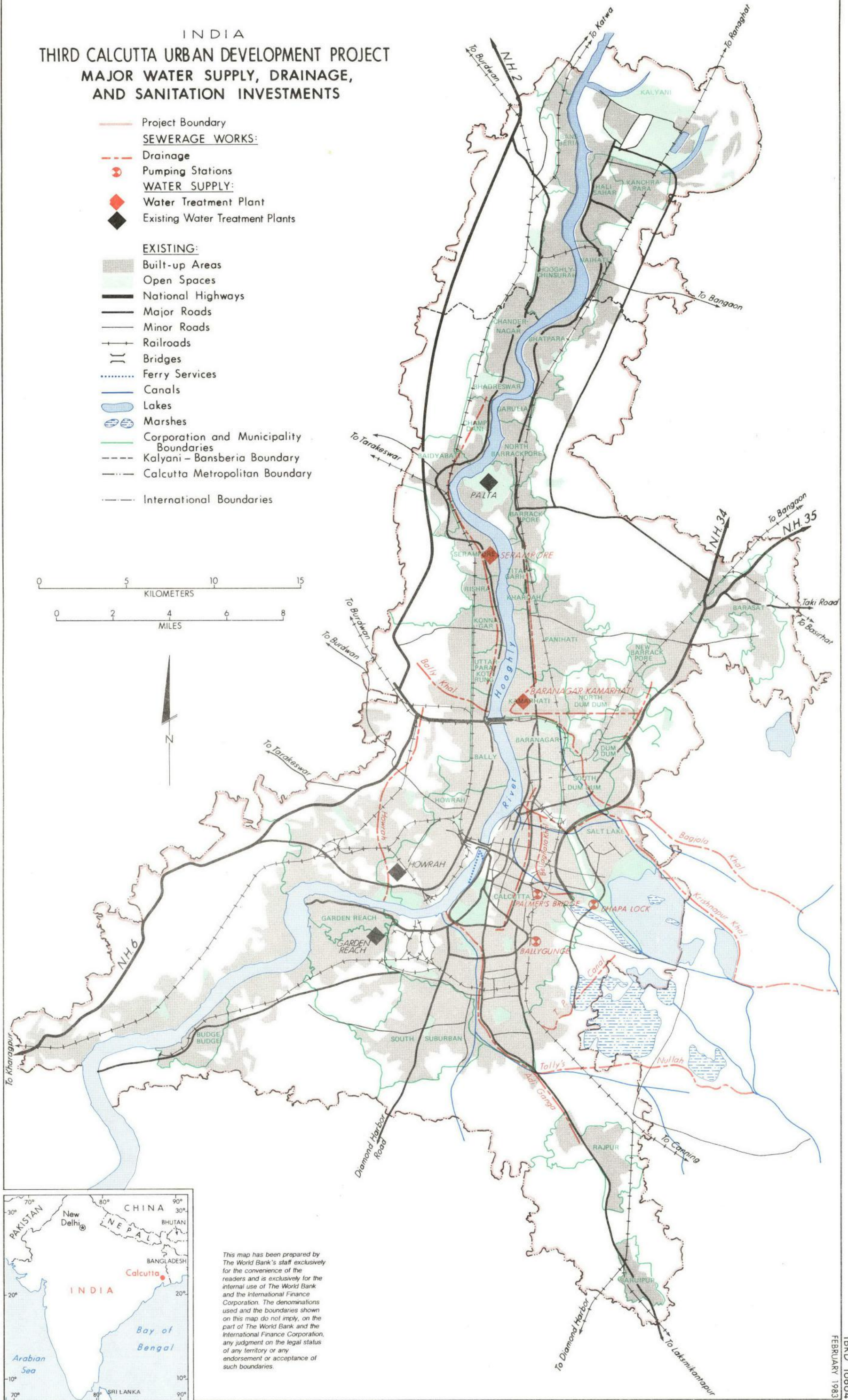
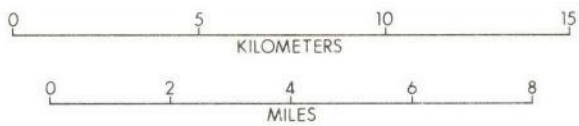
- (b) CMDA to review annually the interest rebate provided to small-scale entrepreneurs (para 56(c));
- (c) CMDA to on-lend for urban renewal schemes at prevailing commercial bank rate and for other investments at not less than 8.25% per annum (para 62);
- (d) CMC to (i) reduce its reliance on GOWB revenue subventions; (ii) achieve collection of current demand of 85% by 1987/88; and (iii) collect at least 50% of arrears of property tax demand each year (para 68);
- (e) CMC to revise the water rates as a condition of Credit effectiveness (para 69);
- (f) CMWSA to introduce agreed water supply rates as a condition of Credit effectiveness (para 70);
- (g) CMDA to submit for IDA's review and approval a pricing and cost recovery analysis for each area development project site (para 71).

INDIA

THIRD CALCUTTA URBAN DEVELOPMENT PROJECT

MAJOR WATER SUPPLY, DRAINAGE, AND SANITATION INVESTMENTS

- Project Boundary
- SEWERAGE WORKS:**
 - - - Drainage
 - Pumping Stations
- WATER SUPPLY:**
 - ◆ Water Treatment Plant
 - ◆ Existing Water Treatment Plants
- EXISTING:**
 - Built-up Areas
 - Open Spaces
 - National Highways
 - Major Roads
 - Minor Roads
 - Railroads
 - Bridges
 - Ferry Services
 - Canals
 - Lakes
 - Marshes
 - Corporation and Municipality Boundaries
 - Kalyani - Bansberia Boundary
 - Calcutta Metropolitan Boundary
 - International Boundaries



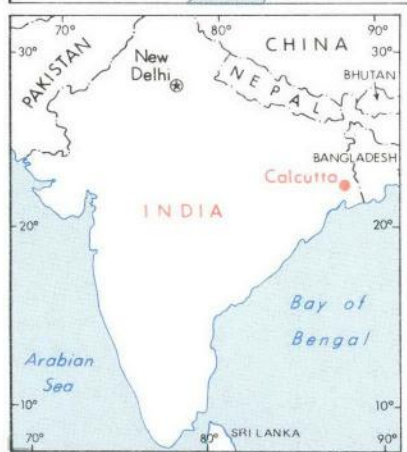
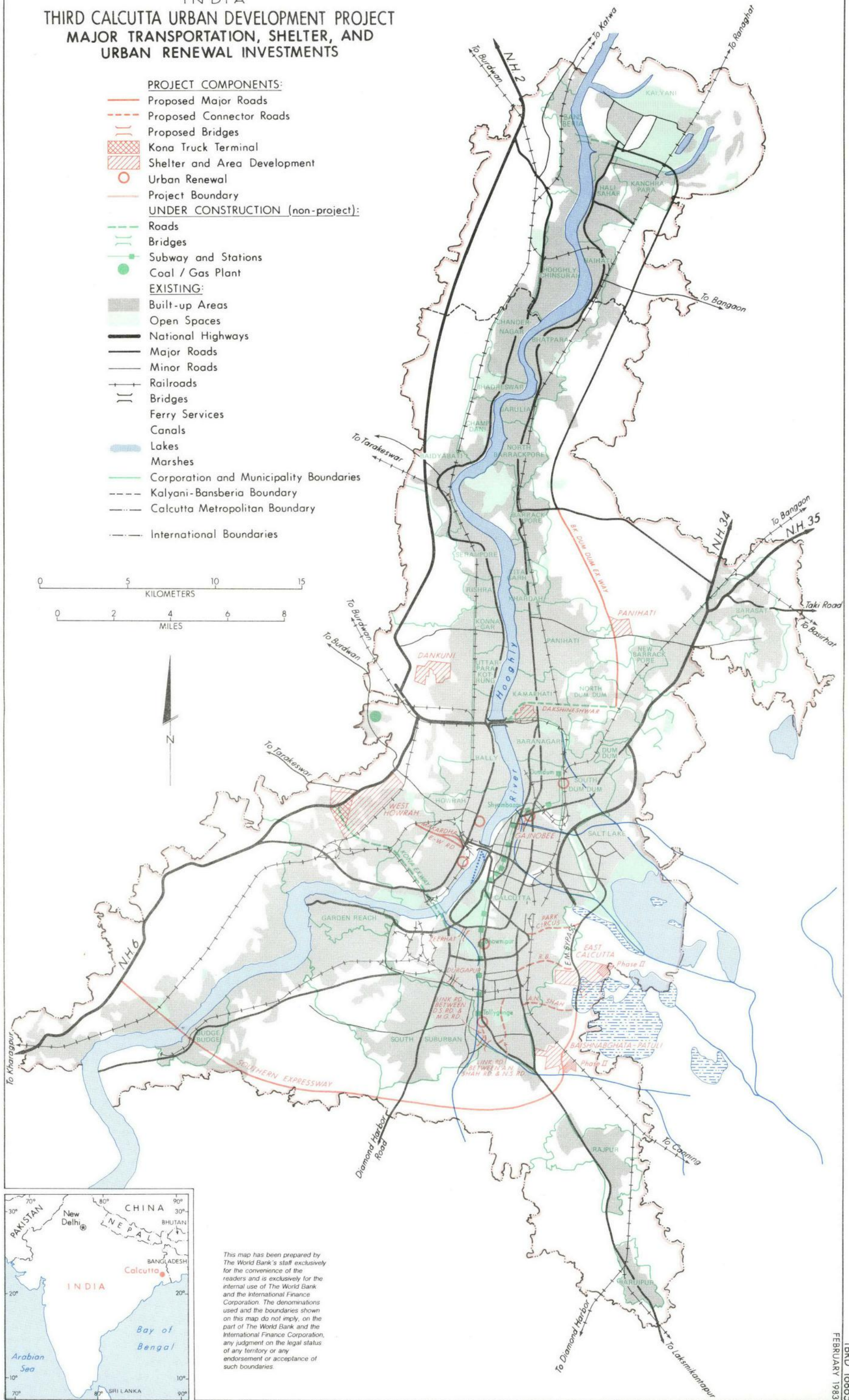
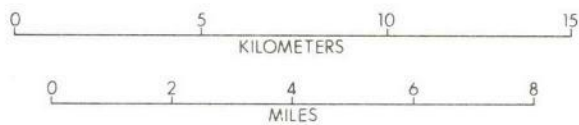
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INDIA

THIRD CALCUTTA URBAN DEVELOPMENT PROJECT

MAJOR TRANSPORTATION, SHELTER, AND URBAN RENEWAL INVESTMENTS

- PROJECT COMPONENTS:**
- Proposed Major Roads
 - Proposed Connector Roads
 - Proposed Bridges
 - Kona Truck Terminal
 - Shelter and Area Development
 - Urban Renewal
 - Project Boundary
- UNDER CONSTRUCTION (non-project):**
- Roads
 - Bridges
 - Subway and Stations
 - Coal / Gas Plant
- EXISTING:**
- Built-up Areas
 - Open Spaces
 - National Highways
 - Major Roads
 - Minor Roads
 - Railroads
 - Bridges
 - Ferry Services
 - Canals
 - Lakes
 - Marshes
 - Corporation and Municipality Boundaries
 - Kalyani-Bansberia Boundary
 - Calcutta Metropolitan Boundary
 - International Boundaries



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OFFICE MEMORANDUM

DATE: November 27, 1985

TO: Mr. E. Stern, SVP, Operations
THROUGH: W. David Hopper, RVP, South Asia
FROM: Russell J. Cheetham, Director, ASA

SUBJECT: INDIA - Third Calcutta Urban Development Project (Cr. 1369-IN)
Possible Suspension of Disbursements

1. This is to seek your concurrence to inform the Government of India (GOI) and the Government of West Bengal (GOWB) that we intend to suspend disbursements under Credit 1369-IN unless water rates are introduced prior to December 31, 1985. The office of the Indian Executive Director is being kept informed. The background to this development is summarized in the following paragraphs.

2. Under the West Bengal Agreement for Credit 1369-IN, the GOWB was required to ensure that by November 1, 1983, the Calcutta Municipal Corporation (CMC) would introduce graduated water rates based on ferrule size, for unmetered domestic consumers. The introduction of these rates would be a significant step towards improving resource mobilization and cost recovery in Calcutta. Achievement of project objectives and compliance with other covenants on financial performance depend on the introduction of water rates. The floor rates for each ferrule size were also specified in the Agreed Minutes of Negotiations.

3. The water rates have not yet been introduced and GOWB remains in default of the provisions of the Agreement. As you know, water rates are a particularly hot political issue in Calcutta. Domestic water consumption is generally not metered and cost recovery from domestic consumers has so far been limited to a water tax levied as a portion of the general property tax. Water rates based on ferrule (pipe) size would therefore represent the introduction for the first time of a user charge related to the volume of domestic water consumption. A large segment of Calcutta's population would be directly affected.

4. Prior to municipal elections in June 1985, the ruling party in West Bengal did not have a political majority in the CMC area and was therefore cautious with regard to several sensitive undertakings under the Project. This situation has eased somewhat after the June elections when the ruling party won a slim majority in the CMC area. An action program which was worked out with an IDA supervision mission in May 1985, to address areas of weak performance under the Project, is now under implementation by GOWB, CMC and other project agencies. Progress appears to be good, with the exception of the introduction of the water rates. An IDA supervision mission is visiting Calcutta during the first two weeks of December to assess progress first hand.

Approved as
proposed

H. 12/3

Mr. Hopper

5. We verbally informed GOI in June 1985 that we would have to consider suspension of disbursements later in 1985 unless the water rates were introduced. GOI representatives have subsequently visited Calcutta on several occasions to pursue this issue with GOWB. We understand that specific proposals for rate levels and rate structure have been prepared and are under consideration for some time both by the new CMC Mayor and Council and by GOWB.

6. Credit 1369-IN was signed on June 8, 1983. The current closing date is March 31, 1989. As of November 25, 1985, US\$10.1 million had been disbursed out of the total credit amount of US\$147 million (SDR 136.3 million).

cleared with and cc: Messrs. Lerdau, Geli (ASPDR); Robless (ASAIN)
Singh (LEG)

cc: Messrs. McCarthy (ASPUW); Mathew (LOA); Mrs. Asher (ASAIN)


SSandstrom:zj

OFFICE MEMORANDUM

Received

4/27/83

Comments by c.o.b.

4/29/83

TO: Mr. Ernest Stern, SVP, Operations
THROUGH: Mr. W. David Hopper, VP, South Asia
FROM: Michael H. Wiehen, Director, ASA

DATE: April 26, 1983

SUBJECT: INDIA - Proposed SDR 136.3 million Credit for the
Third Calcutta Urban Development Project

1. I attach for your approval, a draft President's Report for this project. This and the project documents, which have been cleared by the departments concerned, are scheduled to be distributed to the Executive Directors on May 2, 1983 for their consideration on May 19, 1983.

2. Changes agreed at the negotiations were outlined in Mr. Shibusawa's memorandum dated April 22, 1983.

3. The project will be presented to the Board by Mr. Jagadish P. Upadhyay. He will discuss the project in the context of the Bank Group's involvement in Calcutta.

4. Please give any comments you may have on the attached report to Mr. Upadhyay (Ext. 32266).

Attachment

Cleared with and cc: Messrs. Geli, Sandstrom, Menezes, McCarthy (ASP);
Singh (LEG) Mrs. Hamilton (ASADB) and
Mrs. Robbin (LOA)

cc: Messrs. Churchill (URB) (2), Rahkonen (SEC)

JUpadhyay:br

OK
4/28/83
Region
informed
4/28
Govt
clearance?
yes

International Development Association

IDA/SecM83-158

FROM: Vice President and Secretary

April 29, 1983

STATUS OF NEGOTIATIONS

INDIA

THIRD CALCUTTA URBAN DEVELOPMENT PROJECT

Negotiations have been substantially completed and credit documents will be submitted to the Executive Directors for consideration on a date to be determined.

Borrower: India, acting by its President (GOI).

Beneficiary: The Calcutta Metropolitan Development Authority (CMDA).

Amount: SDR 136.6 million (US\$147 million equivalent).

Terms: Standard.

Re-Lending Terms: GOI to the Government of West Bengal (GOWB): standard terms and conditions. GOWB to CMDA: grants for non revenue-producing investments; loans at 7% interest per annum for 15 years including a 5-year grace period. CMDA to operating agencies: for urban renewal schemes, at prevailing commercial bank rate; for revenue-producing schemes, for up to 20 years including a 5-year grace period at an annual interest rate not less than 8.25%; for non revenue-producing schemes, two-thirds loan on terms as applied to revenue producing schemes and one-third grant; and for transmunicipal drainage, 100% grant.

Purpose: The project is to improve urban management in the Calcutta Metropolitan Area (CMA) through a comprehensive approach in which institutional and financial reforms go hand-in-hand with physical improvement. The project would build upon significant institutional reforms already underway to strengthen metropolitan agencies and, at the same time, increase the availability of urban services, focusing on investments to provide minimum basic needs at affordable prices.

Distribution:

Executive Directors and Alternates
President
Senior Vice Presidents
Senior Management Council
Vice Presidents, IFC
Directors and Department Heads, Bank and IFC

OFFICE MEMORANDUM

o.k. 5/6/83 129

TO: Mr. Ernest Stern, SVP, Operations DATE: April 22, 1983
 THROUGH: Mr. David Haynes, Acting VP, South Asia
 FROM: A.H. Shibusawa, Acting Director, South Asia
 SUBJECT: INDIA - Third Calcutta Urban Development Project
Conclusion of Negotiations

1. Negotiations for this project were concluded on April 13, 1983. No significant changes were agreed during the negotiations from the documents presented to the Loan Committee, except for the minor modification to the water supply tariff introduction as described below.

2. Considering the extensive investment in water supply over the course of two previous projects and the improvements made in service delivery, we had proposed significant increases in water supply tariffs so that the agencies concerned -- the Calcutta Metropolitan Water and Sanitation Authority (CMWSA) and the Calcutta Corporation -- could recover all expenditures for operation, maintenance and debt service by FY1985/86 and FY1987/88, respectively. We had proposed that the tariff increases should be a condition of Credit effectiveness. The proposed tariff increases included the following:

- (a) CMWSA to introduce tariffs for all its water supply customers (commercial, industrial, institutional, municipal) at rates specified in the West Bengal Agreement;
- (b) the Corporation to increase tariffs for its non-domestic water users from Rs 5 to Rs 11 per 1,000 gallons; and
- (c) the Corporation to introduce its domestic water tariffs based on ferrule size at graduated rates as agreed with IDA.

3. The Indian delegation agreed with the specified target dates for full cost recovery and the proposed tariff rates. The delegation also agreed to the measures mentioned in (a) and (b) above as conditions of Credit effectiveness. However, they argued that the introduction of domestic water rates was a very volatile political issue for which additional time would be required. They were particularly apprehensive of possible public discontent shortly after the violence resulting from recent increases in bus and tram fares in the city (as required under IDA Credit 1033-IN). Accordingly, they requested that introduction of new domestic rates should be required to be fulfilled by November 1, 1983. Furthermore, we reviewed detailed data brought to the negotiations and were convinced that a delay in complying with this covenant would not affect the agreed target dates for cost recovery. Therefore, we agreed to the introduction of new domestic water tariffs as a covenant to be fulfilled by November 1, 1983.

Cleared with & cc: Messrs. Menezes (ASPUR), Singh (LEG), Mrs. Hamilton (ASADB)

cc: Messrs. Husain (4); Qureshi (2); Scott (2); Thalwitz, Geli, Sandstrom (ASP)
 Mrs. Robbin (LOA)

JUpadhyay:br

International Development Association

IDA/SecM83-120

FROM: Vice President and Secretary

April 11, 1983

NOTICE OF INTENTION TO NEGOTIATE

INDIA

THIRD CALCUTTA URBAN DEVELOPMENT PROJECT

The Association is planning to invite the Government of India to send representatives to Washington to negotiate a proposed development credit of US\$147 million equivalent to India for the Third Calcutta Urban Development Project. The principal purpose of the project is to improve urban management in the Calcutta Metropolitan District (CMD) through a comprehensive approach in which institutional and financial reforms go hand-in-hand with physical improvements. The project would build upon significant institutional reforms already underway to strengthen metropolitan agencies and, at the same time, increase the availability of urban services, focusing on investments to provide minimum basic needs at affordable prices.

Distribution:

Executive Directors and Alternates
President
Senior Vice Presidents
Senior Management Council
Vice Presidents, IFC
Directors and Department Heads, Bank and IFC

OFFICE MEMORANDUM

~~HH~~
~~ER~~
~~JP~~
file

TO: Files

FROM: Jagadish P. Upadhyay, ASADB

SUBJECT: INDIA - Third Calcutta Urban Development Project
Loan Committee Comments

DATE: April 7, 1983

Mr. Horsley conveyed that Mr. Stern had cleared the documents without any comments affecting terms and conditions of the Credit. Mr. Raizen informed that Mr. van der Tak, who reviewed the documents for OPS, had also no comments affecting the terms and conditions.

Distribution:

Messrs. Stern (SVPOP)(4); Qureshi (SVPFI)(2); Husain (OPSVP)(4);
Scott (LEG)(2); Hopper (ASNVP); Wiehen (ASA); Thalwitz,
Geli (ASP); Sandstrom, Menezes (ASP); M. Singh (LEG);
Ecevit (ASADB); and Mrs. Robbin (LOA)

JUpadhyay:br

OFFICE MEMORANDUM

MR STERN

Received: 4.4 am
Comments by c.o.b.: 4/6/83

TO: The Loan Committee

FROM: Michael H. Wiehen, Acting VP, South Asia Region

SUBJECT: INDIA - Third Calcutta Urban Development Project

DATE: April 1, 1983

1. The Committee is requested to consider the attached draft President's and Staff Appraisal Reports and legal documents for the proposed Third Calcutta Urban Development Project. These drafts were submitted to me under cover of a memorandum from Mr. Z. Ecevit, Acting Chief, dated April 1, 1983, also attached. Questions should be directed to Mr. Upadhyay (extension 32266).

2. In the absence of objections by the close of business on April 6, 1983, I plan to inform the Executive Directors of the Association's intention to invite negotiators for the proposed credit on the terms and conditions set out in the attached documents.

Attachment

Distribution:

Mr. E. Stern (SVPO) (3)
Mr. M. Qureshi (SVPFI) (2)
Mr. S. Husain (OPSVP) (4)
Mr. H. Scott (LEG) (2)

JUpadhyay:br

cost recovery - plan. more explicit

OFFICE MEMORANDUM

TO: Mr. Michael H. Wiehen, Acting RVP, South Asia DATE: April 1, 1983

FROM: Mr. Z. Ecevit, Acting Chief, ASADB

SUBJECT: INDIA - Third Calcutta Urban Development Project

1. Please find attached, for your approval and subsequent distribution to the Loan Committee, drafts of the President's and Staff Appraisal Reports and legal documents for a proposed IDA credit of SDR 136 million (US\$147 million equivalent) to India for this project. This memorandum and the draft documents have been cleared with the departments concerned. A copy of the current Five-Year Lending Program is also attached.

2. The proposed credit would bring the total IDA lending approved by the Loan Committee for FY83 to SDR 944.4 million (US\$1020.0 million equivalent) ^{1/}, as against a total IDA allocation in the FY83 lending program of SDR 974 million.

Conditions of Negotiations

3. The comprehensive program of urban management and financial improvements, included under the proposed project, necessitates the involvement of a large number of existing agencies and State Government departments. Based on our own experience with the previous two projects, we had required completion of a number of advance actions as conditions of negotiations. These actions related to institutional, financial and legislative improvements. We have now been informed that all actions have been substantially completed except the one described below.

4. In the light of extensive investment in water supply over the past decade and the significant improvements made in service delivery, we had required the Calcutta Municipal Corporation (CMC) and the Calcutta Metropolitan Water and Sanitation Authority (CMWSA) to increase their water rates beginning April 1, 1983, so that CMC and CMWSA would attain full cost recovery (to meet all expenditures for operations, maintenance

^{1/} Eight FY83 credits have preceded this one to the Loan Committee: Gujarat Water Supply (SDR 63.8 million), Jammu and Kashmir and Haryana Social Forestry (SDR 29.4 million), Second Chambal (MP) Irrigation (SDR 27.6 million), Subarnarekha Irrigation (SDR 116.3 million), Second Railway Modernization and Maintenance (SDR 184.7 million), Second Haryana Irrigation (SDR 139.0 million), UP Tubewells (SDR 91.6 million), and Upper Indravati Hydro Project (SDR 156 million). All of these, except the Upper Indravati Hydro Project, have been approved by the Board.

and debt service) by fiscal years 1987/88 and 1985/86, respectively (see paras 69 and 70 of the draft President's Report). The State Government, CMC and CMWSA have concurred with the cost recovery objective and our specific proposal to increase the levels as prescribed; however, they have informed us that, mainly because of the hardship created by the recent drought, they will be able to institute the rate increases only beginning November 1, 1983. In this context, it should also be noted that we had insisted on increases in bus and tram fares before the negotiations of the proposed credit. These increases have recently been instituted. The State Government wishes to avoid major political effects of yet another rate increase (in water supply) right at this time.

5. We share these concerns and feel that we should no longer insist on tariff increases as a condition of negotiations. However, we consider that these rate increases are vital for the achievement of key project objectives and for the financial health of these agencies and we would not wish to see further slippage in their completion. Therefore, we propose to make the CMC and CMWSA water rate increases conditions of credit effectiveness.

Seed Capital for Shelter and Area Development

6. A special feature of the project is the provision of "seed capital" to a revolving fund, to initiate the proposed sites and services program in a climate of temporary local currency shortage in West Bengal and to provide bridging finance. The seed capital would amount to about US\$9.5 million and the balance of the financial requirements (estimated at US\$33.6 million) would be raised from the Indian financial institutions, such as, the Life Insurance Corporation, the Housing and Urban Development Corporation and the Housing Development Finance Corporation. The seed capital would be placed by GOWB in a revolving fund, managed by the Shelter, Urban Renewal and Area Development Unit of CMDA, before March 31, 1984--i.e., before the work is completed. After GOWB makes its deposit of the seed capital to the revolving fund, IDA would advance its share (US\$4.75 million or 50% of the seed capital). CMDA would submit full documentation as the IDA funds are actually used. Arrangements for the functioning of the revolving fund and IDA Account would be worked out during negotiations.

Retroactive Financing

7. In order to ensure an early start of project activities, retroactive financing of US\$500,000 has been proposed to cover expenditures incurred after March 1, 1983, for civil works, equipment purchases and consultants' services for engineering design.

Recommendation

8. I recommend that the Government of India be invited to negotiate the proposed credit on the basis of the above and the recommendations set forth in the attached documents.

Attachments

Cleared with & cc: Messrs. Thalwitz, Sandstrom, Menezes, M. Singh and
Mrs. Robbin

JUpadhyay:br

4/6/83

COUNTRY OPERATIONAL DATA

COUNTRY: INDIA
 LAST CPP: 08/04/80
 COST SHARING

GNP PER CAPITA: 250
 LOCAL COSTS FINANCING: YES
 BANK: 50 %

TERMS: 5/20
 EXTERNAL: %

	FY81		FY82		FY83		FY84		FY85		TOTAL	
	BANK	IDA	BANK	IDA	BANK	IDA	BANK	IDA	BANK	IDA	BANK	IDA
\$MILLIONS	430	1281	1265	900	1078	1108	1030	923	932	1132	4735	5343
NUMBER	2	11	7	5	5	11	6	8	7	10		72
PER CAPITA		2		3		3		3		3		15
COFINANCING		448		365								813
DISBURSEMENTS		959		1232		193						2384
DSBMENTS/COMMIT.		.56		.57		.09						.24

APPROVED THRU 12/31 BY LOAN COMMITTEE

2 YEAR PROGRAM (REVIEW GROUP)

	IBRD	IDA	IBRD	IDA
-\$MILLIONS	587.8	714.0	2100.0	1820.0
-NUMBER	3	6		

FY83-84 COUNTRY LENDING PROGRAM


FY PROJECT -----	NAME -----	BOARD APPROVAL -----	S T A T U S -	APPRVD AT LOAN COMM IBRD -----	IDA ---
FY83					
8INDWX03	WATER SUP GUJARAT	7/06/82A		YES	72.0
8INDAT10	HARYANA & J.K. SOCIAL FORESTRY	8/03/82A		YES	33.0
8INDAI55	CHAMBAL MP II	8/10/82A		YES	31.0
8INDAI32	SUBERNAREKHA IRRIG.	8/17/82A		YES	127.0
8INDGIO1	KRISHNA-GODAVARI EXPLOR.	10/19/82A		YES	165.5
8INDTR18	RAILWAY MODERN.& MAINT.II	11/16/82A		YES	200.0
8INDAI51	HARYANA IRRIG. II	1/25/83A		YES	150.0
8INDGS03	BASSEIN GAS DEV.	2/22/83A		YES	222.3
8INDAI52	UP TUBEWELLS II	3/08/83A		YES	101.0
8INDPH05	UPPER INDRAVATI POWER	5/10/83		NO	240.0
8INDUU12	CALCUTTA URBAN III	5/17/83		NO	147.0
8INDAI46	HIMALAYAN WATERSHED DEVEL.	5/24/83		NO	65.0
8INDPM09	POWER TRANSMISSION V	5/24/83		NO	250.0
8INDAI62	MAHARASHTRA WATER UTILIZATION	6/14/83		NO	55.0
8INDAI63	ORISSA MEDIUM IRRIG. II	6/21/83		NO	103.0
8INDUU13	M.P. URBAN	6/28/83		NO	23.5
FY84					
8INDIC11	MAHARASHTRA PETROCHEMICALS	6/21/83	S	NO	300.0
8INDAT09	KARNATAKA SOCIAL FORESTRY	8/30/83		NO	30.0
8INDPM10	TROMBAY POWER	9/13/83		NO	200.0
8INDAI31	RAINFED AGRIC	9/20/83		NO	25.0
8INDIK01	COAL MINING	10/04/83		NO	70.0
8INDIC08	MADHYA PRADESH FERTILIZER	11/01/83		NO	150.0
8INDNN03	POPULATION III	11/15/83		NO	50.0
8INDTP08	NHAVA SHEVA PORT	12/06/83		NO	275.0
8INDAI47	NARMADA (GUJARAT) DAM	12/20/83		NO	256.0
8INDAI53	NARMADA (GUJARAT) CANAL	12/20/83		NO	100.0
8INDTR19	RAILWAYS ELECT/TELECOM	1/10/84		NO	150.0
8INDPT16	FARAKKA II THERMAL POWER	2/07/84		NO	165.0
8INDUU06	BOMBAY URBAN	3/06/84		NO	100.0
8INDAI60	SUTLEJ-YAMUNA LINK CANAL	6/01/84		NO	35.0
					46.5

N/H etc / file

OFFICE MEMORANDUM

TO: Files

DATE: December 20, 1982

FROM: Mary Choksi, ASADB SUBJECT: INDIA - Proposed Third Calcutta Urban Development Project
Comments on Decision Memorandum

Mr. Horsley called on Friday, December 17, to pass on the following two comments on the Decision Memorandum for this project.

(i) He asked that we carry out an annual review of CMDA's on-lending rate, in order to ensure that it does, in fact, accurately reflect that agency's cost of borrowing.

(ii) He asked that at some point in the course of supervising this project (e.g., perhaps 1 - 1 1/2 years into the implementation period), we prepare a note for Mr. Stern summarizing our experience with the interest rate rebate under the Small-Scale Enterprise program.

cc: Messrs. Stern (SVPO)(3), Rajagopalan (PAS)(3), Churchill (URB)(5), Willoughby (TWD)(5), Hopper, Holsen, West (ASNVP), Robless (PAB), Wiehen, Jansen (ASA), Thalwitz, Saeed (ASP), Sandstrom, Menezes (ASPUW), Stichenwirth (ASPPT), Balkind (ASPID), Horsley (SVPO), Morris (ASADB), Mrs. Hamilton (ASADB), Mrs. Robbin (LOA)

MChoksi:ns



12/16/82

COUNTRY OPERATIONAL DATA

COUNTRY: INDIA
 LAST CPP: 08/04/80
 COST SHARING

GNP PER CAPITA: 240
 LOCAL COSTS FINANCING: YES
 BANK: 50 %

TERMS: 5/20
 EXTERNAL: %

	FY81		FY82		FY83		FY84		FY85		TOTAL	
	BANK	IDA	BANK	IDA	BANK	IDA	BANK	IDA	BANK	IDA	BANK	IDA
\$MILLIONS	430	1281	1265	900	1058	1050	1021	926	820	1600	4594	5757
NUMBER	2	11	7	5	6	8	8	6	5	12		70
PER CAPITA		3		3		3		3		4		15
COFINANCING		448		365								813
DISBURSEMENTS		959		1232		193						2384
DSBMENTS/COMMIT.		.56		.57		.09						.23

APPROVED THRU 10/31 BY LOAN COMMITTEE

2 YEAR PROGRAM (REVIEW GROUP)

	IBRD	IDA	IBRD	IDA
-\$MILLIONS	365.5	463.0	2075.0	1885.0
-NUMBER	2	4		

55K

415

FY83-84 COUNTRY LENDING PROGRAM

FY PROJECT -----	NAME -----	BOARD APPROVAL -----	S T A T U S -	APPRVD AT LOAN COMM IBRD	IDA ---
FY83					
8INDWX03	WATER SUP GUJARAT	7/06/82A		YES	72.0
8INDAT10	HARYANA & J.K. SOCIAL FORESTRY	8/03/82A		YES	33.0
8INDAI55	CHAMBAL MP II	8/10/82A		YES	31.0
8INDAI32	SUBERNAREKHA IRRIG.	8/17/82A		YES	127.0
8INDGI01	KRISHNA-GODAVARI EXPLOR.	10/19/82A		YES	165.5
8INDTRI8	RAILWAY MODERN.& MAINT.II	11/16/82A		YES	200.0
8INDAI51	HARYANA IRRIG. II	2/01/83		YES	150.0
8INDGS03	BASSEIN GAS DEV.	2/01/83		YES	222.3
8INDAI52	UP TUBEWELLS II	3/01/83		NO	91.0
8INDPM09	POWER TRANSMISSION V	4/05/83		NO	250.0
8INDPH05	UPPER INDRAVATI POWER	4/26/83		NO	221.0
8INDUU12	CALCUTTA URBAN III	5/17/83		NO	147.0
8INDAI46	HIMALAYAN WATERSHED DEVEL.	5/24/83		NO	65.0
8INDAI62	UPGRADING/MINORS & FIELD CHANN	6/14/83		NO	15.0
8INDAI63	ORISSA MEDIUM IRRIG. II	6/21/83		NO	80.0
8INDUU13	M.P. URBAN	6/28/83		NO	22.0
FY84					
8INDIC11	INDUSTRY PETROCHEMICALS	6/07/83	S	NO	153.0
8INDTP08	NHAVA SHEVA PORT	6/14/83	S	NO	59.0
8INDIK01	COAL MINING	6/28/83	S	NO	100.0
8INDAI31	RAINFED AGRIC	8/09/83		NO	30.0
8INDIC16	FERTILIZER DISTRIB.	8/09/83		NO	100.0
8INDIC08	MADHYA PRADESH FERTILIZER	8/23/83		NO	175.0
8INDAI47	NARMADA (GUJARAT) DAM	9/20/83		NO	275.0
8INDAI60	SUTLEJ-YAMUNA LINK CANAL	10/25/83		NO	150.0
8INDNN03	POPULATION III	12/13/83		NO	50.0
8INDUU06	BOMBAY URBAN	12/13/83		NO	100.0
8INDTRI9	RAILWAYS ELECT/TELECOM	1/10/84		NO	200.0
8INDWU05	TAMIL NADU WATER SUPPLY	1/31/84		NO	46.0
8INDPT16	FARAKKA II THERMAL POWER	2/07/84		NO	275.0
8INDAI53	NARMADA (GUJARAT) CANAL	6/01/84		NO	100.0
8INDAT09	KARNATAKA SOCIAL FORESTRY	6/01/84		NO	30.0
8INDPM10	TROMBAY POWER	6/01/84		NO	200.0
8INDGI02	OIL EXPLORATION	6/01/84		NO	50.0

THE WORLD BANK
DECISION MEMORANDUM TRANSMITTAL SHEET

Mr. Stern

Received: 12/07/82 PM
Comments by c.o.b.: 12/16/82

TO: Distribution

DATE: December 3, 1982

FROM: Ann O. Hamilton

Chairperson, Decision Meeting

COUNTRY/PROJECT: INDIA: Third Calcutta Urban Development Project

Issues Paper Date: November 2, 1982	Decision Meeting Date: November 10/12, 1982	Loan Committee Date: March 7, 1983	Scheduled Board Presentation Date: May 17, 1983	Yellow Cover Review: Waived <input type="checkbox"/> Not Waived <input checked="" type="checkbox"/>
Estimated Costs: Total: \$302 million Foreign:	Proposed Loan/Credit Amount: \$147 million	Amount in Approved Lending Program: \$147 million	Amount and Source of Co-Financing: -	

1. DECISIONS SOUGHT

none

2. SPECIAL FEATURES

none

3. SECTOR POLICY ISSUES

(a) List Problem Projects in sector:

Calcutta Urban Transport Project

(b) List major covenants not in compliance:

Financial and operational performance covenants (please see para 15 of Decision Memorandum).

(c) List major sector policy issues covered. Use simple descriptions, e.g., prices, staffing, maintenance, etc.

Cost recovery, State-municipal finances.

DISTRIBUTION

1. Mr. Stern, SVPO, through RVP (initial)

(3 copies with Issues Paper and Project Brief)

2. Standard Distribution: Please see attached memorandum.

OFFICE MEMORANDUM

TO: Files

3 December 1982

FROM: Ann O. Hamilton, Chief, ASADB

SUBJECT: INDIA - Third Calcutta Urban Development Project (CUDP III)
Decision Memorandum

1. A meeting was held on Wednesday, November 10, and reconvened on Friday, November 12, 1982 to discuss the Issues Paper on this project. Present were Mmes. Hamilton (Chairman), Choksi and Sunderland (ASADB); Mr. Stichenwirth (ASPPT); Messrs. Sandstrom, Davis, McCarthy, Menckhoff, Menezes, Pettigrew, and Sengupta (ASPUW); Mr. Balkind (ASPID); Messrs. Cohen, Jones and Kahnert (URB); Messrs. D'Souza and Golladay (TWD); Mr. Singh (LEG); and Dr. Hamilton (PHN).

Issues Paper Style

2. The meeting began with a discussion of the experimental approach taken in the preparation of this Issues Paper -- i.e., use of the Aide Memoire as the basic document to describe the issues and their resolution, supported by an Issues Paper serving mainly as a reference guide. The mission said that this had been an attempt to reduce paper flow and conserve staff time, noting that the Issues Paper had been circulated within a few days of the mission's return. Several participants mentioned that it was difficult to follow through on the issues which had been raised in the Project Brief, since the manner in which a number of them had been resolved was not highlighted and discussed in the Aide Memoire. It was pointed out that this problem arose largely due to the fact that the Aide Memoire is prepared for an audience (officials in the borrowing country) quite different from that in the Bank and therefore, in general, is not likely to fulfill the informational requirements of our decision-makers. The consensus of the meeting was that, despite the weaknesses identified in the present set of documents, the basic approach may have merit and the experiment would be worth repeating, as modified in light of the lessons learned this time, e.g., perhaps by using the Project Brief as the basic document for revision into the Issues Paper.

Review of Issues Raised in the Project Brief (Paragraph 1 of Issues Paper)

3. At the request of the meeting, the mission leader gave a brief summary of the status of the First and Second Calcutta Urban Development Projects. He outlined the approach used in developing the third project, and described the manner in which the issues identified in the Project Brief had been resolved.

4. With respect to cost recovery, the mission explained that it was satisfied with the approach the Government of West Bengal (GOWB) had adopted, which provided for full cost recovery (of operations, maintenance, and debt

service costs) in water supply by 1985/86 for areas administered by the Calcutta Metropolitan Water and Sanitation Authority (CMWSA) and by 1987/88 for the areas under Calcutta Municipal Corporation (CMC) administration. In shelter and area development, and urban renewal, there would be full cost recovery plus a surplus to be reinvested in future programs in these sectors. Costs would be recovered to the extent feasible in the other components, i.e., health, bustee improvement, solid waste management, etc.

5. As for the important task of building the municipalities' capabilities in view of their increased responsibilities under the project, the mission reported that the Calcutta Metropolitan Development Authority's (CMDA's) regional support centers had been set up, as had a training institute for staff of the municipalities and other local bodies. In addition, recruitment of four senior officers (Administrative, Finance, Engineering, and Public Health) for each municipality was underway, and the remaining staffing requirements of the municipalities had been reviewed and a staffing program agreed upon. Provided the action program agreed and recorded in the Aide Memoire was adhered to, the mission felt this would be a manageable program for the municipalities.

6. The mission reported that the Municipal Finance Commission's recommendations on a revised grant structure, critical to the success of the project's decentralization thrust, had been accepted by GOWB. Agreement had been reached that administrative procedures and related staffing requirements would be formulated by December 31, 1982. To ensure that this was accomplished, the meeting agreed that the establishment of the revised procedures for the allocation of grant funds to the municipalities would be a condition of negotiations. 1/ The other recommendations of the Commission are under review by an inter-agency committee. Decisions on them are expected by December 31, 1982, or at the latest by March 31, 1983.

7. Although formal adoption of the Howrah Municipal Corporation and Calcutta Municipal Corporation Acts must await local elections, planned for the Fall of 1983, about 60% of the clauses in these Acts, including those which are critical to the project, are being implemented under existing legislation. The remaining clauses relate only to the nature of the corporations and are not expected to have a significant impact on the project.

8. With respect to proper maintenance of investments in the bustees, the mission noted that the CMC had been instructed by the State Government to assume responsibility for maintenance of all improved bustees by January 31, 1983. The total cost was estimated at Rs 2 crores annually. A Bustee Services Account had been established for the CMC, and Rs 1 crore

1/ One of a number of possible conditions of negotiation (see paragraph 21 below).

already deposited in the account. It was agreed that the transfer to CMC of all improved bustees would be a condition of negotiations.

9. An inter-agency study group had been established to review the entire shelter and area development program. They had prepared a draft strategy paper. Although it was expected that it may take 18 months to two years to reach agreement on a comprehensive policy for shelter and area development, in the meantime CMDA had received a mandate to convert serviced land for urban use and place it on the market. It had been agreed that the Housing Development and Finance Corporation would manage plot sales, loans, and collections for CMDA. CMDA had also initiated discussions with various financial institutions (e.g., the Housing and Urban Development Corporation, the Life Insurance Corporation) with an eye to borrowing resources to support an expanded shelter program. And finally, it had been decided that 50% of the net surplus from CMDA's urban renewal activities would be reinvested in an "Area Development Fund".

10. As for the reorganization of CMDA to reflect more appropriately its evolving role as a planning and supervisory agency, the mission explained that the reorganization was substantially underway, and a staffing timetable had been agreed upon.

Cost Recovery for Water Supply (Paragraph 1 of Issues Paper)

11. The Chairman requested an elaboration of the proposed cost recovery program for water supply. The mission explained that for water supplied outside the CMC, which is under CMWSA's jurisdiction, a tariff increase calculated on the basis of specific performance targets had been agreed, and was to become effective April 1, 1983 (as a condition of negotiations). These rates, which would remain in effect for three years, would be revised upward on April 1, 1986, and every three years thereafter. The new tariff rates were expected to result in full recovery of operation, maintenance, and debt service costs by 1985/86; CMWSA anticipated a shortfall during the initial two years of the project as it was only in 1985/86 that full production from the new Garden Reach facility would be achieved.

12. For water supplied to CMC, the costs of operation, maintenance, and debt service would be fully recovered beginning in 1987/88. A revised pricing structure for industrial, commercial and institutional (ICI) users, a revised flat rate for domestic consumers, a license fee for private tubewells and a charge for extraction therefrom, were all to go into effect on April 1, 1983. Rates for domestic and unmetered ICI consumers would be revised upward annually, while those for metered ICI consumers would be increased every three years. 1987/88 was selected as the target date for full cost recovery in recognition of the time required to complete a number of consumer surveys and make significant progress on the metering program.

13. The mission emphasized the importance of CMC demonstrating a seriousness of purpose in addressing financial management issues in general, and particularly in the water supply sector. This was especially important given CMC's poor performance on cost recovery in the first and second projects. Therefore, the meeting decided that (i) the key actions agreed with CMC to be undertaken by March 31, 1983 would be conditions of negotiation, and (ii) a dated program of actions to be taken subsequent to March 31, 1983 on tariff structures, consumer surveys, and meter installations and repair would be included as covenants in the legal documents.

14. A speaker asked why CMWSA and some CMC tariffs were proposed to be increased every three years rather than annually. The mission responded that the Government's original proposal had been for adjustments only every five years. Reducing this to a three-year cycle was a step in the right direction. Furthermore, historical evidence in Calcutta had shown that larger multi-year adjustments were as acceptable to the users as smaller annual increases. The most essential need was for closer monitoring and better projection of financial performance, which would be incorporated in the project. The speaker then asked why there was such an extreme difference between domestic and ICI tariff rates, with domestic users projected to pay one-tenth of industrial rates. He noted that the trend in other developing countries is for a ratio closer to one-third or one-fourth. The mission stated that currently domestic consumers pay nothing. The introduction of a modest domestic rate on April 1, 1983 was thought to be an appropriate beginning; over time it was expected that the differential between domestic and ICI tariff rates would be reduced.

Performance under Calcutta Urban Transport Project (Paragraph 3(a) of Issues Paper)

15. The mission chief of the recent supervision mission on the Calcutta Urban Transport Project (CUTP) summarized the status of the project (see Back-to-Office Report dated November 8, 1982). Although physical performance (e.g., acquisition of buses and trams, progress of civil works) was satisfactory, the operational and financial performance of project agencies had been poor. With the objective of improving progress under the project, the mission and GOWB had agreed on a set of specifically defined operational targets for the remainder of this calendar year, along with a program of policy and management actions to be undertaken over the next six months. The Bank would be monitoring compliance with this action program and general progress of the project on the basis of monthly telex reports from GOWB. The mission confirmed that GOWB had been expressly informed that further processing of CUDP III would be influenced by progress on the transport project between now and the proposed date of negotiations. The meeting agreed that evidence of improved performance in the transport project would be an important determinant in the further processing of CUDP III. However, it was agreed that the Bank should not tie processing of CUDP III to any individual item in the

remedial action program for the transport project, but rather, as the supervision report had recommended, evaluate overall progress toward improving performance of the implementing agencies as a basis for making a judgement on the appropriate final processing schedule for CUDP III.

Revised Grant Structure (Paragraph 3(b) of the Issues Paper)

16. The mission members explained their concerns over the administrative and financial performance of the CMC. While the State Government had reservations about the prospect of successfully extending to the CMC the financial discipline incorporated in the revised system for calculating grants to municipalities, the mission felt it critical that CMC be brought under such discipline. Moreover, it would be inappropriate to exclude CMC from the proposed grant structure, as it would be more difficult to impose proper discipline on the other participating municipalities in the absence of similar obligations undertaken by CMC. Therefore, the meeting agreed that the Bank should require that the revised grant structure be applicable to CMC as well as the rest of the municipalities in the Calcutta Metropolitan District. The meeting further agreed with the mission's recommendation that specific financial performance targets for CMC should be incorporated in the legal documents.

Onlending Terms (Paragraph 3(c) of the Issues Paper)

17. The meeting agreed with the mission's recommendation that CMDA's onlending rate should be based on its weighted average cost of borrowing, plus a one-half percent service charge, and in no case be less than 8-1/4%.

Credit Amount (Paragraph 3(d) of the Issues Paper)

18. The mission explained the justification for including in the project some items formerly identified as "spillover" from CUDP II. Mission members confirmed that this would be restricted to (i) items deferred from financing under CUDP II when originally allocated funds were reallocated to other higher priority sub-projects, and (ii) ongoing programs from CUDP II which are to be continued under CUDP III. The meeting agreed that these items could be included in the project cost and that the proposed credit size would be increased to US\$147 million, which would be 50% of total project cost of US\$302 million, less taxes and duties estimated at 3% of project cost.

Small-Scale Employment

19. The meeting discussed the small-scale employment (SSE) component at length. Several speakers expressed reservations about the use of project

funds to finance the proposed 4% interest rebate ^{1/} for prompt repayment of loans by beneficiaries of the commercial-bank-financed SSE credit program. The mission explained that this was to be a one-time incentive offered to borrowers for their first loan under the program only; it was viewed as a mechanism for establishing the habit of prompt repayment among entrepreneurs who have never borrowed in the formal sector before. The mission considered the funds to be thus utilized to form part of a "penetration fund", which, when complemented by CMDA's extension effort, would do much to draw informal sector entrepreneurs into the formal credit market. The mission members also explained that the Government had proposed a much lower basic interest rate for loans to small enterprises to begin with, and had proposed that CMDA handle the on-lending under this component. Thus, the mission felt that GOWB's agreement that these loans should be handled by commercial banks and should bear an interest rate of 12.5%, with a prompt repayment rebate to be a one-time incentive funded by Government rather than the banks, was a very favorable development, which would be jeopardized if the Bank withdrew its support at this juncture. In view of the mission's representations, and the fact that this component constituted a very small part of the proposed project, the meeting agreed to retain the small-scale employment component in the project as proposed. However, it was agreed that there should be an annual review of the interest rate and rebate program incorporated in the project, with a view to eliminating it if it is determined to be unnecessary or ineffective in maintaining a low arrears level.

Project Context

20. A representative of URB asked that the SAR take care to present the project within its overall city context. He pointed out that there are complexities and uncertainties inherent in supporting an investment program as broad as that supported by this project. Moreover, a number of forces beyond the Bank's influence exist in Calcutta and will affect the context for project implementation. Nevertheless, the Department felt that the mission had prepared the project with sufficient flexibility and realism to adjust to a dynamic environment. The speaker noted that he believed the Bank's major contribution thus far in Calcutta had been to strengthen the relevant government agencies in West Bengal and to enhance their ability to understand the inter-sectoral consequences, particularly financial, of their decisions. He concluded that if we can continue to raise GOWB's consciousness of the trade-offs they are making and propose to make, we will have accomplished a good deal.

^{1/} Which would bring the interest rate down to 8.5% from the 12.5% base rate.

Conditions of Negotiation

21. The mission pointed out that there are enumerated in the Aide Memoire many actions agreed to be undertaken by the various project implementing entities between appraisal and March 31, 1983. It was pointed out that most of these actions, if not accomplished prior to project negotiations, would, by virtue of their importance, become conditions of negotiation.

Project Processing

22. The meeting agreed to the following schedule for the project:

Yellow Cover Appraisal Report	January 17, 1983
Submission to Loan Committee	March 7, 1983
Negotiations	March 28, 1983
Board Presentation	May 17, 1983.

The President's Report will be drafted by the Programs Division.

cleared with and cc: Messrs. Stichenwirth, Balkind, Menezes (ASP), Cohen (URB) and Golladay (TWD)

cc: Messrs. Rajagopalan (8)(PAS), Churchill (5)(URB), Willoughby (5)(TWD), Hopper, Holsen, West (ASNVP), Robless (PAB), Wiehen, Jansen (ASA), Thalwitz, Sandstrom, Saeed (ASP), Morris (ASADB), New Delhi Office and Mrs. Robbin (LOA)

LSunderland/MChoksi:jl

OFFICE MEMORANDUM

TO: Sven Sandstrom, Chief, ASPUW *PM* *PM* *JMP* *GA.* *GM* DATE: November 2, 1982

FROM: Messrs: Menezes, McCarthy, Pettigrew, and Sengupta, and Menckhoff (ASPUW)

RE: INDIA - Third Calcutta Urban Development Project (CUDP III)
Appraisal Mission
Issues Paper

1. In accordance with Terms of Reference dated September 22, 1982, we visited Calcutta, accompanied by Messrs. Dillenberg, D'Souza, Jackson, and Turner (consultants) between September 29-October 19, 1982, to appraise the Third Calcutta Urban Development Project. Mr. Cohen (URBOR) joined the mission for about a week.
2. On completion of the mission, two detailed wrap-up meetings were held in Calcutta on October 18 and 19, at which DEA and the Ministry of Works and Housing were represented, by Mr. Bajpai and Mr. Sundaram, respectively.
3. A further wrap-up meeting on CUDP III and on the findings of the review mission on the Calcutta Urban Transport Project (CUTP) was held in Delhi on Thursday, October 21. GOWB was represented at the Delhi meeting by Messrs. Venkataramanan, Secretary, Finance Department, GOWB; Mr. Arun Sen, Secretary, Local Government and Urban Development Department and Acting Secretary, Metropolitan Development, GOWB; Mr. H.G. Kuty, Chief Executive Officer, CMDA; Mrs. Lina Chakrabarty, Secretary, CMDA; Mr. Dipak Rudra, Secretary, Home (Transport) Department, GOWB; and Mr. Manesh Gupta, Project Director, CUTP. Mr. De Silva of the Resident Mission was also present.
4. Attached is a status report on Agreements reached and issues to be resolved.

Distribution: Messrs: Bopper, Holsen, West, Ahmed (ASNVP)
Wiehen, Woodford, Jansen, Mrs. Hamilton,
Mrs. Choksi, Mrs. Sunderland, Morris (ASA)
Thalwitz, Stichenwirth, Saeed, Nowicki (ASP)
Rajagopalan (8) (PAS); Swahn (EDC); Madavo (10) (URE);
Cohen (2) (URBOR); Willougy (5) (TWT); Hamilton (THN);
Singh (LEG); Mrs. Robbin (CTR); New Delhi (4); SAIC

Attachments

EMenezes:mmc

THIRD CALCUTTA URBAN DEVELOPMENT PROJECT - ISSUES PAPER

Status on Previous Issues

1. The mission reached agreement with GOWB and CMDA on significant policy and program issues, some of which were the subject of previous legal covenants under CUUP II. These were previously outlined in the Project Brief (PB) dated August 10, 1982 (Attachment 1). Agreements reached are noted in the Aide-Memoire left in the field (Attachment 2). For convenience key agreements are referenced below:

ISSUE	Project Brief 8/10/82	Aide-Memoire 10/19/82
COST RECOVERY		
a) General	Sect.V, para. 5.02	Sect.V, para 2.4, p. 10
b) Water Supply (Transmunicipal) <u>1/</u>		Sect.V, para 2.5, pp. 11-14
c) Water Supply (CMC) <u>1/</u>		Sect.V, para 2.6, pp.15-22
d) Shelter and Area Development		Sect.VI, Annex b, pp. 35-37
e) Urban Renewal		Sect.VI, Annex e, pp. 41-42
INSTITUTIONAL RESPONSIBILITIES		
- WATER SUPPLY	Sect.V, para 5.06 pp. 13-14	Sect.V, paras.2.5,2.6 pp. 11, 16-19
PERFORMANCE OF MUNICIPALITIES		
	Sect.V, para 5.12, p.14	Sect.VI, Annex a, pp. 31-32
ADOPTION OF PRINCIPAL RECOMMENDATIONS OF MFC		
	Sect.V, para 5.15, p.16	Sect.V, paras 2.1,2.3 p.9, para 2.3, p.10, para 2.9 pp. 24-27
PARTIAL IMPLEMENTATION OF CMC/HMC ACT		
	Sect.V, para 5.16 p.16	Sect.V, para 2.6(5) p. 19
MAINTENANCE OF IMPROVED BUSTEES		
	Sect.V, para 5.18 p.18	Sect.V, para 3.0 p. 28
PREPARATION OF A SHELTER PROGRAM		
	Sect.V, para 5.20 p.19	Sect.VI, Annex b, pp.33-40
REORGANIZATION OF CMDA AND STAFF STRENGTHENING		
	Sect.V, para 5.26 pp.21-23	Sect.V, para 4.0, pp. 28-29

1/ See Note on Cost Recovery - Water Supply (next page).

Note on Cost Recovery - Water Supply

The mission has agreed with GOWB and CMWSA specific operational and financial performance targets which have been used to arrive at the tariff rates to become effective April 1, 1983 for all transmunicipal water supply investments. The mission has also agreed with GOWB and CMWSA that there will be upward revision of tariff effective April 1, 1986 and every three years thereafter. The exact magnitude of tariffs are based on the principle that actual cash income of CMWSA will cover all operations, maintenance, depreciation, and debt service costs by FY85/86. Specific collection percentages to be achieved during the project period have also been agreed to. The specific rates effective April 1, 1986, required to reflect the impact of CUDP III investments, are now being computed. These financial and operational targets for CMWSA will be discussed at negotiation and will be legally covenanted. The mission also agreed with GOWB and CMC the tariff rates, metering program for non-domestic users, consumer survey program, and collection percentages to be achieved during the project period to cover all operations, maintenance, depreciation, and debt service costs by FY 87/88.

2. Other Agreements Reached

a. Principles and policies pertinent to specific subprograms and sectors have been agreed where these have not been finalized previously. For example:

Shelter and Area Development (Sect. VI, Annex b);
Urban Renewal (Sect. VI, Annex c); and
Small-Scale Employment (Sect. VI, Annex e)

b. Actions to be completed by December 31, 1982 and by March 31, 1983 respectively, by sector and sub-program have also been identified and agreed. These are noted in the Aide-Memoire as follows:

Water Supply (CMWSA)	Sect. V, p. 13
Water Supply (CMC)	Sect. V, pp. 18-19
Finance and Accounts (CMC)	Sect. V, pp. 21-22
Finance and Accounts (CMDA)	Sect. V, pp. 23
Revised Grant Structure	Sect. V, pp. 26-27
Maintenance of Improved Bustees	Sect. V, p. 28
CMDA Reorganization and Staffing	Sect. V, p. 28
Municipal Development Program	Sect. VI, p. 32

Shelter and Area Development	Sect. IV, pp. 35, 38-39
Urban Renewal	Sect. IV, p. 43
Health Program	Sect. VI, pp. 45-47
Small-Scale Enterprises	Sect. VI, p. 49
Water Supply, Sewerage, Drainage, and Solid Waste	Sect. VI, pp. 51-53
Traffic & Transportation	Sect. VI, pp. 55-58
Training and Technical Assistance	Sect. VI, pp. 61-61

c. The mission has discussed with GOWB, CMDA, and other agencies specific critical actions or decisions which the mission is recommending to IDA management, be adopted as the minimum conditions for negotiations. These are listed in the Aide-Memoire as follows:

Cost Recovery - Water Supply (CMWSA)	Sect. V, p. 14
Cost Recovery - Water Supply (CMC)	Sect. V, p. 19
Revised Grant Structure	Sect. V, p. 27
Shelter and Area Development	Sect. VI, p. 39
Urban Renewal	Sect. VI, p. 43
Water Supply, Sewerage, Drainage, Solid Waste	Sect. VI, p. 54

d. Where appropriate the mission has also indicated in the Aide-Memoire, items which it recommends will form the basis of suitable legal covenants. (pp. 14, 19, 27, 39, 43, 54). There is general agreement with substantive issues underlying (c) and (d) above.

e. Other project-related administrative and organizational procedures have also been discussed and agreed. e.g. Procurement (Sect. VII A), Funds Management (Sect. VII B), and Audits (Sect. VII C).

3. Issues and Recommendations Arising Out of Wrap-up Discussions. These are set out as follows:

- a) Performance under the Calcutta Urban Transport Project (CUTP)
- b) Application of the Revised Grant Structure to the CMC
- c) CMDA's on-lending terms
- d) Size of Credit

a) Performance under the Calcutta Urban Transport Project (CUTP) (see Project Brief, Sect. V, para 5.31). A CUTP review mission (October 3-10) addressed the problems outlined in para 5.31 of the CUDP III Project Brief. GOWB officials assured the mission, both verbally and in writing, that they recognized the seriousness of the situation and that the necessary actions would be taken in the near future to substantially improve the unsatisfactory performance of Calcutta's public transport system. As detailed in the review mission's Aide-Memoire dated October 19, 1982

specific target values were agreed for the operational performance of the bus and tram companies to be achieved in the quarter October-December 1982. In addition, GOWB has decided to raise fares and to appoint a four-man senior level task force to move into the bus company to improve its operations. It also moved toward resolving the institutional issues with regard to traffic engineering by reassigning the outstanding schemes under CUTP to CMDA, and by shifting the responsibility for medium-term route rationalization to the transport planning cell of CMDA.

GOWB will telex IDA monthly to report on the progress made in resolving the major problem areas. However, there are already early signs of a turn-around. The tram company's operational performance indicators for September show a substantial improvement over the preceding months, and bus performance in the latest quarter is slightly better than in the preceding one.

The mission recommends that adherence to the agreed timetable for key actions be made a condition of negotiations.

b) Application of the Revised Grant Structure to CMC (see Aide Memoire, Sect. V, para 2.9)

The GOWB have agreed to the application of the Revised Grant Structure (RGS) to all CMD Municipalities, but have expressed reservations about successfully imposing a similar discipline on CMC. The mission's view is that it is critical that additional efforts and sustained pressure be exerted towards improving the overall administrative and financial performance of CMC, and that the principal features of the RGS should also apply to the CMC: that is, the achievement of specific performance targets for CMC should be monitored, and the release by CMDA of project funds, should depend on the achievements of these targets under the Municipal Development Program.

In addition, the mission recommends a separate covenant requiring CMC to achieve specific performance targets in respect of a time bound program, acceptable to IDA (see para 3, p. 21 of the Aide Memoire), for improvement of assessment of properties, updating of the valuation roll, and improvements in collection performance on its tax and general revenues.

c) On-Lending Terms. (See Table 2 of Annex VII B of Aide Memoire).

The mission queried the low on-lending rate of 7-1/2% (7% interest rate plus 1/2% service charge) of CMDA to agencies. As CMDA's borrowed funds are derived from State Plan Funds and its own market borrowings, the mission's recommended that onlending terms by CMDA should be the weighted average of its borrowed funds, plus a 1/2% service charge. Taking into account therefore the flow of State Plan funds for the Program, plus

CMDA's expected market borrowings at an interest rate which rises by 1/4% every year (in 1981/82 it was 7-1/4%), the mission calculated the weighted average interest rate over the project period would be to 7-3/4%. CMDA should therefore onlend to Agencies at at least 8-1/4% (7-3/4% interest rate plus 1/2% service charge).

At the "wrap-up" meeting in Delhi, GOI suggested that the interest rate should be Government's on-lending rate, which is subject to revision from time to time. Under this formula therefore, CMDA would initially lend at 7-1/2% (including 1/2% service charge), rather than 8-1/4%.

The mission recommends that CMDA's onlending rate be based on the weighted average of its borrowing rates, plus 1/2% service charge, but in no case less than 8-1/4%.

d) Size of Credit (see Aide-Memoire, Sect. III) GOI 1/ has requested that the Bank fund 50% of the present estimated cost of the project, including spillover. The Bank has consistently excluded spillover from any calculations used to determine credit size, defining "spillover" as cost overruns, which cannot be financed under Bank/IDA policy.

In the light of this request, the mission took another look at the "spillover". As details of the 'spillover' projects were provided to the mission only the end of its stay in Calcutta, the analysis of the list was completed in Washington. Full details and work sheets are available in the Project File.

Rs 14.00 crores (US\$14.70 million) represents slippage on CUDP II sub-projects on which there are no cost overruns per se, but for which the originally allocated IDA funds have been reallocated to other priority sectors in the course of implementation. The mission recommends therefore that funds for completion of these sub-projects in CUDP III should therefore be taken into account by IDA.

Rs 13.70 crores (US\$14.40 million) represents funds requirements for ongoing programs (e.g., Bustee Improvement, Municipal and Anchal Development, and Environmental Hygiene) which should not be labelled as spillover.

1/ Mr. G.K. Arora's letter dated September 30, 1982 to Mrs. Ann Hamilton.

The mission therefore recommends that IDA financing be based on a project size of Rs 298 crores (US\$313 million) as opposed to Rs 270 crores (US\$283 million) as indicated in Section II of the Aide-Memoire dated September 29-October 19, 1982.

The mission further recommends that IDA finance 50% of the revised project size, less taxes and duties, i.e. US\$150 million (rounded).

THIRD CALCUTTA URBAN DEVELOPMENT PROJECT (CUDP III)

Size of Credit (refer to para 1.0, Section III of Aide-Memoire)

In the field, the mission indicated the credit size would be based on the revised program size less (i) spillover (defined as cost overruns), (ii) institutional finance (for Shelter and Area Development), (iii) commercial bank financing for SSE program, and (iv) taxes and duties. The issue of the percentage of total project cost which IDA would use to calculate credit size would be decided in Washington.

The attached table was prepared following the mission's return to Washington and takes into account the above criteria. An analysis, also carried out in Washington, has shown that out of the total carryover of sub-projects and programs from CMDA's present investment plans to CUDP III, a total of Rs 28 crores, as indicated in footnote 2 of the table, should be taken into consideration when calculating the size of credit.

GOI made a request to the mission for financing 50% of project cost. Based therefore on a project size of Rs 288 crores, less taxes and duties estimated at 3%, the credit size would be US\$147 million. (A US\$150 million credit would equal 51% of project cost.)

CUDP IIIFIVE YEAR INVESTMENT PROGRAM (1983/84-1987/88)

Schedule of sub-programs and schemes.

	<u>Rs. Crores</u>	<u>US\$ millions</u>
I. <u>Municipal Development Programs (MDP)</u>	94.00	99.00
Multi-sector improvements in CMD municipalities, including Calcutta and Howrah.		
II. <u>Transmunicipal Infrastructure Projects (TRIP)</u>	39.85	42.00
Water supply	23.00	
Sanitation and Drainage	12.35	
Transportation Infrastructure	3.50	
Solid Waste Management	1.00	
III. <u>Calcutta-Howrah Investment Programs (CHIP)</u>	62.15	65.00
Centrally planned investments in:		
Water supply	8.50	
Sanitation and Drainage	25.80	
Solid Waste Management	7.00	
Traffic and Transportation	14.85	
Urban Renewal and Bus Terminal	6.00 ^{/1}	
IV. <u>CMD-wide Complementary Programs (CMDCP)</u>	34.00	36.00
Shelter and Area Development	9.00 ^{/1}	
Health	9.00	
Small Scale Entrepreneur (SSE) Program	2.50	
Anchal Development	10.00	
Technical Assistance and Training	3.50	
TOTAL NEW INVESTMENTS	230.00	242.00
Design, Supervision & Management	30.00	31.00
Sub-total	260.00	273.00
Slippage ^{/2}	28.00	29.00
<u>Program size for calculation of IDA Credit, after deduction of taxes and duties</u>	288.00	302.00
Spillover (cost overruns on present program)	44.00	46.00
	332.00	348.00
Institutional finance to be raised for Shelter and Area Development	32.00	34.00
Commercial and Bank financing of Small Scale Entrepreneur (SSE) Program	21.00	22.00
GRAND TOTAL	Rs 385.00	US\$ 404.00
	=====	=====

1/ Seed capital only.

2/ Rs 14 crores (US\$14.70 million) represents slippage on CUDP II sub-projects on which there are no cost overruns per se, but for which the originally allocated IDA funds have been reallocated to other priority sectors in the course of implementation. Rs13.70 crores (US\$14.40) represents fund requirements for ongoing programs (e.g., Bustee Improvement, Municipal and Anchal Development and Environmental Hygiene).

SMALL-SCALE ENTREPRENEUR PROGRAM (SSE) - CALCUTTA III

1. Most recent data (1981 census) indicates that over 60% of the CMD population have incomes below the poverty threshold. In absolute terms, this is equivalent to a staggering figure of 6 million people, dispersed throughout the CMD.
2. The GOWB place the highest priority on alleviating urban poverty and increasing employment. The CUDP III program is in fact a low-risk public works program, and will in itself generate 30,000 construction jobs over the 5-year construction period and 20,000 further jobs generated over the life of the project period for operation and maintenance. This alone is not enough and a major effort has to be directed towards increasing incomes and employment through the SSE program.
3. The component, as now conceived, has two main objectives:
 - (a) To bring a very large section of the community into the formal banking system, and to increase the involvement of the commercial banks with the micro enterprise sector, building on the successful experience of a similar scheme under Urban II; and
 - (b) to allow CMDA budget resources to leverage additional funds for shelter and area development in the CMD.

With respect to the first objective, the credit scheme under Urban II has now made very significant progress after a slow start. Not only is the repayment experience for these loans exceptionally favorable, but their impact on incomes and employment in the borrowing enterprises has been substantial. Only a few banks initially participated in the program but a large number of others (12 to date) are interested and are to be introduced to this activity.

4. The Urban II experience is based mainly on DRI loans given at 4% interest and covered by a 90% guarantee against default by the central government. Commercial bank lending to micro enterprises at rates closer to market rates has been very small and of a pilot nature. However, this is where the major potential lies, since close to half the target entrepreneurs have incomes above the level that would qualify them for DRI loans, while still being well within the poverty group.
5. To bring banks and borrowers together, CMDA will set up a network of local teams working closely with the banks, and with community leaders and community groups to make the program known and help in identifying potential borrowers. This type of help was stressed by the commercial banks as the most important assistance that they could receive.

6. There is a concern among commercial banks to not incur the high arrears levels that the West Bengal State Financial Corporation has incurred on its smaller and medium projects. A 'ceiling' of Rs 10,000 has been placed for each loan for this target group. Provision is also made for a 'bonus' in the form of a one time interest rebate to be paid to borrowers who repay their loans on schedule. This facility would be available only for the first operation with any given borrower qualifying under the income criterion (i.e., per capita income between \$26.00 and \$63.00 per month). 1/ To obtain a second loan, a borrower would have to pay the normal rates charged by the Bank. Thus, borrowers will repay their loans at 12.5% per annum; if they qualify for the bonus, the effective interest rate will be adjusted ex post to 8-1/4%. A review of these rates will be carried out annually throughout the project period. The bonus funds will be released by CMDA to the commercial banks after satisfactory documentation has been furnished that the loans are duly repaid. The commercial banks would then credit the borrower's account with the bonus at regular 6-monthly or yearly intervals. The total administrative costs, including a maximum of Rs 0.6 crores for the interest bonus amounts to Rs 2.5 crores over 5 years. 2/
7. With regard to the second objective, the West Bengal Government ranks support to the small enterprise sector higher than involvement of CMDA in area development schemes and urban renewal. Accordingly, it had initially earmarked a total amount of Rs 12.0 crores for this activity, which was conceived as a credit scheme to be administered directly by CMDA and CSSI with a projected lending rate of 8-1/4% gross and 5-1/2% net of the bonus.
8. The proposals as now revised after lengthy discussions with Bank missions, would substitute commercial bank funds for Rs 10 crores of this earmarked amount, eliminates any role of CMDA and CSSI in credit administration in favor of the commercial banks and lifts the interest rates under the scheme much closer to commercial lending rates.
9. More importantly, the Rs 10 crores thus freed up in CMDA's program would be available to finance seed capital for CMDA activities in the shelter and area development program. The mission considers this a very high priority, since it will mobilize additional institutional and private finance for these purposes in the CMDA to the tune of Rs 32 crores. Overall, CMDA is therefore able to attract additional finance amounting to approximately Rs 53 crores (including Rs 21 crores from commercial banks), for an administrative cost of only Rs 2.5 crores.

1/ Previous IDF lending since the target group under this component is smaller than the IFC type of lending. Moreover, the target group is substantially the informal sector (private individuals) rather than registered firms.

2/ The interest rebate 'bonus' is common in the US banking system.

Sector: Urban
Project Code: E JUU12
Appraisal Date: September 1982

Date This Brief: August 10, 1982
Date Last B. f: April 30, 1981
Project Officer: Braz Menezes
Loan Officer: Mary Choksi
Lead Advisor: David Jones

INDIA

THIRD CALCUTTA URBAN DEVELOPMENT PROJECT

PROJECT BRIEF

I. Background and Bank Group Role in Calcutta

1.01 The proposed Third Calcutta Urban Development Project (CUDP III) is part of IDA's continuing effort in assisting the Government of West Bengal (GOWB) 1/ with urban development in the State.

1.02 The objective of Bank Group lending in Calcutta is to assist the GOWB in addressing the deficiencies in the delivery of urban land, infrastructure, and other services. GOWB's efforts are focused on: (a) the strengthening of urban planning, management, and finance; (b) expanding and improving the delivery of urban services with particular emphasis on the operation and maintenance of infrastructure facilities, affordability, and cost recovery; and (c) supporting economic development. Through efforts to date, GOWB has been able to arrest urban decay induced through nearly half a century of neglect. Simultaneously, various legislative, institutional, and financial reforms have been put in place, to direct future urban investments in a more planned, systematic, and comprehensive fashion. These have been achieved during the course of two multi-sector urban development projects and one urban transport project.

1.03 A brief note providing background and outlining the Bank Group Role in Calcutta is attached as Annex 1.

II. The Project

2.01 The GOWB's objectives for CUDP III are to continue and to consolidate the efforts started under CUDP I and continued under CUDP II and the Calcutta Urban Transport Project. Full agreement in principle has been reached with GOWB on the objectives of the investment program and on the institutional, legislative, and financial means for its implementation. The principal objectives are:

- (a) to strengthen institutions responsible for urban planning, management, and finance;

1/ A list of principal abbreviations and acronyms, currency, and measures equivalents is attached as Annex 3.

- (b) to emphasize investments that complete or complement earlier investments so that optimum benefits are derived;
- (c) to rectify previous sectoral and spatial investment imbalances between the Metrocore (Calcutta/Howrah), and the remainder of the CMD;
- (d) to give high priority to operation and maintenance of existing assets and new assets to be created, and to identify and implement ways for doing so, particularly through improved cost recovery and financial management policies;
- (e) to continue to emphasize investments aimed at satisfying the minimum basic needs for urban services at affordable standards;
- (f) to encourage the private sector to participate in development schemes in prime locations where infrastructure and other urban services have been or are being improved (for example, by assisting in land assembly, rezoning land use at strategic locations, etc.); and
- (g) to make greater use of institutional finance (such as Life Insurance Corporation (LIC), General Insurance Corporation (GIC), Housing and Urban Development Corporation (HUDCO), Housing Development Finance Corporation (HDFC)) in order to make a significant impact on critical subsectors such as "shelter".

Actions to provide the means for achieving these objectives have been initiated on several fronts, particularly through CUDP II, and are underway through the preparation of CUDP III. Specific attention is being given to three areas: (i) institutional reform; (ii) new legislation; and (iii) financial strengthening (see paras 4.01-4.04).

2.02 The composition and size of the proposed project (also the CMDA 5-Year Investment Program) is summarized in Table 1. GOWB has provided assurances on the basis of three funding scenarios, the most conservative of which is noted in Table 2 on next page, that it can comfortably support a direct 5-year Investment Program of approximately Rupees 300 Crores. In nominal terms, this program is larger than CMDA's 1978/79-1982/83 program of Rs 278 crores, but smaller in real terms.

Table 1: CUDP III

Allocation of Funds for Five-Year Investment Program 1983/84-1987/88

LOCALITY	DESCRIPTION OF PROPOSED INVESTMENTS	US\$		% TOT.
		Rs.Cr.	(m)	
Municipalities and Anchals <u>1/</u>	Water Supply; Drainage; Latrine Conversion; Solid Waste; Bustee Improvement; Roads and Street Lights; Markets; Bus Stops; etc.	86	96	41
Trans-municipal	Tubewell Water Replacement; Renovation of one water treatment plant; Improvements to sewerage pumping stations and drainage canals; Transport Infrastructure.	33	37	16
Howrah City <u>/a</u>	Optimization of Past Investments in Sewerage and Drainage; Solid Waste; Transport Infrastructure; and Urban Renewal.	19	21	9
Calcutta City <u>/a</u>	Optimization of existing water supply and sewerage and drainage infrastructure, including sewer cleaning and network study; solid waste; Transport Infrastructure; and Urban Renewal.	47	52	22
CMD-wide Programs <u>/b</u>	Shelter; Community-Based Health Care; Employment; Training and Tech.Asst.	25	28	2
<u>TOTAL NEW INVESTMENTS</u>		210	233	100
Completion of Investments under present plan (incl. CUDP I & CUDP II)		60	67	
Design, Supervision, and Admin.		30	33	
<u>TOTAL FIVE YEAR INVEST. PROGRAM</u>		300	333	
<u>/a</u>	Includes Rs. 6 crores as seed capital for Bus Terminus (Howrah) and Urban Renewal (Calcutta & Howrah). Assumed Leverage Factor 1:10 (PRIVATE SECTOR FINANCE)	60	67	
<u>/b</u>	Includes Rs. 5 crores as seed capital for Peripheral Upgrading and Area Development. Assumed Leveraging Factor 1:10. (INSTITUTIONAL FINANCE)	50	56	
TOTAL POTENTIAL PROGRAM		(Rs.cr.) 410	456 (US\$)	

1/ Non-municipal urban areas

Table 2

	<u>Rs Cr.</u>	<u>US\$m</u>
State Plan (including the additionality of IDA funds)	157	175
GOWB Grant - "Minimum Needs Program" (for bustee improvement)	22	24
Market Borrowings by CMDA	87	97
CMDA's Share of Octroi Receipts	159	
<u>less</u> amounts required to service the debts on CMDA's market borrowings	80	
<u>less</u> loan repayment from CMDA's Sinking Fund	<u>30</u> <u>110</u>	
Net Octroi Receipts available for investment	<u>49</u>	<u>54</u>
TOTAL	Rs Cr. 315	350 US\$m

(as against proposed program of Rs Cr. 300)

2.03 Equating the "project" with the CMDA 5-Year Investment Program is proposed based on the experience from the first and second projects. Under earlier projects, particularly CUDP II, IDA had selected certain "preferred" components and left CMDA to complete the rest of its program as "non-IDA". The result, particularly during the early days of project implementation, was an institutional schizophrenia with two sets of rules for fiscal and administrative controls, and different standards for construction management and scheduling, often for complementary investments. This also led to distortion of CMDA's priorities and consequent inflexibility for increasing or reducing the overall program as is sometimes necessary.

2.04 The credit amount has been assumed at US\$100 million, based on the current IDA/GOI lending program. The credit represents 30% of the total program of Rs 300 crores or 37.5% of Rs 240 crores of new investments. This proportion is significantly less than the nearly 50% of project costs financed under CUDP II through IDA credit. At this time there appears to be no compelling reason to change the amount of the credit.

2.05 The timing of CUDP III has been determined by two principal concerns: (a) the need to accelerate institutional development already underway within

the climate of ambitious legislative, institutional, and fiscal reforms already set in motion (paras. 4.01 to 4.03) and (b) the desirability to coordinate the project with CMDA's next five-year plan (1983/84-1987/88).

2.06 The preparation of CUDP III is advancing with specific actions being continued in a timebound manner. Given the comprehensiveness of the CMDA program and the emphasis being placed on systematic capital budgeting, CMDA has formulated detailed five-year investment subprograms by sector. This work has already been completed for all sectors except shelter, which is presently receiving attention.

2.07 Special attention is focused on the financial and institutional aspects of water supply now that the more serious physical deficiencies have been eased with the considerable investment in this sector under CUDP I and II (see para 4.04(d)). There is also strong emphasis on municipal finance (see para 4.04(c)(e)). Preliminary engineering drawings and cost estimates have been prepared for a number of typical transmunicipal and municipal schemes and, subject to clearance by CMDA's Appraisal, Monitoring and Evaluation Unit (AMEU) (see para 2.09), detailed engineering plans will be started and land acquisition formalities commenced. All schemes to be implemented during the first year are expected to be fully engineered and detailed to bidding stage before project negotiations, tentatively planned for March 1983.

2.08 A list of critical actions/dates have been agreed with CMDA ^{1/} which has the capacity to satisfactorily complete the tasks given GOWB's full support and timely resources. Completion of the substantive tasks in accordance with the agreed schedule would enable appraisal to take place in September/October 1982.

2.09 Appraisal by CMDA Leading to Sector Lending. CMDA's AMEU has with IDA assistance been developing an in-house capacity for appraisal based on agreed criteria. Between December 1981 and March 1982, AMEU carried out a preliminary appraisal of four typical municipalities (representing varying sizes from 50,000-500,000 population each out of a total of 39 municipalities), and of investments in four transmunicipal sector-specific subprojects. This effort, focused on technical and economic criteria, has now been refined and includes a financial and institutional appraisal. Given AMEU's satisfactory performance in completing this first group of subproject appraisals, it will, by September 1982, appraise fully a further group of municipal projects and one of each subsector of transmunicipal subprojects. Thereafter, subject again to satisfactory performance, a program will be agreed for completing the appraisal of the remainder of the subprojects in the 5-year plan by negotiations. Bank missions are assessing the AMEU's

^{1/} See BTO dated April 30, 1982.

appraisal performance and will also periodically review AMEU's appraisal of all components. AMEU is also to complete, prior to appraisal, the setting up of all systems for data collection, processing, monitoring, and evaluation of the whole program. The AMEU will also be expected to carry out analyses on behalf of GOWB, for example on the financial implications of changes in water and sewerage tariffs and charges, and generally advise GOWB on appropriate measures to achieve the latter's stated fiscal objectives. Furthermore, in keeping with the ongoing reorganization of CMDA, AMEU will be given an independent role. AMEU will report directly to the CEO of CMDA and be removed from the daily operations of CMDA.

III. Organization, Management, and Execution

3.01 GOWB proposes reducing the past predominantly executing role of CMDA, while reinforcing its coordinating, policy and physical planning, and monitoring and evaluating functions. CMDA will be responsible for coordinating and managing the overall program and for internal and external liaison with GOWB, GOI, IDA, bilateral agencies, etc. CMDA will also be responsible for the detailed planning of most transmunicipal schemes and the more complex capital-intensive projects within the program, and for the appraisal (see above) of subprojects submitted by the municipal bodies.

3.02 At the same time, GOWB intends strengthening other institutions and agencies participating in the development process within the CMD. About 60 percent of the program in the CMD is targeted to the 37 municipalities and the 2 Corporations of Calcutta and Howrah, all of which are to execute portions of the program falling within their jurisdiction. The other 40 percent represents investment in transmunicipal infrastructure or CMD-wide subprograms to be implemented by CMDA, Calcutta Improvement Trust (CIT), Howrah Improvement Trust (HIT), and special agencies such as Calcutta Metropolitan Water and Sanitation Authority (CMWSA), the West Bengal Housing Board (WBHB), etc.

3.03 All project funds are to be routed through CMDA. Procedures for program management have been drawn up by CMDA. These include requirements of appropriate administrative sanctions, procedures for release of funds in installments, schedules of documentary certification to be provided at different phases of work as well as completion certificates, maintenance and conduct of bank accounts relating to the program, acceptance of loan liabilities, and operation and maintenance responsibilities by the municipalities. Detailed reporting formats suitable for computer application are currently under design by CMDA in consultation with the GOWB, Local Government and Urban Development Department (LGUDD) and with other implementing agencies.

IV. Progress on Principal Program Objectives

4.01 This section outlines the major thrust of the CMD development program in four principal areas: (a) institutional, (b) legislative, (c) financial, and (d) physical. It provides a broader context against which to view the project and also the principal issues discussed in the following section.

4.02 Institutional: Actions in this area are oriented primarily to (i) redefine the responsibilities of CMDA, municipalities in CMD, and the various sectoral agencies with the aim of rationalizing their relationships and functions, and (ii) reorient and strengthen internal organizational structure and resources of each of these agencies as appropriate. In summary, the principal actions taken thus far include the following:

(a) CMDA's role is being adjusted in three ways: (i) strengthening CMDA as a financial and policy intermediary with a strong Appraisal, Monitoring and Evaluation Unit (AMEU), (ii) strengthening its metropolitan planning function, and (iii) gradually decreasing CMDA's predominant role as an implementing agency. CMDA's internal organisation, management, and finance systems have been strengthened over the past four years (for instance, new accounting, budgeting, and management information systems have been introduced).

(b) There is increasing public participation and the municipalities are being given an expanding role within the CMD in selecting priority schemes locally, carrying out detailed planning of schemes and subsequent full municipal responsibility for implementation, operation and maintenance.

(c) The Calcutta Municipal Corporation's (CMC) internal organisation, management and finance systems are being strengthened. Already introduced are new accounting, stores controls, and management information systems. Consultants studies on CMC maintenance organisation and procedures will be started by September 1982. The CMC strengthening program will be replicated in other local bodies under CUDP III, starting with the Howrah Municipal Corporation.

(d) Various sectoral agencies (such as the CMWSA, WBHB, CIT, HIT, Irrigation and Waterways Directorate (IWD)) are being revitalized and strengthened. A clear definition of their role and responsibilities in the CMD institutional structure is under review by GOWB and further strengthening as appropriate will be agreed by appraisal.

(e) An integrated CMD-wide training program with special programs targeted to specific agency/institutional requirements is being formulated for inclusion in CUDP III.

4.03 Legislation: Various legislative amendments and new legislation have been introduced. These legislative changes give GOWB and various agencies new tools and avenues, heretofore unavailable, for (i) increasing the financial resources of municipalities and agencies; (ii) improving planning and control of land use; and (iii) strengthening local government. The following summarizes major changes in progress.

(a) The West Bengal Central Valuation Board Act, 1978 provides for a Central Valuation Board (CVB) for the purpose of property valuation and property tax assessment initially in the CMD but eventually in the State as a whole. The CVB was established in 1980. A consultant study is now underway to advise on the full organizational structure and staffing of the Board. While the CVB is not expected to become fully operational for a further 18 months, it is in the meantime, providing critical assistance to municipalities with a view to overcoming weaknesses in their present system of valuation and assessment, and helping them maximize tax collections.

(b) The West Bengal Town and Country (Planning and Development) Act, 1979, notified on January 16, 1982, provides for comprehensive land use planning and control in the CMD and the State. It sets out procedures for designating urban planning and development authorities in the State and specifies explicitly that the CMDA is to be the planning authority for the CMD. CMDA's planning directorate is being strengthened.

(c) The Bengal Municipal (Amendment) Act, 1980, already in force, provides for strengthening local government State-wide outside the jurisdictions of Calcutta and Howrah Municipal Corporations through the appointment of state-level cadres,^{1/} improved property taxation, and other means for increasing municipal revenues.

(d) The Calcutta Municipal Corporation Act, 1981 and the Howrah Municipal Corporation Act, 1981 received presidential assent in December 1981. Both acts are now being printed and rules and regulations will be framed by August 1982. Elections of representatives were planned for September 1982 and October 1982, respectively (see para 5.16 and 5.17). These acts provide tools to the local bodies for improving their financial management and operations while opening up avenues for new revenue sources.

(e) The Calcutta 'Thika' Tenancy (Acquisition and Regulation) Act, 1981 received presidential assent in November 1981 and was notified on January 18, 1982. This act is essentially an intermediate step towards the

^{1/} Each Municipality is being provided with four persons: an Administrative, Finance, Engineering, and Public Health Officer, to be funded by the State Government. Recruitment has been slow but has accelerated in recent months.

final objective of granting land tenure to bustee residents. The act, in substance, allows GOWB to acquire from the landowners, land 1/ on which structures have been built by a "Thika Tenant" (lessee/manager of the property) and have been sublet to ultimate occupiers. Under the act, GOWB having acquired the land, is empowered to recover from the "Thika Tenant" adequate monies required for maintenance of civic services. Preparation of an inventory of land, structures, and tenancies has started. This task is expected to take be completed by March 31, 1983.

4.04 Financial: Institutional and legislative changes which are either in effect or underway, have been partly aimed at the ultimate objectives of: (i) improving resource bases of local bodies; (ii) introducing better financial management practices; and (iii) emphasizing the importance of cost recovery and operations and maintenance in the delivery of urban services. Following are certain major implications of these initiatives.

(a) The Calcutta Municipal Corporation (CMC) Act provides for the creation of a Municipal Fund comprising several accounts which will permit better accounting control for sources and uses of funds for certain categories of civic services, e.g., water and sewerage, roads, and bustee maintenance. The act also enhances the ability of the CMC to: (i) augment revenues from property taxes through increases in the assessment rates, and an annual rental valuation method based on the market rent, as opposed to controlled rent, which properties might command at the time of assessment; (ii) raise other taxes; (iii) price water to cover the cost of production, distribution, operation, maintenance, depreciation, interest, and other water-related costs; (iv) increase metered water connections; (v) secure all rights over sub-soil water resources within the Corporation area; and (vi) license private tubewells and charge for their use.

(b) The Howrah Municipal Corporation (HMC) Act is modelled generally on the lines of the CMC Act except that there is no water pricing clause, as this will be the responsibility of CMWSA for areas outside the CMC.

(c) The CVB has begun to have an impact. At the request of the LGUDD, the CVB has been assisting the CMD municipalities in: (i) the selection and retention of assessors; (ii) the issuance of guidelines for valuation of properties; and (iii) collection of current and arrears demand. The CVB has also appointed consultants to advise on its organization and management over the short and medium term and carry out a study of different valuation methods. The CVB aims to ensure revaluation of all properties in the CMD municipalities by April 1984, and thereafter on a rolling 5-year schedule.

1/ The land includes both "bustee land" and "khatal land".

(d) Sectoral analysis of capital, operations, and maintenance costs in order to establish tariffs and prices are under way for sectors which allow for direct cost recovery. CMC and the CMWSA are presently analyzing required tariffs and charges for the provision of water, sewerage, and drainage services within their respective jurisdictions. Revised pricing for land developed under the first two projects at Bhaishnabagata Patuli (BP) and East Calcutta reflects a commitment to full cost recovery and affordability in the shelter sector. Public transport is being addressed through the First Calcutta Urban Transport Project (see para 5.13).

(e) A West Bengal Municipal Finance Commission (MFC) has been working for the past 18 months to review the organization, management, and financing of all municipal bodies in the State and to recommend necessary improvements, partly drawing on the experience under CUDP I and II. The Commission's report, 1/ which has been issued to GOWB contains far-reaching recommendations, not only on a revised grant structure geared to operating efficiencies of local bodies 2/ but also on additional taxes and levies, accounting, collection, organizational and management improvements.

4.05 Physical: CMDA has, this past year, been assessing the impact of completed investments under CUDP I and CUDP II in terms of service levels, operation and maintenance requirements, and health and economic indicators. Emphasis has been placed on the five key sectors of Sewerage and Drainage, Water Supply, Shelter, Traffic and Transportation, and Solid Waste Management (Annex 2 illustrates these indicators). As anticipated, there are large data gaps on a number of indicators, but the effort has been helpful in establishing a framework for the collection of relevant planning data in future, for closer and timely monitoring and evaluation. The available impact data have assisted in the formulation of the next 5-year investment program.

V. Principal Issues

5.01 Mission discussions have so far focused on three general areas of concern:

- a) the need to complete critical schemes supported by the ongoing project to obtain the full benefits of past investments;
- b) the need to deal with outstanding institutional and financial issues, several of which are related to covenants; and

1/ Copy on Project File.

2/ As required under a CUDP II covenant.

c) the need to make further progress on the preparation of CMDA's future program.

The potential issues are described below.

Operation and Maintenance, and Cost Recovery Measures

5.02 Appropriate levels of operation and maintenance and a proper pricing structure for urban services are priority policy objectives of GOWB in CUDP III. GOWB agrees that full cost recovery within the overall program, to the extent practical, is a prerequisite for proper operation and maintenance of both past and future investments. Therefore, preparation of CUDP III is emphasizing: (i) assessment of adequate levels of operations and maintenance expenditure; (ii) introduction of measures to recover full costs, specifically for water supply, shelter, transportation; and (iii) measures for indirect cost recovery for such sectors as health, the latrine program, sewerage, and solid waste.

5.03 Detailed financial analysis for recovering both capital and recurrent costs in the water supply sector has been under way for several months. Similar exercises for shelter have recently been initiated. These analyses will provide the basis for determining an appropriate tariff structure for the sectors where direct cost recovery would be possible. Simultaneously, GOWB is considering other measures to generate sufficient revenues to meet the operations and maintenance costs (including debt service and depreciation) for sectors which do not lend themselves to direct cost recovery. Based on the MFC's recommendations, GOWB will consider alternative tax packages and a revised grant structure aimed at rewarding those municipalities showing better financial performance. In addition, the work of CVB is already beginning to have an impact in improving municipal revenues through better tax assessment measures and improved collection. Methods of cross-sectoral subsidy from schemes which produce surplus revenues (e.g., markets and urban renewal schemes) are also being explored to help meet the financial gaps for operations and maintenance. The AMEU is taking into account all these aspects when appraising the municipal schemes.

5.04 In the past there has been little or no effort to achieve full cost recovery, either direct or indirect. Despite the anticipated introduction of the above tariff policies and other cost recovery measures, it is unlikely that in the short term full cost recovery can be achieved. It appears that for the near future, the local bodies and the other implementing agencies will continue to "sell" their services at below cost and the ensuing deficits, albeit smaller than before, will be met by GOWB grants.

5.05 The exact magnitude of these shortfalls and their implication for the levels of tariffs and taxes and the required timing of their increases, can be determined only after the analysis currently underway is completed. The appraisal mission will review this analysis to determine the adequacy

of the proposed levels of tariffs and taxes and related measures planned to ensure that sufficient funds will be generated (a) to meet operations and maintenance costs, and (b) to achieve capital cost recovery. As of the preappraisal mission, the following have been accomplished.

(a) In the water supply sector, CMWSA has completed the analysis of operation and maintenance costs and has arrived at a 5-year tariff structure for different user groups. The proposed tariff structure recovers both operation, maintenance, debt service, and capital costs while generating reasonable surplus funds. CMWSA, through CMDA, has already submitted its proposal to GOWB for approval and implementation. CMC has also completed a first version of a similar exercise and is now in the process of finalizing its data to achieve consistency with those of CMWSA, the other major producer of water. Upon receipt of CMC's proposal, GOWB will adopt and implement a comprehensive water tariff schedule in CMD. In addition, CMWSA has already commenced a water production metering program which will be completed by September 1982. CMC has also embarked upon a metering program of both production meters and consumption meters for about 7,000 industrial, commercial, and institutional consumers. CMC expects to complete this program prior to negotiations, tentatively scheduled for March 1983. The appraisal mission will: (i) review the progress, adequacy, and pace of both these metering programs to determine further steps that may be needed; (ii) seek to obtain a satisfactory implementation schedule from GOWB for water tariffs.

(b) In the shelter sector, CMDA has completed a revised pricing structure for both BP and East Calcutta area schemes. This revised pricing would yield a small surplus in spite of major cost overruns. The mission recommends that: (i) CMDA commence selling, as a priority, the group housing and commercial plots in BP site, this to be substantially underway before appraisal; and (ii) by appraisal, CMDA should prepare a marketing plan for the East Calcutta site.

(c) In the urban renewal sector, HIT has completed the analysis of operation and maintenance requirements of Howrah Fish and Pan Market. Draft lease agreements and property management procedures for the fish and pan stalls are complete and occupancy is expected to commence by appraisal. Capital costs for these stalls will be recovered through rental income and the property would be managed by Howrah Corporation. Maintenance of the property would be the responsibility of the tenants' cooperative who will pay for all related costs. Regarding the tower blocks, computation of development rights is complete and indicates the potential for substantial surpluses. All of the above have been proposed by HIT to GOWB through CMDA, and are awaiting clearance from GOWB for implementation. HIT is also, based on its experience on the Fish and Pan Market, drafting general guidelines for preparing and analysing similar urban renewal schemes. These guidelines will be completed by appraisal and will be approved by GOWB to be applied consistently for other similar schemes being prepared by both CIT and HIT under CUDP III.

Institutional Responsibilities for Water Supply

5.06 Within CMD, there are two distinct geographical areas for demarcating responsibility for water supply. Within the boundaries of CMC, responsibility for production, distribution, collection, operations and maintenance lies with the CMC. Outside CMC area, GOWB had proposed that CMWSA be responsible for bulk production, intermunicipal transmission, and operations and maintenance of the transmunicipal investments required for such. Distribution within the municipalities outside the CMC, maintenance of local distribution network and collection of user charges would be the responsibility of the municipalities. The municipalities supported GOWB's proposal because they perceive their water supply function as (i) a natural local government responsibility and (ii) a major source of revenue.

5.07 Prior to the preappraisal mission, ASPUR felt that CMWSA should operate on a "source to tap basis" for the following principal reasons:

- (a) the prospects of improved operational and financial efficiency and standards;
- (b) CMWSA already operates on a source to tap basis in fringe areas;
- (c) the lack of capability of many municipalities to operate and maintain a water supply system to adequate standards;
- (d) the fact that some existing municipal distribution networks are interconnected in ways which in these cases, make it very complicated to determine bulk supply on a municipal basis; and
- (e) the difficulty in achieving an equitable pricing policy for different classes of consumers if bulk supply proposal is adopted.

5.08 The water distribution network within municipalities is limited. Nevertheless, the municipalities generally have not demonstrated the ability to effectively maintain even such limited distribution networks. The municipalities also have a limited resource base and have not traditionally imposed user charges to recover costs for operation and maintenance of water supply systems. The operation and maintenance costs of proposed major investments in local distribution network would be significant and are beyond the present financial means of the municipalities.

5.09 During the preappraisal mission, GOWB indicated that it has decided that CMWSA will be a bulk supplier to municipalities who will, in turn, retail the water within their respective boundaries. GOWB's decision has been based on the following considerations: (i) to remain consistent with its decentralization policy and to help local bodies improve their

administrative and financial practices, the water supply function should reside locally as a natural local government responsibility; and (ii) the involvement and cooperation which the local bodies have so far demonstrated regarding planning, formulating investments and cost recovery under CUDP III warrant that they be given the opportunity to develop with increased exposure to managing urban services.

5.10 GOWB is also aware of the potential financial risks of the above arrangement. GOWB has proposed that in order to minimize the risks, the following steps will be taken: (i) while appraising the municipalities, their total operations and maintenance costs are being projected and measures are being implemented (e.g., improved collection through CVB's help, increased consolidated taxes, revised grant structure, etc.) so that there is adequate cost recovery for proper operation and maintenance; (ii) CMWSA will have the first call on all grant funds to the municipalities directly from the GOWB treasury in the event the municipalities fail to pay their water bills to CMWSA; and (iii) in the event that a municipality defaults three consecutive times in payment of bills to CMWSA, the management of water supply within that municipality will automatically rest with CMWSA.

5.11 In the interest of encouraging the municipalities to adopt overall financial and managerial discipline, and in keeping with GOWB's position (para 5.09(i) and (ii)), delegation of responsibility for water supply to local bodies could be used as a test case. Moreover, during the CUDP III period, a maximum of 5 municipalities out of a total of 37 will receive bulk water from CMWSA for retailing within their boundaries. The remaining municipalities will continue to receive water from local tubewells and to be responsible for their operations and maintenance. Therefore, the institutional arrangement proposed by GOWB, in the immediate future is limited in its scope and exposure. The steps indicated in paras. 5.10(i)-(iii) adequately protect the major investments and maintenance thereof, which would primarily belong to CMWSA. Therefore, the mission recommends that GOWB's proposal be accepted, subject to the assurances in items 5.10(i)-(iii), and an agreed action program (to be obtained at appraisal) for improving the overall resource base and urban management practices of the local bodies in keeping with MFC's recommendations.

Performance of Municipalities

5.12 Under CUDP III, CMDA will be divesting some of its traditional responsibilities while the municipalities will be increasing their involvement in planning, detailed design, implementation, and maintenance of investments. The municipalities have satisfactorily demonstrated implementation capabilities under the Municipal and Anchal Development Schemes in CUDP II. Nevertheless, the scale and complexity of investment in the municipalities under CUDP III is more ambitious, and represents up to a threefold increase in annual capital expenditure. Under CUDP III, the performance of the

municipalities and their ability to absorb increased capital expenditure will therefore be critical for the successful implementation of the program.

5.13 To ensure that the municipalities can effectively design, implement, operate, and maintain the proposed level of investments under CUDP III, the following measures are being taken. GOWB, through LGUDD, has already taken steps to strengthen these local bodies and as a first step, is appointing four senior officers (Administrator, Finance Officer, Chief Engineer, and Public Health Officer) in each of the municipalities to strengthen their operations. CMDA has also designated selected technical staff for these municipalities to assist them in project preparation and in improving the engineering aspects of their operations. The CVB is also currently helping these municipalities to improve their property tax assessment and collection systems. GOWB has already initiated training programs on a limited scale for senior municipal officials. The full impact of the above assistance on the future performance of these municipalities is not yet clear.

5.14 The AMEU of CMDA, as an integral part of appraising municipal schemes, is now evaluating: (a) institutional, (b) financial, and (c) engineering capacities of each municipality. In itself, this close interaction between AMEU and some of the municipalities has improved their awareness, generated enthusiasm, and enhanced the commitment of those municipalities to improving cost recovery and property tax collection and to addressing maintenance issues. The mission recommends that the need for further assistance be evaluated during the appraisal mission by which time the following should have been completed.

(a) CMDA will have finalized the organization (see also, paras. 5.26-5.30), and staffing for five proposed Regional Support Centers; and policy and administrative guidelines for coordinating the investment program.

(b) LGUDD will have completed the appointment of four senior officers to each Municipality in the CMD.

(c) The municipalities will have indicated their own additional requirements for administrative and technical assistance.

(d) The CVB will assist in identifying those municipalities requiring particular and urgent strengthening in property tax assessment and collection.

(e) The ILGUB 1/ will have formulated the overall training program and identified specifically, the priority courses, target groups, costs, and syllabus, after consultation with the LGUDD, CMDA, CVB, and the municipalities.

Adoption by GOWB of the principal recommendations of the Municipal Finance Commission (MFC)

5.15 Under CUDP II, GOWB was required to propose a revised grant structure for local bodies in the CMD by March 31, 1979, and implement it commencing April 1, 1980. In late 1979, GOWB set up a Municipal Finance Commission (MFC) whose terms of reference were broader than just recommending a grant structure for CMD local bodies. It was to cover the State and encompass all aspects of urban financial management. The Commission submitted its report to GOWB in March 1982. It has made various recommendations for improving the financial health of local bodies and for covering the revenue gap (estimated at Rs 34 crores) for the CMD. The mission strongly recommends that by August 31, GOWB confirm its intention to adopt the principal recommendations of the MFC and formally implement a rationalized grant structure commencing April 1, 1983. Under CUDP II, this action was a covenant to have become effective from April 1, 1980 (Section 3.06(d) of the West Bengal Agreement). In view of the importance of this action for the financial viability of local bodies and non-compliance of an agreed-upon covenant for about 3 years, the mission recommends that this be viewed as a prerequisite for appraisal of CUDP III.

Timetable for Implementation of Portions of the CMC/HMC Acts

5.16 The latest Project Brief indicated that the Calcutta and Howrah Municipal Corporation Acts, 1980 would come into force by November 1982. Following State-wide elections in late May, it now appears that elections for the Mayor and councilors in Calcutta and Howrah, which are a prelude to full implementation of the Acts, may not take place for quite some time. It is imperative however, that certain specific financial, technical, and management provisions of the Acts are adopted as soon as possible.

5.17 The mission recommends that by August 31, 1982, IDA receive from GOWB a timetable for adoption and implementation of at least the following provisions of the Acts.

1/ The Institute of Local Government and Urban Affairs (ILGUB) was set up in May 1982 as part of the training component in preparation for CUDP III.

(a) Calcutta Municipal Corporation Act, 1980

- (i) Clauses 119(2)(a); 119(3)(a); and 120: Creation, maintenance, and funding of the Water Supply, Sewerage and Drainage Account of the Municipal Fund.
- (ii) Clauses 119(2)(b); 119(3)(b); and 121: Creation, maintenance, and funding of the Road Development and Maintenance Account of the Municipal Fund.
- (iii) Clauses 119(2)(c); 119(3)(c); and 122: Creation, maintenance, and funding of the Bustee Services Account of the Municipal Fund.
- (iv) Clauses 170; 171; 175; 178: Powers of taxation and consolidated rates.
- (v) Chapter XIII: Tax on professions, trades, and callings.
- (vi) Clauses 242: Rights over subsoil water and licencing of tubewells.
- (vii) Clauses 248: Licensing of tubewells.
- (viii) Clauses 261 and 262: Provisions for water metering.
- (ix) Clauses 265: Pricing of Water.

b) Howrah Municipal Corporation Act, 1980

- (i) Clauses 55(2)(a); 55(3)(a); 60(1); 60(2)(a): Creation, maintenance, and funding of the Water Supply, Sewerage and Drainage Account of the Municipal Fund.
- (ii) Clauses 55(2)(b); 55(3)(b); 60(1); 60(2)(b): Creation, maintenance, and funding of the Road Development and Maintenance Account of the Municipal Fund.
- (iii) Clauses 55(2)(c); 55(3)(c); 60(1); 60(2)(c): Creation, maintenance, and funding of the Bustee Services Account of the Municipal Fund.
- (iv) Clauses 87(1) and 88: Levy of taxes and fees.
- (v) Clause 134: Rights over subsoil water and licencing of tubewells.

Maintenance of Improved Bustees

5.18 The bustees improved prior to and under CUDP II have not so far been adequately maintained due to various legal, administrative, and financial constraints. There is visible evidence of deterioration of the improvements made in the past. CMC and HMC, the agencies who would be responsible for maintaining the bustees have not done so because: (i) the bustees, have not yet been handed over to CMC and HMC by GOWB, and (ii) their current resources are inadequate to undertake additional expenditure.

5.19 Through the enactment of the Calcutta Thika Tenancy (Acquisition and Regulation) Act, 1981, which came into force from January 18, 1982, all Bustee and Khatal land now vests with GOWB, free from all encumbrances. GOWB informed the preappraisal mission that it has already commenced a survey and inventory of all such land and structures and that the exercise will be completed by December 1982. Furthermore, the Calcutta Municipal Corporation Act, 1980 and the Howrah Municipal Corporation Act, 1980, yet to be enforced, make specific provisions in the finances of CMC and HMC for maintenance of bustees. Separate "Bustee Services Account" in the Municipal Fund of CMC and HMC are to be created for this specific purpose. In the case of CMC, the account will be funded by: (i) property taxes collected from the bustees; (ii) a minimum of Rs 50 lakhs annual contribution into the account from CMC's General Account; and (iii) GOWB's contribution, as grant, to CMC for an amount not less than double the amount in item (ii) above. It is estimated that for the bustees improved to date under CUDP II (approximately 950 thousand persons) the annual maintenance costs will be around Rs 200 lakhs. In the case of HMC, the account will be funded out of the general revenues of HMC.

5.19 Now that GOWB owns the bustee land and that it has already started the survey and inventory process, the preappraisal mission recommends the following:

- (a) GOWB undertake a program to gradually hand over specific bustees to CMC and HMC as the survey and inventory process continues. GOWB should hand over all bustees to CMC and HMC by no later than March 1983;
- (b) CMC and HMC set up the 'Bustee Services Account' prior to appraisal in September/October 1982;
- (c) CMC, HMC, and GOWB commence funding the accounts. Adequate funds should be appropriated by March 31, 1983 to fund these accounts so that an effective maintenance program can be initiated;

- (d) CMC and HMC agree to commence maintenance of specific bustees as and when each is handed over by GOWB; and
- (e) CMC and HMC commence assessing and collecting consolidated property taxes from the bustees handed over--the full assessment of all bustees to be completed by March 1983.

Preparation of a Shelter Program

5.20 Over the past 12 months, there has been an effort to redirect CMDA's attention towards establishing a long-range perspective for the subsector, defining a realistic 5-year program, focused on critical areas which need to be addressed. These are: (i) the large-scale assembly of land; (ii) the large-scale mobilization of financial resources; and (iii) the mobilization of suitable agencies to implement such a program on an appropriate scale. A study group, set up in November 1981, has made some progress and produced a draft report. This in itself represents an institutional milestone, as it marks the first time such a collaborative effort has been undertaken by a number of agencies, including the CMDA, the West Bengal Housing Board, Housing Directorate, the Calcutta Improvement Trust, The Howrah Improvement Trust, the West Bengal State Cooperative Housing Federation, the Development Department, Calcutta Municipal Corporation, HUDCO, and HDFC.

5.21 The Study Group's report and supplementary papers on related issues, such as constraints of rent control, housing finance, and building materials supply, will be discussed by senior officials of the representative agencies with the objective of formulating recommendations to GOWB on a CMD-wide (and perhaps Statewide) housing policy and program. It is not expected that these discussions will be finalized before appraisal as at least two Ministries and a number of agencies are directly involved.

5.22 In the meantime, CMDA will proceed with a considerable expansion of its area development program under CUDP III in the form of sites and services (without any superstructure). The CMD's annual requirement for incremental housing growth is approximately 46,000 units. The Study Group recommends GOWB realistically focus on meeting at least a third of these requirements during the first five years (i.e., 15,000 units/year) through the mobilisation of all resources, of which CMDA could develop a capacity to handle about 5,000 plots annually.

5.23 Although CUDP III only includes 'seed capital' for area development (shelter) programs, CMDA has been previously advised that IDA support for the overall 5-year program is contingent on the shelter sector being brought up to a state of preparedness to ensure an optimum use of limited development resources. CMDA has already identified a number of sites to be included under the CUDP III program and will have by September 1982:

- (a) completed cadastral surveys and initiated land acquisition proceedings;
- (b) completed topographical surveys (to determine the quantities of earth filling required);
- (c) substantially completed socio-economic surveys for each site and its environs;
- (d) prepared a shortlist of consultants to be appointed (in addition to CMDA's in-house resources) to carry out the detailed design for integrated infrastructure on some sites;
- (e) prepared draft terms of reference, including a technical design brief for consultants and CMDA program staff.

5.24 CMDA has already acquired through CUDP I and II experience on the technical and financial aspects of planning, including: pricing, affordability, and replicability issues. The past slow progress was essentially due to CMDA's organizational, administrative, and management constraints and partly due to land acquisition delays. The current status on two sites is as follows.

(a) Baishnabagatha Patuli (CUDP I): Construction of sanitary 'cores' and plinths is in progress. However, a number of sites earmarked for 'group housing' by cooperatives and institutional developers could be auctioned immediately to partially recoup development costs and to allow developers adequate time for detailed design and construction of superstructures.

(b) East Calcutta (CUDP II): Site preparation has been completed and infrastructure is now under construction. Excessive earth filling costs and ad hoc expansion of the site area and escalation rates led to allegations of irregularities. A commission of inquiry was subsequently set up by the GOWB and a copy of their report was promised to IDA by November 1981 as reported in the BTO of July 20, 1981. IDA is withholding disbursements against this component pending receipt of the report.

In short, CMDA must significantly reorient its approach to its area development program.

5.25 The mission feels it is essential that before appraisal:

(a) a separate Area Development Program Wing be established during the reorganisation of CMDA (see para 5.26) with appropriate emphasis on the programming and policy aspects, technical skill requirements, and the administrative systems required to undertake a major program;

(b) a policy paper be submitted for IDA's consideration, on CMDA's Area Development Program setting out the target income groups, design standards and parameters, range of plot sizes, policy on affordability, and pricing of plots, 'modus operandi' for marketing of different types of plots, selection criteria for beneficiaries, etc.

(c) a marketing timetable, reflecting the updated pricing structure for BP and East Calcutta, be submitted to IDA (by August 31, 1982);

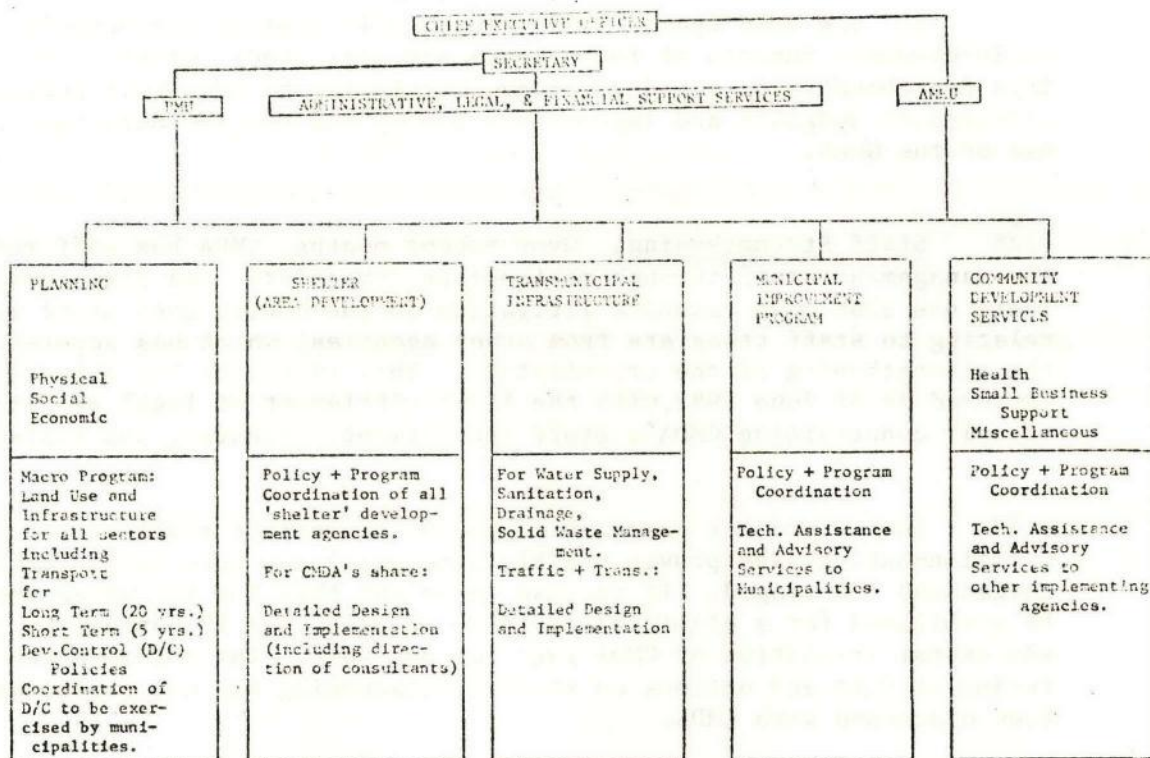
(d) a copy of the Commission of Inquiry's Report into East Calcutta be sent to IDA by August 31, 1982;

(e) CMDA prepare draft Terms of Reference for the design, installation and implementation of administrative, financial, and management systems to cover the period from receipt of application forms through beneficiary selection and funds administration.

(f) CMDA finalize the modus operandi for the participation of institutional finance agencies, such as HUDCO or HDFC, including types of development, target groups, and administrative details of flow of funds, loan processing, loan administration, and credit availability for beneficiaries, and earmark specific financial commitments over the 5-year period.

Reorganization of CMDA and Staff Strengthening

5.26 With the GOWB's emphasis on greater decentralisation and CMDA's experience to date under CUDP II, there is a need to restructure the organization and staffing of CMDA to reflect more naturally the new role envisaged for CMDA. The broad functional outline has been discussed and is indicated below in diagrammatic form.



This is expected to meet project objectives as follows:

a) to strengthen CMDA's role as a planning and programming agency at the macro level, and thus support the development and strengthening of other agencies in the CMD and reinforce weak or neglected sectors, e.g., area development (shelter).

b) to consolidate the experience and expertise of CMDA in successful ongoing programs such as in the implementation of transmunicipal infrastruc-
ture.

c) to establish and strengthen CMDA's "Intermediary" role in coor-
dinating policy and programs to be implemented by other agencies as in the
Municipal Improvement Program and in Health and Small Business Support.

5.27 CMDA's plans for restructuring are to provide for strengthening of
the Administrative, Legal, and Financial Support Services. In addition, two
levels of program monitoring are envisaged:

a) A Program Management Unit (PMU) which will focus on the physical
and fiscal aspects of implementation and will report through the Secretary,
and

b) the AMEU (para. 2.09), which will monitor performance on the socio-economic impacts of investments and will report directly to the CEO. This detachment from the day-to-day functioning of CMDA will permit greater independent judgment and improve the policy and program data base for the use of the GOWB.

5.28 Staff Strengthening. Over recent months, CMDA has suffered a loss of key management staff through retirements, transfers, and reassignments. There has also been extended litigation in the courts over staff issues relating to staff transfers from other agencies, which has severely impeded the strengthening of the organization. This situation has potentially improved as of June 1982 with the final settlement of legal problems previously constraining CMDA's staff recruitment, transfer, and replacement.

5.29 During project preparation, moves to include middle-level managers in decision-making have proved visibly successful and need to be further reinforced and encouraged. It is also important that the top management of CMDA be stabilized for a significant length of time, say 18 months, to permit a successful transition of CMDA into its new role. The organizational restructuring of CMDA and options on staff strengthening and new recruitment have been discussed with CMDA.

5.30 The mission recommends that by appraisal:

- a) a reorganisation be substantially underway, (e.g., setting up CMDA regional centers, shelter directorate, the PMU, etc.); and
- b) a timetable for staff transfer and/or recruitment be agreed.

Performance under CUTP I

5.31 Under the Calcutta Urban Transport Project (CUTP I), physical implementation has progressed well and is still scheduled to be completed by December 1983, the original completion date. However, operational and financial performance of the bus and tram companies and progress on the route rationalization study have not been encouraging. Partly because of an approximate one-year delay in delivery of new buses and trams, operational performance targets have not been achieved. In the light of this and some ambiguity in the definition of the covenanted operational targets, a recent mission discussed with the companies revised interim performance targets. On financial performance, IDA recommended immediate and fairly substantial fare rises (36% for bus fares and 57% for tram fares as of July 1, 1982), so that the companies can meet the agreed FY83 operating ratios. The route rationalization study is not on schedule and IDA has urged GOWB to give immediate and closer attention to this component.

5.32 There have been a number of letters and telexes between IDA and GOWB concerning the issues outlined in the preceding paragraph. Further information is expected from GOWB by mid-August. GOWB's most recent telex, dated August 5, 1982, is encouraging with regard to their attitude toward operational performance improvements. Moreover, the route rationalization study seems to be progressing at a slightly faster pace than before. In their letter of June 29, 1982, GOWB further indicated that fares might be revised in September, although it is unlikely that such a revision would be sufficient for the bus and tram companies to meet their covenanted operating ratios for FY 1982/83. All major issues related to this project will be thoroughly reviewed by the CUTP review mission tentatively scheduled to visit Calcutta in September, in order to assess the adequacy of progress and level of commitment to the objective of the project.

VI. Intra-Bank Coordination

6.01 The First and Second Urban Development Projects have significantly benefitted from the close liaison and participation in project preparation and supervision by staff of the Energy and Water Supply Division. This collaboration is continuing. Assistance is also being received from the Population, Health, and Nutrition Department (PHN).

VII. Coordination with Other Aid Agencies

7.01 There is ongoing cooperation with the Netherlands Government which is funding the Khatal Removal Program, and ODA (UK), which is funding technical assistance for the traffic engineering subproject of the Second Project. CIDA (Canadian International Development Agency) have funded an experienced planning advisor, instrumental in introducing innovative planning policies during construction of the Toronto subway, to accompany the June 1981 mission, to advise CMDA of potential relevant planning experience in connection with Calcutta's own subway now under construction.

VIII. Timetable

8.01 The following time schedule has been established for the project.

Departure Appraisal Mission	September 1982
Yellow Cover SAR	January 1983
Project Negotiation	March 1983
Board Presentation	May 1983
Implementation	December 1982-December 1987

Disb. Susp?
closing dates?

8.02 The principal project and sector issues have been identified and action to resolve them has been initiated. The schedule assumes, however, that the current momentum is maintained and sufficient administrative and planning resources are allocated to the effort by the GOWB, CMDA, and other agencies. Subject to receipt of advice from CMDA/GOWB that critical actions have been taken on schedule, an Appraisal Mission has been planned for late September 1982.

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I. BACKGROUND

A. Urban Development in India and West Bengal

1.01 With a 1981 urban population estimated at 146 million, about 22% of a total population of about 684 million, India stands as one of the most urbanized developing countries with comparable GNP per capita. The urban population grows yearly at a rate of 3-3.5%, adding 6 to 7 million persons annually to India's urban centers. Much of this growth is taking place in the 135 medium-sized cities with population between 100,000 and 1,000,000, which grew at an average annual rate of 6.6% between 1961-71, and which account for 52% of all urban population. The nine largest cities with populations of more than one million are growing at an average annual rate of 3.3%. If the present trends in urban population growth continue, the total urban population would be about 300 million by the year 2000 and by the same time 43 Indian cities would have populations of over one million.

1.02 West Bengal is the second most densely populated state in India after Kerala. In 1981, its population approximated 54.5 million with about 13 million (or 27%) living in urban areas. Calcutta, the capital of West Bengal, is the largest metropolis in India. The population living in the Calcutta Metropolitan District (CMD) ^{1/} is growing at an average annual rate of 3% and is in 1981 approaching 10 million, or over 69% of West Bengal's urban population.

Perspective

1.03 The CMD is the slowest growing metropolis in India, yet it continues to add about 200,000 persons annually to its population in spite of continuing serious deficiencies in environment, infrastructure, public services and employment. About 3.3 million of the CMD population is within the Calcutta Municipal Corporation (CMC) administrative area on the east bank of the Hooghly river. The west bank population is about 2.2 million, concentrated mainly in the Howrah and Bally municipalities opposite the CMC. Gross population density in the CMC area averages about 330 persons per ha (reaching densities of 3,000 persons/ha in parts), compared with 150-180 in municipalities close to the CMC and 20-25 in smaller towns and rural areas on the fringe of the CMD. About 45% of the CMD population, or about 4.5 million people, belong to households in the economically weaker section, with a monthly income of Rs 350 (approximately US\$44 equivalent) or less per household.

^{1/} The census figures are in reference to the Calcutta Urban Agglomeration (CUA), which roughly equates with the CMD.

The Economy

1.04 Manufacturing and service activities predominate in the CMD. In the manufacturing sector, a major shift has taken place over recent decades from dominance by the jute industry to dominance by the engineering industry. Service activities proliferate throughout the area, particularly in transport, storage and communications. In the CMD as a whole, employment in 1981 was about 2.8 million according to official census estimates, a modest increase over the 1971 figure of 2.6 million--with about 1.4 million in services, 1.0 million in manufacturing and 0.2 million in agriculture and mining. At present, the officially estimated labor force participation rate in the CMD is about 33%, and the unemployment rate 10%, resulting in about 320,000 unemployed persons, plus an unknown number of marginal and part-time employees.

1.05 The State Government of West Bengal (GOWB) is responsible for framing and enacting legislation governing all local authorities in West Bengal. As such, GOWB has authority over the Calcutta Municipal Corporation, which provides local government services in the Calcutta City area, as well as over the municipal authorities and other government agencies with the CMD. The local government framework in the CMD consists of two municipal corporations and 35 municipalities. In 1971, GOWB created the Calcutta Metropolitan Development Authority (CMDA) to act as an area-wide statutory authority charged primarily with planning, design and construction of infrastructure in the CMD. It is largely through the CMDA that GOWB coordinates and manages development within the CMD.

1.06 The First Calcutta Urban Development Project (CUDP) 1/ comprised a broad program of urban works, with emphasis on infrastructure to meet the most urgent service needs of the population. The IDA Credit of US\$35 million equivalent, or 36% of total estimated project costs of about US\$97 million, was directed to investments mainly in the water supply, sewerage, drainage, and transportation sectors. The credit is now fully disbursed. Progress under the First Credit was slow, reflecting the lack of experience in program management on the part of the CMDA, the principal implementing agency. Particularly noticeable were deficiencies in coordination of agencies, project budget sanctioning, monitoring, bidding procedures, and delays in land acquisition. 2/ These difficulties are understandable, as CMDA was established only in 1971 and was immediately given responsibility for an extensive and complex development program.

1/ Cr. 427-IN, 1973/74 to 1978/79.

2/ Project Completion Report (PCR) dated 6/1/81 and Draft Project Performance Audit Report (PPAR) dated 1/18/82.

1.07 The Second Calcutta Urban Development Project 1/ (CUDP II) differs from the First in that it includes a greater number of components. In addition to the provision of shelter, municipal infrastructure improvements, solid waste management and technical assistance, other components such as school construction and health care, credit for small businesses, traffic engineering and management, strategic land management improvement, and urban renewal projects were included. This project composition reflects an adjustment in CMDA's investment program to give more priority to neglected sectors providing immediate improvements in urban conditions for the city as a whole. The project also places emphasis on the operation and maintenance of all completed works and on the formulation of plans for the future development of the Calcutta Metropolitan District (CMD). IDA made available a credit of US\$87 million equivalent, or just under 50% of the total project costs of about US\$184 million, towards financing of this project, which was originally scheduled for completion in March 1982, and will now be substantially completed by March 1983. Progress in implementation of principal program objectives is outlined in paras 4.01-4.05. Progress under the second credit has been considerably better than the first. As of March 31, 1982, a total of US\$70.4 million or 81% of the credit and 90% of appraisal estimates, had been disbursed over 4.25 years 2/ and progress on physical works in spite of severe materials supply problems has been good. 3/

1.08 The Calcutta Urban Transport Project (CUTP I) 4/ which was approved by the Board on June 3, 1980, attempts to respond to the GOWB's expressed priority for a thorough upgrading of mass transportation services in Calcutta. The project, which supports financial and operational rehabilitation of the public bus and tram operations in Calcutta as well as investments and policy measures to support private bus operations, is an important step in improving the quality and quantity of mass transport in the city and complements traffic management and engineering interventions initiated under the first two urban projects in Calcutta. The estimated total cost of the transport project is US\$121.7 million. The credit of US\$56 million would finance about 50% of project costs of net taxes and duties. The project period has been scheduled for just over three and a half years.

1/ Cr. 756-IN, 1977/78 to 1981/82.

2/ As compared to the South Asia Urban Projects norm and South Asia Region norm of approximately 79% and 63% respectively.

3/ Quarterly Progress Reports on division file.

4/ Cr. 1033-IN, 1980-1983.

1.09 The initial progress with regard to bus and tram fleet modernization has been good. 1/ However, there were delays in implementing the measures designed to strengthen the management of the bus and tram companies. Their operational and financial performance has not improved as well as projected. There has also been much delay in the route rationalization study and the execution of traffic engineering schemes. The latter is partly due to overlapping responsibilities given to several agencies concerned with traffic management, and is addressed along with broader institutional issues relating to the project third project.

1/ Quarterly Progress Reports on division file.

Sector Performance Summary
For Period 1970/71 - 1981/82

Sector Impact	Sewerage and Drainage	Water Supply	Shelter	Traffic & Transport	Solid Waste	Total
1. Program Investment Costs <u>Rs crores</u>	88	99	BIP 43 ^{a/} AD 13 ^{b/}	95	13	351.00
2. Annual Operating/Maintenance Costs <u>Rs crores</u>	CC ^{c/} 3.5 Rest of CMD 3.5	4.0	1.9	(CC+H) 4.6	n.a.	14.00
<u>Rs crores</u> Total 2	7.0	6.8	2.58	6.0	n.a.	22.38
3. Investment <u>Rs/</u> per capita & location	CC 146 H-B 140 ^{d/} NMU) 5-7 rural) ^{e/}	CC 94 H-B 103 WB 28 EB 61 NMU) 15-30 rural)	(BIP only) CC 239 H-B 185 EB 183 WB 163			
4. Service Delivery Indicators		CC 50gpcd H-B 32gpcd f/ WB 19gpcd g/ EB 9.6gpcd NMU 14-16gpcd	(BIP only) Z dwellers covered CC 99% H-B 88% EB 16% WB 34%			
5. Health:						
incidence of waterborne disease mortalities		1970 1974 1977	4,733 3,533 2,502	(statistics for Calcutta, 24 Parganas, Howrah, Hooghly, Nadia)		
incidence of cholera cases/deaths		1970 1974 1977	1,196/186 2,195/520 330/4	(statistics for Calcutta, 24 Parganas, Howrah, Hooghly, Nadia)		
6. Rental changes in sample bustees			% rental change 1974/5-1979/80 Unimproved 16% Improved 43%			
7. Direct construction expenditure in local economy <u>Rs crores</u>	Materials 40 Wages 31	49	(BIP only) 15.5	43.0	6.8	154.8
8. Indirect construction expenditure in local economy. <u>Rs crores</u>	Materials 12 Wages 28	15	6.0	13.0	2.0	48.0
9. Annual Operating/Maintenance direct construction expenditure in local economy <u>Rs crores</u>	Materials 1.7 Wages 5.6	3.4	0.55	2.52	n.a.	8.17
10. Annual Operating/Maintenance indirect construction expenditure in local economy <u>Rs crores</u>	Materials 0.5 Wages 5.04	1.0	0.16	0.75	n.a.	2.41
11. Direct construction job creation manyears, non permanent	123,500	115,700	68,900	131,950	148,200	588,250
12. Indirect construction expenditure job creation manyears, non permanent	111,800	104,000	62,400	119,600	133,900	531,700
13. Direct Operating/Maintenance permanent job creation	18,700	6,500	6,000	8,000	n.a.	39,200
14. Indirect Operating/Maintenance permanent job creation	16,800	5,850	5,450	7,300	n.a.	35,400

^{a/} Bustee Improvement Program
^{b/} Area Development (sites and services etc.)
^{c/} Calcutta City
^{d/} Howrah/Bully Municipalities

^{e/} Non-municipal Urban Areas
^{f/} West Bank
^{g/} East Bank