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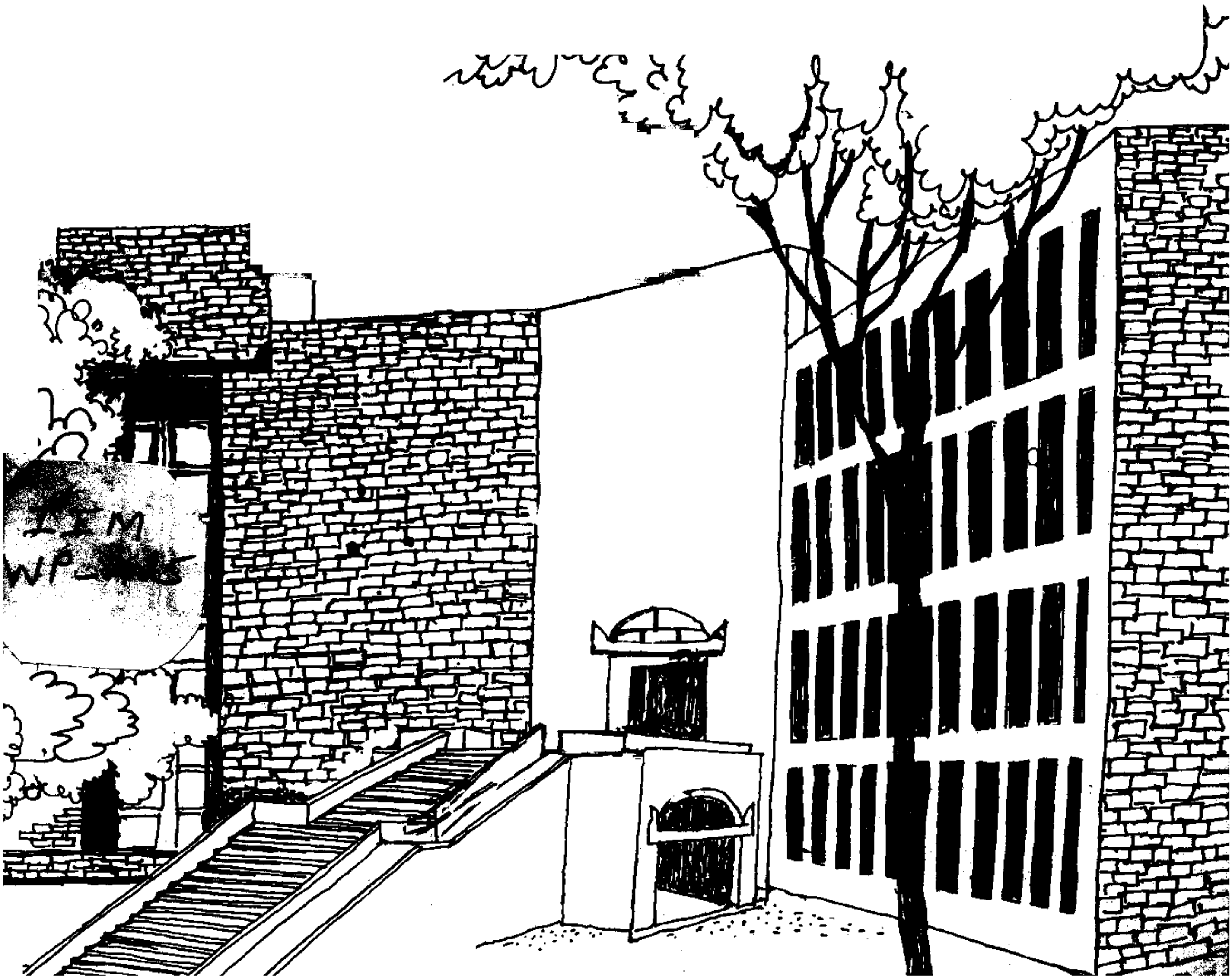

EXTERNAL AID AND DEVELOPMENT STRATEGY IN RAJASTHAN

By

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External Aid and Development Strategy in Rajasthan

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" Where the mind is without fear and
the head is held high;
Where knowledge is free;
Where the world has not been broken
Up into fragments by narrow domestic walls;
Where words come out from the depth of truth;
Where tireless striving stretches its arms
towards perfection;
Where the clear stream of reason has not lost
its way into the dreary desert sand of dead habit;
Where the mind is led forward by thee into ever
widening thought and action -
into that heaven of freedom, my
Father, let my country awake ".

(Rabindranath Tagore)

These words of Rabindranath Tagore signify the ultimate goals of development and freedom. In the Indian context, in the words of Gandhiji, the 'means' must also justify the 'ends'.

Most developing countries, and India is no exception, consider the acceleration of economic growth as a major task facing their governments. There is also an increasing demand from the people on the government to supply them with their basic minimum needs. It has also been realised that growth, by itself, is not sufficient and that it must be accompanied by distributive justice. In this environment, such governments set for themselves fairly ambitious targets which cannot be achieved only through internal financial resources. Developing countries, therefore, look beyond their national

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boundaries for financial resources to supplement their resources to achieve these objectives. This results in a demand for capital inflow from abroad as a 'means' to achieve the goals of development (Avramovic, 1964).

External aid, both multilateral and bilateral, thus comes to play an important role in the process of development in any country. India is no exception. In simplistic terms, the effects of foreign capital can be analysed on the basis that by making available a larger money supply, it reduces the pressure of demand on the financial resources available in the internal economy (Dalaya, 1970). If, for example, foreign capital is made available for, say the water supply schemes, total resources which would ordinarily have been invested here are made free for investment in other sectors, say education, health etc. In some cases the availability of foreign capital is said to have other advantages too. This could be in the form of contact between the countries and, therefore, exposure of officials of the debtor countries to the latest techniques and technologies of the creditor countries. These contacts are sometimes said to lead to certain social and economic impacts which help in the internal development of the borrowing countries.

On the other hand, one cannot shut one's eyes to the fact that bilateral assistance particularly, and even multilateral assistance, depends to a large extent on the policies of the developed countries. Even World Bank loan officials apparently target loan quotas for each country and prod their project officers to come up with outlets to meet these quotas (Collins and Lappe; 1979). It is for the recipient countries to ensure that not only is the loan secured without any strings but that in the future if such assistance is not available they will be able to keep up their pace of development and not become beholden to anyone. In other words, 'assistance' which is largely in the form of loan and, therefore creates debts, may become the ultimate road-block along the path of self reliance (Lappe and Collins, 1978) .

I

THE NATIONAL SCENE

India's plans over the past thirty years have reflected this objective of achieving self reliance. The First Five Year Plan states, "there are also obvious risks in excessive reliance on foreign aid which depends on the domestic political situation in lending countries and which might be interupted by any untoward international development" (Planning Commission, 1952, page 26).

The Third Five Year Plan again states, "external assistance is essential for this period, but the aim must be to make the economy more and more self reliant, so that it is able to support within a period of 10 or 12 years an adequate scale of investment from its own production and savings. Normal inflows of foreign capital may continue, but reliance on special forms of external assistance has to be reduced progressively and eliminated" (Planning Commission, 1961, page 115).

The annual plan of 1966-67 also mentions that our objective will be to do without massive foreign assistance in the next seven to ten years.

The Fourth Five Year Plan reiterates, "National self reliance and growth with stability can be obtained only if additional effort is put forward at every level. Dependence on foreign aid will be greatly reduced in the course of the Fourth Plan " (Planning Commission, 1970, page 13). It goes on to say, "the scheme of long term development seeks to eliminate

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dependence on foreign aid by 1980-81" (Planning Commission, 1970, page 44).

The Fifth Five Year Plan puts the country's objective in this context in the following words, "the perspective for India's balance of payment is to pursue policies for the achievement of the objective of self reliance" (Planning Commission, 1976, page 18).

The Sixth Plan 1980-85 states, "the objective of self reliance needs to be pursued with continuous vigour" (Planning Commission, 1981, page 10). Amongst the ten major objectives listed in the plan, the second reads, "strengthening the impulses of modernisation for the achievement of economic and technological self-reliance" (page 34). No doubt, self reliance does not mean self sufficiency in all sectors and if the country can pay for certain items there would seem to be nothing wrong in that. But, it must be realised that this payment is invariably in foreign currency, and if we allow such debts to increase indiscriminately, future development prospects can be jeopardised. The availability of imports also depends, not necessarily on production within foreign countries, but also on the policies of such countries and developments on the international scene. The aid environment is, certainly, affected by the latter. A recent report presented to the World Bank recommends that it scrap its lending programme to the public sector oil and gas development projects in the Third World. Though the Bank is not legally bound to go by this advice, it may have its impact on the Bank's activities. In the process, India's pending proposal on the Oil and Natural Gas Commission's Godavari Off Shore Project which is seeking $ 120 million assistance does stand to be jeopardised[1].

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1 The Economic Times, Bombay, August 13, 1981.

Two more recent incidents will illustrate how developments on the international scene affect the climate of aid. It has been reported that the Government of India decided to drop its application for a $ 260 million loan from the International Development Agency (IDA). This appears to have become necessary because of IDA's reluctance to finance the project under the current regime of price controls on Cement[2]. The second relates to the loan of $ 5.8 billion from the International Monetary Fund (I.M.F.) secured by India in November 1981. Prior to the sanction there were newspaper reports that some countries may raise some questions on the loan[3], and even when the loan was sanctioned by the IMF one country abstained from voting on the loan[4].

The picture, as stated, is thus clear. The objective is towards self reliance, the 'means' are towards some assistance as we go along but to reduce continually our dependence thereon and ultimately to do away with external assistance.

What has actually happened over the last thirty years? On the whole, the First Plan did not impose much strain on the balance of payments. The external debt created during this period was of a small amount. It was during the Second Plan that greater reliance was placed on external capital and creation of external debt (Dalaya, 1970). The table below shows the gross and net aid by Plan periods.

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2 The Times of India, Ahmedabad, October 27, 1981.

3 The Economic Times, Bombay, September 23, 1981.

4 The Times of India, Ahmedabad, November 11, 1981.

Table 1*

Gross and Net Aid by Plan Periods

(Rupees in crores)

S.No.	Period	Utilisation of External Assistance	Amortisation and interest payment	Net Aid	Plan Expenditure	Utilisation as per cent of plan expenditure	Net aid as per cent of plan expenditure
1	2	3	4	5	6	7	8
1.	First Plan (1951-56)	201.7	23.8	177.9	1954.94	10.3	9.1
2.	Second Plan (1956-61)	1430.4	119.4	1311.0	4665.48	30.6	28.1
3.	Third Plan (1961-66)	2867.7	542.6	2325.1	8543.16	33.5	27.2
4.	Annual Plans (1966-69)	3229.6	982.5	2247.1	6628.61	48.7	33.9
5.	Fourth Plan (1969-74)	4183.7	2445.0	1738.7	15524.10	26.9	11.2
6.	Fifth Plan (1974-79)	7309.5	3770.4	3539.1	39765.16	18.3	8.9**

ource:- * Sixth Five Year Plan, 1980-85, Planning Commission, Government of India, New Delhi, page 14.

** On actual expenditure for the first four years, and anticipated expenditure for 1978-79.

It appears from the above table that after 1969 the net aid as percentage of plan expenditure is going down and so, there is an argument put forward in some quarters that India's dependence on foreign aid is going down. This is somewhat misleading. In fact, the net aid is reducing because the country's liabilities on account of repayment (amortisation and interest) are increasing. In the period 1966-69 repayments were 30 per cent of utilisation but in the Fourth and Fifth Plan periods these have exceeded 50 per cent of utilisation of external assistance. It is for this reason that net aid as per cent of total plan expenditure is going down. In other words, the country is having to borrow more to ensure repayments and then a surplus for utilisation as a plan resource. Therefore, looking at it from the point of total external assistance received as a proportion of total plan expenditure it is found that in the Fourth Plan this was 26.9 per cent while in the Fifth Plan it was 18.3 per cent. Since this proportion is still very large, could it be argued that India's dependence on aid is inconsequential in terms of total resources for the plan? If that is not so, as appears to be the case, can it ever be inferred that the country is closer today to achieving its objective of self-reliance, than it was before?

Turning to the liabilities of the central government, it is found that in 1950-51 the external debt was Rs.32.03 crores. By 1965-66 it had risen to Rs.2590.62 crores and in the budget for 1982-83 it was indicated at Rs.13830.24 crores (Ministry of Finance, 1982). The debt service payments comprising amortisation and interest amounted to Rs.884 crores in 1979-80 and were marginally more than Rs.882 crores for 1978-79. However, at this level, debt service payments in 1979-80 siphoned off as much as 65 per cent of gross aid receipts (Government of India, 1980-81).

In the coming decade this situation does not seem likely to improve. No doubt, during the mid-seventies the foreign exchange position in India was comfortable. The annual remittances from migrants rose from less than $ 250 million in 1974 to an estimated $ 2.4 billion in 1980. However, these remittances are not likely to grow as rapidly in the 80's. Secondly, aid which played an important role in cushioning the balance of payments after the 1973-74 oil price increases, is not likely to be as readily available in the coming decade (The World Bank, 1981). Even now, the sixth replenishment to IDA may have to be modified as compared to the initial assurances in 1980 and the possibilities of aid arising out of the seventh replenishment seem somewhat bleak. This is because of the changing policies of some of its contributors. The soft loan window may, therefore, not be as wide open as before. In this perspective, India does face a difficult foreign exchange situation in the years ahead.

The entire foreign exchange question, at the national level, does hinge on oil prices and their imports. Total imports in 1978-79 amounted to Rs.6814 crores. They increased to Rs.8795 crores in 1979-80 and in 1980-81 were expected to be of the order of Rs.11300 crores. The major portion of the increase is accounted by the sharply rising cost of POL imports. In 1978-79 the total POL imports were only Rs.1677 crores whereas in 1980-81 the POL import bill was likely to be around Rs.5600 crores. Thus, out of the increase of Rs.4500 crores in the total import bill over these two years (1978-79 to 1980-81), the increase in POL imports alone accounted for Rs.3923 crores, or about 87% (Economic Survey, 1980-81).

It would be appropriate to mention that while our country's borrowings are both from multilateral and bilateral sources the largest amount is from the World Bank group. The Bank group comprises the International Bank for Reconstruction and Development (IBRD), the International Development Agency (IDA) and the International Finance Corporation (IFC). As far as the Bank group is concerned also, India is, today, its largest borrower. The fact that India relies heavily on soft term loans from IDA is also relevant. By now it is well known that some of the developed donor countries are rethinking on this whole issue of aid. The attitudes and policies of such countries greatly influence the policies of the Bank group which, in turn, will determine the level of aid that developing countries can expect.

The World Development Report 1981 shows that out of a total bilateral aid of $ 17 billion in 1979, as much as $ 11 billion went to middle income countries. It concedes that reallocating concessional aid from middle income to low income countries is necessary but goes on to observe, "The economic and humanitarian merits of a reallocation to the poorer countries are obvious, but political considerations have so far precluded such action" (The World Bank, 1981).

It has also been noticed that many times foreign aid is tied to purchases within the aid giving countries while repayments are not similarly tied to purchases from countries making the repayments. Patel also goes on to observe that aid to developing countries has no rational pattern and that it is motivated by political or sentimental considerations (Patel, 1968, page 5).

In this backdrop, our consistent objective of striving towards self reliance and ultimately doing without foreign aid is, indeed, not without merit.

II

THE SITUATION IN RAJASTHAN

In this overall perspective of the difficult balance of payments position, and in the context of the clearly identified objective of achieving self-reliance in the not too distant future, the role of external assistance for development purposes has to be considered. Since the states play a crucial role in the planning and implementation of developmental programmes, and because the financial resources of most states are limited, the role of this external assistance in the state's development effort becomes necessary to analyse. For the purpose of this study Rajasthan has been chosen because of its vast area and peculiar physical conditions.

Rajasthan is known for its vast stretch of barren lands and rolling sand dunes. More than 55 per cent of the state's area comes under the 'Thar' desert. Recurring drought and scarcity conditions have taken their toll on the state's developmental efforts. The state has an area of 3.42 lakh sq.kms. which is the second largest in the country. More than 50 per cent of the state's area is covered by the 'Thar' desert and about 34 per cent of its population lives in identified drought prone areas of the state. Its population was 257.66 lakhs in 1971 and has increased to 341.08 lakhs in 1981. About 80% of the population is rural and more than 70 per cent is dependent on agriculture and allied occupations, for their livelihood.

Planned development over the last three decades has accelerated the economic activities and their impact is reflected through the state income. The state domestic product for the year 1960-61 at constant (60-61) prices was Rs.559.41 crores which increased gradually to Rs.1003.46 crores by

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1978-79. The per capita state income at constant prices (60-61) rose from Rs.284 in 1960-61 to Rs.321 by 1978-79. At current prices, the per capita income of Rajasthan was Rs.964 in 1977-78 as against the national average of Rs.1189 (Planning Department, 1980).

The percentage distribution of state domestic product (1960-61 prices) by sectors is given in the following table:

Table 2*

Percentage distribution of state domestic product (1960-61 prices)

	Sector	1977-78
1.	Agriculture and allied service	53.91
2.	Mining and manufacturing	15.75
3.	Trade, transport and communications	14.40
4.	Other services	15.94
	TOTAL =	100.00

* Source:- Planning Department, Government of Rajasthan - "Draft Sixth Five Year Plan 1980-85 and Annual Plan 1981-82, Rajasthan", Jaipur, 1980 (page 2).

The expenditure under state plan, during various plan periods is given in the table below:

Table 3*

Expenditure under state plan since 1951

	Period		Expenditure (Rupees in crores)
1.	First Plan	(1951-56)	54.14
2.	Second Plan	(1956-61)	103.10
3.	Third Plan	(1961-66)	212.70
4.	Three Annual Plans	(1966-69)	136.75
5.	Fourth Plan	(1969-74)	308.79
6.	Fifth Plan	(1974-79)	857.62
7.	Annual Plan	(1979-80)	290.19
8.	Sixth Plan (approved outlay)	(1980-85)	2025.00

* Source:- Planning Department, Government of Rajasthan, Jaipur.

Up to the close of the Fourth Plan period there was no externally aided project in the state. It was only the Fifth Five Year Plan that saw the advent of such projects, which provided for external assistance. The number of such projects, and the expenditure involved, has been increasing over the years and more rapidly so in the last 2 or 3 years. The details of all the on-going projects is given in the table below:-

Table 4*

Externally Aided Projects in Rajasthan

(Rupees in crores)

.No.	Name of Project (Year of commencement)	Total cost	External agencies' reimbursement (maximum admissible)	State share in total cost	Other than state share in total cost	Expenditure up to March 1981 by state government	Additional central assistance received by the state from 1974 to March 1981
1	2	3	4	5	6	7	8
1.	Rajasthan Canal Project, Stage I, Phase I, CAD (1974-75 - IDA)	139.20	66.40	76.59	62.61	65.71	11.24
2.	Chambal CAD (1974-75 - IDA)	73.20	41.60	44.61	28.56	44.88	6.12
3.	Rajasthan Dairy Development Project (1974-75 - IDA)	41.44	22.16	7.85	33.59	8.19	1.50
4.	Drought Prone Area Programme Project (1974-75 - IDA)	17.45	6.72	3.93	13.52	3.82	Nil
5.	Rajasthan Agriculture Extension & Research (1977-78 - IDA)	23.90	11.70	22.80	1.10	11.57	2.61
6.	State Seed Project (1977-78 - IDA)	6.52	2.96				Nil
7.	Rural Godowns Storage Project (1979-80 - EEC)	23.69	7.36	4.74	18.95	1.96	Nil
8.	Rajasthan Canal Project, Stage I, Phase II (CAD) (1980-81 - IFAD)	92.94	44.00	42.36	50.58	4.64	Nil
9.	Water Supply and Sewerage Project (1980-81 - IDA)	137.68	67.20	137.68	Nil	4.30	0.53
10.	Medium Irrigation Project (1980-81 - USAID)	99.77	28.00	99.77	Nil	8.53	Nil
11.	Ramsar Goat Farm (1980-81 - Swiss)	0.24	0.14	0.10	0.14	0.02	Nil
	TOTAL	656.03	298.24				22.00

* This table is based on discussions with representatives of different departments of the Government of Rajasthan.

At this stage it may be necessary to dwell a little on the process of project sanction, implementation and reimbursements. After the project is prepared by the state government, it is sent through the Government of India to the international agency/foreign country for aid. There are thus three parties to the negotiations and agreement. After the agreement is signed, the state government commences implementation of the project. The entire state share of expenditure (excluding institutional finance, if any) has initially to be made by the state government, out of its resources for financing the state plan. During the course of the year, reimbursement claims are made out by the state government and routed through the Government of India to the International agency/foreign country. The aid is generally around 50 per cent of the project cost. The entire receipts of foreign assistance are received and credited into the revenues of the Government of India under the head "Inflow of foreign resources". On the part of the Government of India these sums provide a good means of meeting the trade gap. To that extent, local resources are made available for utilisation as resource for other plan expenditure. This foreign exchange does not pass on to the state government.

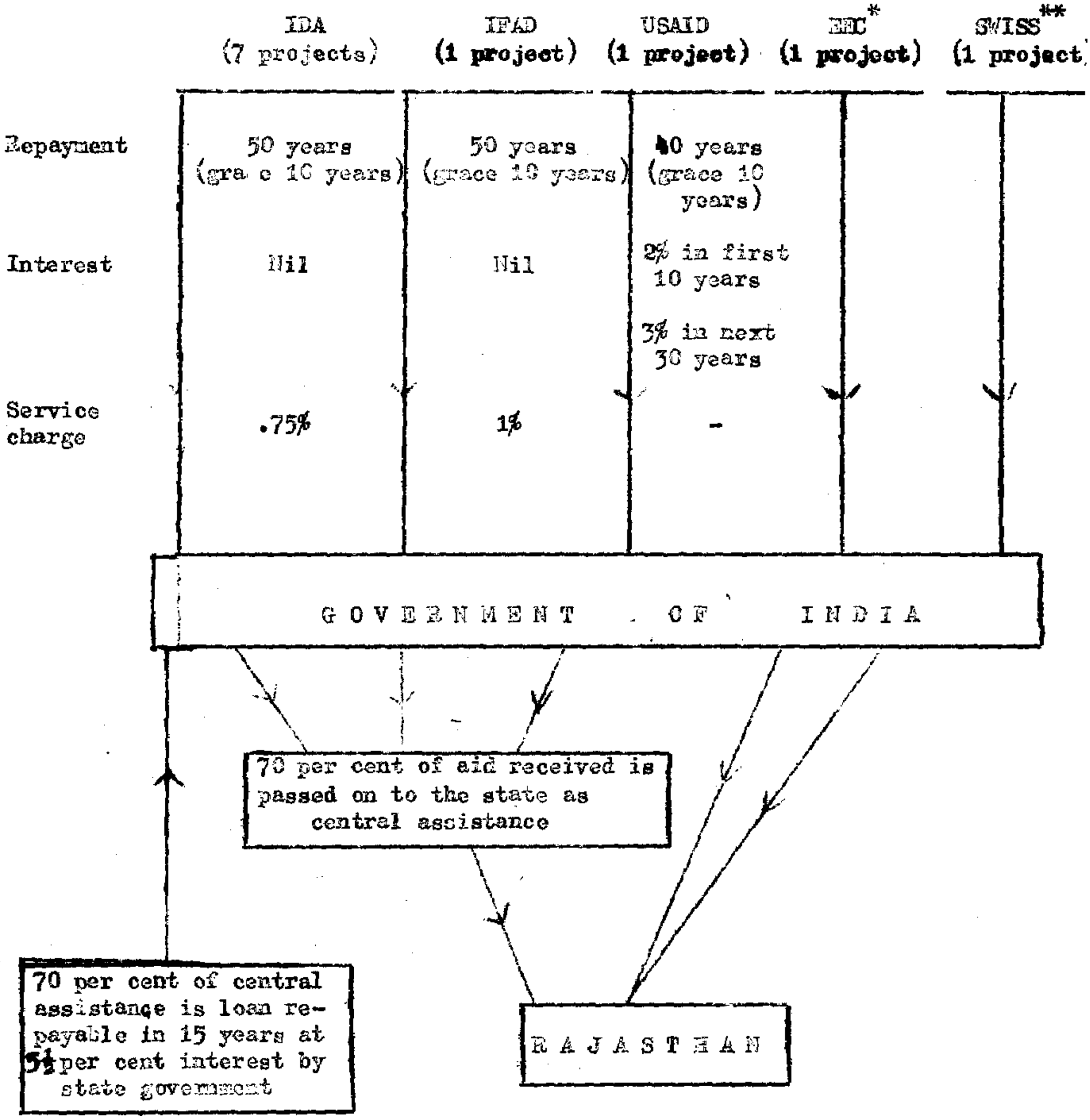
It seems that prior to the Fifth Plan, no portion of this aid was passed on to the state governments. Possibly as a result of pressure from them, the Fifth Plan contained the following statement on this issue, "Besides, it seems reasonable to keep apart some amount for providing extra assistance to the states in respect of state plan schemes financed with IDA/World Bank assistance. The state governments have been pointing out that in the case of such schemes, the IDA/World Bank insist on incurring certain order of outlay within a specified period, thereby imposing an additional burden on state budgets in the plan period whereas external assistance accrues to the central budget. Taking the various factors into consideration, it was agreed last year to provide to the states for that year extra central assistance amounting to 25 per cent of IDA/World Bank disbursement in respect of state plan projects assisted by them. In the rest of the plan period also, it would seem desirable to give extra central assistance to the extent of 15-25% of IDA/World Bank disbursements in respect of the state plan projects assisted by them, depending on the resources position of the states concerned. On the whole it seems sufficient to reserve an amount of Rs.100 crores for this purpose during the Fifth Plan period as a whole" (Planning Commission, 1976). Thus the transfer of some portion of the external assistance, received by the Government of India against such aided projects being implemented by the state and on which the state governments were making expenditure, was started during the Fifth Plan only. This proportion of aid comes to the state as central assistance for financing state plans. Since 1978-79 the Government of India has further increased this amount of central assistance against externally aided projects being implemented by the state governments to 70 per cent of the aid received by it.

Central assistance is one item which goes into making up the overall state resources which then determine the size of the state plan. The state's own resources is the other item. The latter comprise the states own effort at resource mobilisation and are also affected by the award of the successive Finance Commissions. Central assistance, which comes through the Planning Commission, is largely governed by the 'Gadgil' formula. The percentage of external aid, to which the state government is entitled, is an additive to the normal central assistance and to that extent it does raise the size of the state plan to some extent. In the case of Rajasthan's Sixth Plan (1980-85) of Rs.2025 crores, the state's own resources have been estimated at Rs.1399 crores, normal central assistance at Rs.567 crores and additional central assistance due to externally aided projects at Rs.59 crores. The last sum is based on the premise that the state would be spending a sum of about Rs.276.94 crores out of its plan of Rs.2025 crores during 1980-85 on such externally aided projects. To some states which have been classified as 'special category states', 80 per cent of the central assistance is as grant and the remaining 20 per cent as loan. The other states, of which Rajasthan is one, get the central assistance in the form of loan and grant in the proportion of 70:30.

The Government of India gets aid, particularly from IDA etc., at highly concessional terms. Once a portion of it goes to the states as central assistance the loan component has to be repaid with interest just like any other central assistance. The present position is that while in Rajasthan most of the projects are under agreement with IDA, the soft loan window of the World Bank, the Government of India gets this assistance without interest, to be repaid in 50 years. For the first 10 years there is no repayment, then 1 per cent per annum for the next 10 years and then 3 per cent per annum for 30 years. A service charge of 3/4 per cent on amounts withdrawn and outstanding to meet the administrative costs of IDA, is levied (International Bank for Reconstruction and Development, 1963, page 108). In turn, when a portion of this is passed on by the Government of India to the state government in the form of central assistance of which 70 per cent is loan, the state government has to pay back this amount of loan in 15 years at an interest rate of $5\frac{1}{2}$ per cent. A flow chart of aid as received by the Government of India, passed on to the state government as central assistance and the repayments from state government to Government of India and then to the aid giving agency is given below at Table 5.

Table 5

Repayment conditions of aid and central assistance to Rajasthan



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no portion of aid is passed to state since NCDC is providing 50 per cent of project cost as loan and 20 per cent as share capital.

aid is spent directly by aid agency on purchase and transportation of

The State's Stance

The National Fifth Plan document, as referred to above, seems to indicate that the state governments have been somewhat unhappy at getting only a very small share of the total external assistance received against specific projects. In the meetings of the National Development Council between 1976 and 1981 (31st to 35th meeting) many Chief Ministers, including that of Rajasthan, have raised this issue. They have argued that since this assistance is tied to a project, and is in any case only a part of the total cost, it should be passed on in full to the state government concerned on the same terms and conditions on which it is received by the Government of India (GOI). The strength of this argument has also not been totally ignored since in the Fifth Plan period, for the first time, the states started receiving 25 per cent of the assistance. When pushed further, in 1978-79 the Government of India raised this to 70 per cent.

Coming to the terms of repayment, since much of the aid is on concessional terms (in Rajasthan's case 7 major projects out of the 11 receiving aid are funded by IDA and in the others also concessional aid is received) there seems little justification of changing these terms when the aid comes to be repaid by the state to the centre. Taking the case of IDA credits, they are repayable by Government of India in 50 years, with no repayments in the first ten years. There is no interest charged and only a service charge of 0.75 per cent is levied. However, when 70 per cent of this aid is passed on by Government of India to the state as central assistance, the terms and conditions of repayment are changed. Like other central assistance this amount has to be repaid in only 15 years to Government of India at an annual interest rate of 5½ per cent. Naturally, this increases the burden on the state government. Not only does it have to make the entire investment first, but the little amount (about 35 per cent of project cost) that it gets as central assistance in due course, when reimbursement claims are accepted by the funding agency, has to be repaid by it to Government of India not at concessional terms but at normal terms. While this system, may be generating resources at the national level, it strains the state exchequer.

The example at Appendix I and II indicates the case of a project costing Rs.3100 which is to be completed in 5 years. Fifty per cent of this amount is assumed to come in the form of external assistance, say, at the same concessional terms as I.D.A. credit. It may also be assumed that the expenditure is equally spread out at Rs.620 over each of the 5 years and the aid (Rs.310 per year) also flows in, in equal instalments, over each of these years. Out of Rs.1550 which comes in to Government of India as aid, the state government is presently passed on only Rs.1075 of which Rs.750 is as loan and Rs.325 as grant. However, the state will be making the entire investment of Rs.3100 over the 5 years. As per present arrangements, during the first 20 years the state government repays back to Government of India the full loan component of Rs.750 plus Rs.330 as interest i.e., Rs.1080 in all. On the other hand if, indeed, the entire aid amount were to be passed on to the state government on the same terms and conditions on which it was received by Government of India, the state government would only have had to repay a sum of Rs.124 as principal amount and Rs.194.92 as interest in the first 20 years. The increase in terms of debt burden to the state is thus obvious. In the next 30 years the state government would have repaid the remaining principal amount of Rs.1426 and service charges to the tune of Rs.183.56 only.

It is clear that by passing on only a small proportion of aid received against a project to the state government its debt burden rises considerably, and in the immediate future it is required to invest much larger sums of money on the project than its meagre resources would normally permit. This would seem to indicate, as will be attempted to be shown later, pre-emption of larger financial resources by the state government on aided projects at the cost of other sectors/regions in the state.

One argument normally given at the national level in favour of this system is that whatever assistance is received from outside is for the benefit of the whole country. Another, is that not every state can develop projects for external assistance and so if all aid is passed on to states which are able to get projects cleared others will suffer. A third argument is that the terms of external assistance vary from soft to commercial rates and the central government has to play the role of averaging out the cost of money.

On the first issue, it is clear that this aid is very much tied to a project and, therefore, to use it or part of it, as a means of resource mobilisation will be somewhat unfair to the project and state, the latter being particularly hard pressed for resources. Regarding the second point, the Government of India repeatedly emphasises that states should expand their financial resources. Since aided projects are very much a part of this process, by denying the states the full benefit of it, sooner or later, their enthusiasm to prepare such projects will be dampened. In fact, in the 'Gadgil' formula itself 10 per cent of the central assistance is decided on the basis of the state's effort at resource mobilisation. These two arguments at the national level, seem to be working at cross purposes.

On the third issue, those who wish to borrow at higher rates must be ready to pay for it. It would be unfair to expect others to bear their burden. Since each state is generally responsible for all developmental activities within its area, it should be ready to face the challenge of commercial rates of lending, should it choose to go in for it.

Another argument sometimes taken in favour of withholding some percentage of aid is that presently more than 50 per cent of aid is on projects in those 3 or 4 states which are relatively well developed. Therefore, if the entire aid is passed on to them, financial resource-wise they will be even better off than today and their pace of development will be certainly speeded up but that of the weaker resource based states will suffer and thus regional disparities will increase. As has already been mentioned, the Government of India has presently divided the states into two categories, in terms of central assistance. Eight are termed as 'Special Category States' and the other 14 are the 'normal' states. A mere look at the list of 'normal' states will show that some are way ahead of the national average in terms of key economic indicators while others are way behind. Since distinction between states has already been recognised, if we are to go by the national objective of removing regional imbalances, could we not go a step further in the case of external aid and say that states below the national average in terms of key economic indicators will be passed on aid in full on the same terms and conditions as it is received, while those above the national average will get only 70 per cent as at present, the remaining 30 per cent being retained centrally for merging in the overall national resources, to which they will ultimately also have some claim?

Aid as a Magnet

In these circumstances, why is it that the state government is still attracted towards aided projects? First and foremost, it is the lure of some additional financial resources. It has been seen above that the position is not as attractive as one would have imagined. Going a step further, let us analyse the case of Rajasthan in terms of the central assistance received by it on account of aided projects from 1974 to 1981. Table 4 indicates that uptill March 1981, 11 aided projects were initiated in the state. The total investment on these projects is to be of the order of Rs.656.03 crores, of which the state's investment is to be Rs.441.43 crores. During the period from 1974 to 1981 a sum of Rs.153.62 crores had actually been spent on these projects by the state government. Apart from state share, other investments come through financial institutions like the Agriculture Refinance Development Corporation (ARDC), or directly from Government of India as their contribution to on-going centrally sponsored schemes like Drought Prone Area Programme (DPAP) etc. In such cases, the external assistance goes to the financial institution/ Government of India but no part of it is passed on to the state government. In the case of institutional finance the states are not making the investment out of their resources. In the case of centrally sponsored schemes the argument is that the state government is in any case receiving a part of expenditure from the central government.

Against the state investment of Rs.153.62 crores on these projects between 1974 and 1981, the state actually received a sum of only Rs.22.00 crores as central assistance (see Table 4). This is barely 14.32 per cent of the state investment. While it is true that some part of reimbursement on expenditure made may be in the 'pipeline', it would be only marginal. The sum of Rs.22.00 crores can, therefore, hardly be termed as incentive enough for such huge investments (Rs.153.62 crores) in Rajasthan which is a weak resource based state.

For projects like RCP Stage I Phase II (CAD)* and the Medium Irrigation Project, no central assistance was passed on to the state till March 1981 probably because these two projects were started in 1980-81 and reimbursements had yet to be received. However, for some of the projects like DPAP, Dairy Project, rural godowns etc., which are also centrally sponsored schemes, the state government is not being passed on any proportion of aid received by central government, since it is said that the state government is already getting its share of central contribution under the respective centrally sponsored schemes. This argument is difficult to understand since the state's share in the centrally sponsored scheme would have been there even without the aided project. The state government, by initiating such aided projects which may also be part of a centrally sponsored scheme, is helping to increase the totality of external assistance for the central government. In these circumstances, it is difficult to understand why it should not get the benefit of the aid, in Rupee terms.

Looking at the state's Sixth Plan (1980-85) which is of the order of Rs.2025 crores, it is found from Appendix III that the proposed investment on externally aided projects is of the order of Rs.276.94 crores. On the resources side it has already been mentioned that the state government has been given a credit of only Rs.59 crores as central assistance on account of aided projects. This is only about 22 per cent of the state's likely expenditure on these projects. Therefore, if the state chose to do without aided

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* CAD – Command Area Development

projects during the course of the Sixth Plan, at most its plan size would have reduced by only Rs.59 crores i.e., to Rs.1966 crores. On the other hand, it would have been free to invest the difference viz., Rs.218 crores, on sectors/projects which were really its own priorities.

Some of the other advantages of going in for aided projects are said to be seen as exposure of officials to new ideas from abroad, better systems of monitoring, assured plan funds for such projects, expansion in the departments and, therefore, quicker promotions to officials and foreign visits. The last are so few that they cannot be construed as drawing governments towards foreign aid. The first two arguments have some force but the question to be seen is whether the trade off is so great as to demand pre-emption of meagre state financial resources of the order mentioned. Only few would subscribe to such a view. The real advantage which departments see in aided projects is increased and assured funds to them once their project is approved for external aid and concommitantly, an expansion of the department bringing quicker promotion opportunities for its personnel. Appendix IV indicates that 5681 posts have been provided under just one aided project viz., Agriculture Extension and Research Project. This is the pressure group within the state government. One need not grudge improvements in the well being of such personnel but the state's developmental objectives should override such considerations.

Repurcussions on the State's Five Year Plans

It has been noticed that in Rajasthan the externally aided projects began from 1974-75. In recent years, not only has their number increased considerably, but the order of investments on them have risen sharply. Since these projects are in the nature of committed items, the pre-emption of funds by them seriously hampers growth in other sectors of the economy, since the overall state resources are limited. A look at two five year plans prepared recently will bear this out.

The state government prepared its five year plan for 1978-83 and estimated an outlay of the order of Rs.2902.46 crores. Later, when the sixth five year plan was remade for 1980-85 it was of the order of Rs.3187.87 crores. Both these need-based plans were submitted to the Planning Commission. After discussions between the state government and the Planning Commission, these were finalised at Rs.1750 and Rs.2025 crores respectively. Huge cuts became inevitable in view of the fact that financial resources were just not available.

Appendix V indicates the proposed outlay and the final approved outlay in each of the two cases. It will be seen that while the sectors which encompassed externally aided projects were looked at kindly and the cuts did not affect such sectors, the other 'unaided' sectors had their outlays reduced considerably. Analysing the current sixth five year plan (1980-85) more closely, it is found that though the overall state plan size was reduced by about 36 per cent the outlays on aided projects were reduced by just about 20 per cent. In real terms, even this cut did not exist because it only implied a transfer of liability to this extent into the first few years of the Seventh Plan. The aided projects in totality, were protected. However, in other crucial sectors like irrigation, power, industry, minerals, transport and communications, education and medical, the cut in the sectors varied from between 30 to over 50 per cent. In all these sectors, most of the new starts had either to be given up or postponed. What then was the gain to the state from these externally aided projects? In terms of financial resources it meant additional central assistance of about Rs.59 crores over 5 years, but this involved a total investment of nearly Rs.277 crores in order to get that sum. On the other hand it involved large cuts in investment in other critical sectors of the economy which might well result in an imbalanced sectoral growth in the state creating problems for future development.

Due to pre-emption of funds for aided projects, apart from the reduction of new activity in sectors of the economy which do not have 'aided' projects, the percentage of investment to total plan investment has actually started going down in some such sectors. Table 6 gives the position for mineral development, education, medicine and welfare of backward classes.

Table 6

Plan investments in certain sectors in Rajasthan

(Rupees in lakhs)

S.No.	Sector	Second Plan (56-61)	Third Plan (61-66)	Annual Plans (66-69)	Fourth Plan (69-74)	Fifth Plan (74-79)	Sixth* Plan (80-85)	Initial proposed outlays for Sixth Plan (80-85)
1	2	3	4	5	6	7	8	9
1.	Mineral development	11.80 (0.11)	103.30 (0.48)	57.49 (0.42)	352.75 (1.14)	1130.70 (1.31)	1900.00 (0.93)	4665.00
2.	Education and Cultural programmes	1271.86 (12.33)	1811.01 (8.51)	816.34 (5.97)	2222.61 (7.19)	4404.46 (5.13)	9995.00 (4.93)	14273.00
3.	Modern medicine	338.19 (3.28)	991.83 (4.66)	574.04 (4.19)	607.32 (1.96)	1860.82 (2.16)	3748.00 (1.85)	5464.79
4.	Welfare of backward class and social welfare	180.41 (1.74)	190.26 (0.89)	95.80 (0.70)	388.56 (1.26)	467.37 (0.54)	712.00 (0.35)	950.00
5.	Total plan investment	10310.00	21270.38	13675.89	30879.42	85762.31	202500.00	316787.39

* indicates outlays as against expenditure in previous columns

Source:- Planning Department, Government of Rajasthan, Jaipur.

Since aided projects started in Rajasthan from 1974-75, the cut off point becomes the start of the Fifth Plan i.e., 1974-75. Table 6 indicates that in the sector of mineral development* the level of investment as per cent of total investment increased from Second to Fifth Plan but has had to be reduced in the Sixth Plan. The reduction is outlay in the mineral sector, due to cut in Sixth Plan size, was also quite large at 59.27 per cent. In the education sector, though there was some reduction up to 1969, the Fourth Plan saw an increase but again in the Fifth and Sixth Plan the investments have started going down. The cut in sectoral outlay is also large (29.97 per cent). The situation in the sectors of modern medicine and welfare of backward class and social welfare, is no different. The disconcerting factor is that in all these sectors, when the draft plan was prepared the state government proposed to increase investment in these crucial sectors, but when the reduction became necessary the axe fell heavily on these sectors, only because the aided projects became committed items. All this for only Rs.59 crores in five years. Was the state government really laying down its own priorities or were they a consequence of aid determining the priorities?

Regional Inequalities

Amongst the objectives of the national Sixth Plan 1980-85, is one aimed at reducing regional inequalities. It lays down, "a progressive reduction in regional inequalities in the pace of development and in the diffusion of technological benefits" (Planning Commission, 1980, page 34). Presumably, this does cover regions or districts within states. The state's Sixth Plan for the same period, while adopting this and other national objectives further lays down for itself the objective to, "provide adequate funds for speedy

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* Rajasthan is rich in mineral resources.

development of special problem areas like the desert districts and tribal sub-plan area" (Planning Department, 1980, page 21).

We can now turn to see whether, in the context of the districts of Rajasthan, this objective of reducing regional inequalities is being achieved and the role played by external assistance in terms of development of some of the districts in Rajasthan. As already mentioned, nearly 55 per cent of the state coming under 11 districts (Bikaner, Churu, Jaisalmer, Barmer, Jalore, Pali, Jodhpur, Nagaur, Ganganagar, Sikar and Jhunjhunu districts) is covered by the 'Thar' desert. The tribal area of the state is situated in the southern part covering a population of 31.26 lakh tribals (1971 census) which was 12.13 per cent of the state's total population in 1971. They are concentrated in the districts of Banswara, Dungarpur, southern half of Udaipur and part of Chittorgarh and Sirohi districts.

Table 7 indicates the plan investment in 10 districts from the Second to the Fifth Plan period as also the per capita investment in these districts. The first three viz., Ganganagar, Bikaner and Kota are those districts where externally aided projects started in 1974-75 and investment in these districts will increase considerably in the Sixth Plan as new, externally aided projects, which are part of the states' sixth plan, are initiated. The fourth and fifth districts viz., Barmer and Jalore, are desert districts which do not have any externally aided projects either in the Fifth or the Sixth Plan. The last five are those districts where some investment on account of externally aided projects took place in the Fifth Plan and will continue during the Sixth Plan, but such investment is insignificant in terms of overall investment in the district.

Table 7

Plan expenditure by districts and per capita expenditure

(Rupees in lakhs)

Districts	Second Plan (56-61)	Third Plan (61-66)	Annual Plans (66-69)	Fourth Plan (69-74)	Fifth Plan (74-79)
Ganganagar	1173.09 (186.20)	831.23 (80.16)	1590.58 (153.38)	3584.52 (257.14)	8714.03 (625.11)
Bikaner	392.23 (118.86)	338.64 (76.27)	997.31 (224.62)	2482.94 (433.32)	5637.21 (983.81)
Kota	1133.90 (148.05)	992.67 (117.06)	1086.54 (128.13)	2901.83 (253.66)	7570.699 (661.77)
Barmer	144.52 (32.77)	187.15 (28.79)	86.26 (13.27)	325.26 (41.97)	1028.21 (132.67)
Jalore	112.33 (24.47)	157.15 (28.73)	111.99 (20.47)	245.53 (36.76)	874.74 (130.95)
Dungarpur	174.91 (56.79)	175.63 (43.15)	141.65 (34.80)	188.16 (35.50)	700.14 (132.10)
Jhalawar	154.57 (41.44)	215.31 (43.85)	222.90 (45.40)	274.39 (44.11)	795.113 (127.83)
Sirohi	149.30 (63.00)	215.52 (61.23)	129.43 (36.77)	230.61 (54.39)	721.84 (170.25)
Udaipur	637.33 (53.51)	896.24 (62.81)	812.08 (56.91)	2555.15 (141.64)	5769.116 (319.80)
Bhilwara	326.40 (44.90)	352.87 (40.75)	370.09 (42.74)	937.01 (88.82)	2260.07 (214.22)

Source:- (1) Directorate of Economics and Statistics, "Regional Statistics of Rajasthan 1961-69", Government of Rajasthan, Jaipur, July 1980 (page 72) (For period 1956 to 1969).

(2) Directorate of Economics and Statistics, "Fourth Five Year Plan (Districtwise expenditure), 1969-74", Government of Rajasthan, Jaipur (For 1969 to 1974).

(3) Directorate of Economics and Statistics, Government of Rajasthan, Jaipur (For information relating to Fifth Plan, 1974-79).

Note:- Figures in brackets denote the per capita expenditure. For the period 1956-61 they are based on 1951 census population, for 1961-69 on 1961 census population and for period 1969-79 on 1971 census population.

This table reveals that while the plan expenditure, and therefore, per capita expenditure in each of these districts is progressively increasing, the jump from the Fourth to the Fifth Plan period is marked in the case of the first three districts viz., Ganganagar, Bikaner and Kota where aided projects were started in 1974-75. In the case of Barmer and Jalore, the only two districts of the state where no aided project has been initiated or even proposed in the Sixth Plan, the gap in terms of per capita expenditure has considerably increased between these two desert districts and the earlier mentioned three districts. It is true that the adequacy or otherwise of planned investment should not be judged only by normalising it against population (per capita basis), but if to this are added factors like the drought proneness of these two districts, their huge area and fairly high density of population, the problem of long term development in these two districts is certainly compounded and no less important.

In the case of the other five districts also viz., Dungarpur, Jhalawar, Sirohi, Udaipur and Bhilwara the gap in per capita expenditure between these districts and the first three districts from the Fourth to the Fifth Plan has considerably increased. Three of these districts Dungarpur, Udaipur and Sirohi are tribal districts, the former two being drought prone areas also; and Jhalawar and Bhilwara are districts with high density of population and their own peculiar problems.

If this gap in terms of per capita expenditure between some districts and those fortunate enough to have aided projects goes on increasing, the objective of reducing regional inequalities will never be achieved. The less fortunate districts, some of which have large population, some are in the heart of the desert and some have large tribal population, will continue to remain underdeveloped at the cost of districts where aided projects abound. Are we then not creating a 'North-South', 'South-South' environment within the state itself?

Sectorwise Development

(a) Roads:

The roads sector is an important component of the Command Area Development (CAD) projects. There are three such externally aided projects going on in Rajasthan viz., Rajasthan Canal Project, Stage I, Phase I; Chambal and Rajasthan Canal Project, Stage I, Phase II. The first two are the oldest of such aided projects, began in 1974-75 and are nearing completion. The last began in 1979-80. These projects cover the districts of Ganganagar and Bikaner in the north and Kota and Bundi in the east. The expenditure on the roads sector in these projects is fully borne out of state plan funds. The outlay on roads sector as percentage of total state share of project cost is 13.24 and 18.87 in the case of the Rajasthan Canal Project Stage I, Phase I and Chambal Project respectively. In the case of the more recent Rajasthan Canal Project, Stage I, Phase II this percentage is as high as 60.02. Appendix VI gives the districtwise expenditure under the road sector during the Fourth and Fifth Plan. It also indicates the additional road length created in each district during 1969-74 and 1974-79.

Appendix VI reveals that in the Fifth Plan period, as compared to he Fourth Plan period, the expenditure on roads in three of the four dis- icts covered by aided projects viz., Bikaner, Bundi and Kota has gone up isiderably in absolute terms as also in terms of percentage of total expendi- e. In the case of Ganganagar too, it has gone up considerably in absolute

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terms, from Rs.2.63 crores to 7.74 crores, though in percentage terms it has gone down. On the other hand, out of the remaining 22 districts, in nine districts (Alwar, Bharatpur, Bhilwara, Chittor, Jaipur, Jhalawar, Jhunjhunu, Sawai Mandhopur and Tonk) the level of expenditure as a percentage of total expenditure has gone down in the Fifth Plan period as compared to the Fourth Plan. Would this not slow down the pace of infrastructural development in the roads sector in these nine districts and thus increase regional disparities?

Looking at this very sector on the physical side it seems that the answer to the above question is in the affirmative. In 3 of the four districts (Bundi, Kota and Ganganagar) where externally aided projects began in 1974-75, it is found that the additional road length created in the Fifth Plan has increased as compared to that created in the Fourth Plan. However, out of the remaining 22 districts, in as many as 14 districts (Ajmer, Alwar, Banswara, Bharatpur, Bhilwara, Chittor, Jhalawar, Jhunjhunu, Nagaur, Pali, Sikar, Sirohi, Tonk and Udaipur) the additional road length created during the Fifth Plan has gone down as compared to that in the Fourth Plan.

Can we then conclude that in the four districts where externally aided projects started in 1974-75 increased plan investment and faster development took place, while generally in a large majority of other districts both in physical and financial terms the pace of development slackened in the Fifth Plan (when these aided projects came about) as compared to the Fourth Plan?

(b) Drinking Water Supply and Sewerage Sector

The sector of drinking water received a big fillip with the launching of an externally aided project in 1980-81. The total project cost was

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Rs.137.58 crores over five years, roughly the Sixth Plan period. It covers only four towns of Bikaner, Jaipur, Kota and Jodhpur for urban water supply and sewerage schemes, and only ten of the twenty six districts (Ajmer, Bikaner, Churu, Ganganagar, Jhunjhunu, Jodhpur, Kota, Nagaur, Pali and Sikar) for rural water supply schemes. The immediate impact of this scheme on developmental efforts in the water supply sector in the other urban towns and districts is not known since hardly two years have elapsed since it began, but the expenditures made in the last two years and outlays proposed for the next 3 years, as also the physical achievements/targets, will give us some idea of the likely impact of this aided project on developmental efforts in the other urban and rural areas, not covered by the project.

It is found that in the Fourth and Fifth Plan periods the plan expenditure on urban and rural water supply schemes was Rs.30.95 crores and Rs.56.07 crores respectively. For the Sixth Plan the outlay has been increased to Rs.198.29 crores. The large increase, welcome for such a critical social services sector, provides for Rs.90.23 crores on one project viz., the aid project. Since resources were indeed limited when the plan for 1980-85 was finalised, and since the project had been finalised it could not possibly have been done without or delayed in its start, the only alternative was to allow for part outlay in the Sixth Plan and to let the remaining expenditure spill-over into the first one or two years of the Seventh Plan. It is more or less certain that this decision of re-phasing will result in higher costs due to price escalation in the sixth/seventh year, but for the time being this factor has not been considered by the state government.

Taking the urban sector first, it is found that the population of the 4 towns covered by aided project was 20.57 lakhs (28.81 per cent) against e states' urban population of 71.40 lakhs as per the 1981 census. During the five years 1980-85 the investment in these 4 towns on the project water supply and severage schemes will be of the order of Rs.59.23 crores. Since the total outlay for the urban sector is Rs.90.00 crores in 1980-85 that leaves only Rs.39.77 crores for the rest of the urban population of the state which is 50.83 lakhs (71.19 per cent). It is clear that while the residents of these four towns can hope for better facilities in the years to come, a large mass of urban population in the rest of the state will have to wait for many more years to receive similar facilities. If each of these four towns was way behind in terms of facilities as compared to other urban centres, one could have fallen in line with accelerated development here, but that is not the case.

Looking at the rural sector, the population of the 10 districts covered by the aided project is 103.68 lakhs as compared to the total rural population of the state of 269.68 lakhs. Out of the total outlay of Rs.108.29 crores on rural water supply during 1980-85, Rs.18 crores was for activities continuing as on 31st March 1980. Of the remaining sum of Rs.90.29 crores for new investments as much as Rs.40 crores would go for the aided projects in these 10 districts covering about 2500 villages and only Rs.50.29 crores would be left for a much greater rural population (166 lakhs) of the remaining 16 districts. As on 31.3.80, out of a total of 33305 inhabited villages in the state, as many as 24037 had been identified as problem villages as per norms of the Government of India. Of these problem villages, only 4646 villages had been covered by potable drinking water supply schemes by 31.3.80 (Planning Department, 1980). If only 10 districts will require investments of the order mentioned above, and it would cover only 2500 additional villages, one really wonders how long it will take the state to achieve its objective of total coverage of all problem villages, particularly in the 16 districts not covered by the aided project, some of which are in the heart of the desert e.g., Jaisalmer, Barmer, and Jalore, and others in the tribal belt e.g., Banswara, Dungarpur and Udaipur.

Project Specifications

It has been argued in some quarters that external agencies lay down certain specifications, which may be desirable, but for countries and states with meagre resources they result in much higher costs. During a visit to the Rajasthan Canal (CAD) project area in April 1982 this difference in specifications in the roads sector became obvious. Table 8 below indicates the specifications for roads under the project and roads in the same districts not covered by the project.

Table 8

Specification of project and non project roads

S.No.	Item	Project roads	Non project roads
1.	Carriage way	3.8 metres	3.8 metres
2.	Crust thickness	30 cms. to 35 cms.	22 cms. to 30 cms.
3.	Berms	Hard shoulders of Kanker 13 cms. thick in 1.5 metre width.	earthern berms only

The higher specifications for items 2 and 3 in the case of project roads would clearly result in greater material requirement and, therefore, higher costs. No doubt better specifications are desirable, provided the funds are easy to find. However, when the people of the entire state have been managing, and will continue to manage, with modest specifications can the state afford the luxury of higher costs on this account?

Appendix VI, in regard to the roads sector indicates the expenditure and additional road length created, by districts, during the Fourth and Fifth Plans. Table 9 gives the abstract of expenditure and additional road length for the 4 districts where aided projects were going on, and for the other districts.

Table 9

Expenditure-additional road length and cost per kilometre during the Fifth Plan (1974-79)

S.No.	Districts	Total Expenditure	Additional surfaced road length	Cost per km. of additional road length
1.	Ganganagar, Bikaner, Kota, Bundi (aided districts)	Rs.2127.20 lakhs	926 kms.	Rs.2.30 lakhs
2.	Other 18 districts*	Rs.3692.47 lakhs	4517 kms.	Rs.0.82 lakhs

* Note:- Four districts where there is negative increase in road length have been excluded.

It is seen from this table that in the 4 districts where the aided projects are going on the cost of additional surfaced road length created during the Fifth Plan is nearly 3 times the cost in other districts. This clearly indicates the more stringent specifications required by the external agencies, which results in higher costs to the state**

Another interesting project is the medium irrigation project initiated in 1980-81. Total aid of US $ 35 million is expected during five years. Though the specific projects were not indicated initially, a broad list was given, out of which the state government could take up any project subject to its approval on economic viability etc. The project so approved has to be completed during these five years. There were 19 projects listed initially whose cost was Rs.93.09 crores. However, when the cost estimates for these projects were revised on the basis of the criteria laid down by the aid giving agency, the cost of these projects went up to Rs.187.91 crores. Apart from some increase being due to price escalation, a major portion of the increase in cost is due to the following criteria prescribed by the aid giving agency.

1. Normally, the irrigation department takes the distribution system on medium projects up to 40 hectares, but under the agreement it has now to take it up to 8 hectares.

2. Normally, for medium projects there is no lining of the distribution system, by the department. However, as per this project agreement they will have to line the system fully up to 40 hectares, and have 50 per cent lining of the system between 40 and 8 hectares.

While it may be true that these conditions may improve the efficiency of the system, the point is, at what cost? There will be many other on-going projects in the state where these conditions will not be applicable. Is it really in the interest of the state and its people to have different criteria for similar projects in the state?

Coming to the question of staff, it has been sometimes observed that distortions occur not only in quantity but in quality too. The aid agencies quite often insist on senior appointments being made in accordance with

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By April 1982, the average cost per kilometre of project road was Rs.3.50 lakhs while for similar classification of roads constructed by other agencies in the area (e.g., Krishi Upaj Mandis) it was only Rs.1.00 lakh per kilometre.

qualifications acceptable to them. This, in turn, may create situations where the better qualified and efficient officers get siphoned off to a few aided projects, and the second level departmental officers take charge in other districts.

There are also occasions when the aid giving agency lays down conditions for purchase of equipment and materials such that foreign expenditure incurred gets 100 per cent reimbursement while local expenditure entitles the recipient government to lesser aid. This implies an inducement to go in for importing or foreign contractors. In the recent water supply project in Rajasthan, foreign expenditure on equipments and materials which are directly imported will get 100 per cent reimbursement, while that which is locally procured will get only 35 per cent of reimbursement. Likewise, in civil works, 100 per cent of foreign expenditure would be reimbursed while only 35 per cent of local expenditure would be eligible for reimbursement. In this background one cannot ignore the comment that in some bilateral aid, three fourths of the aid is used to purchase products and consultative services from the aid giving country. Further, that in multilateral aid for each unit of contribution made by developed countries to multilateral aid giving agencies about twice that amount is spent in such developed economies itself (Lappe, Collins and Kinley 1980).

Summing Up

What then is the trade off, if at all there is any, in going in for external assistance? Firstly, it fetches the country foreign exchange which eases a difficult balance of payments position. Since the objective of this study was to look at the impact of external assistance in one state (Rajasthan) the merits/demerits of this proposition need not be discussed here.

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Secondly, by providing some additional financial resources, it enables the government to consider reinvesting equivalent domestic resources in other areas or sectors which would otherwise not have been possible. Thirdly, on the periphery, it is said to bring about a greater project discipline and some interaction with better technology in the more developed aid giving countries.

Taking the second of the latter two issues first, it has been seen that the rigours imposed by aid giving agencies result in much higher costs, distortions in placement of personnel and steep expension in departmental organisations. All these would be difficult, if not impossible, to sustain after such projects are over. As regards the additional financial resources, the study indicates that in the case of Rajasthan, from 1974 to 1981, the state government spent a sum of Rs.153.62 crores on such projects whereas it had received only Rs.22 crores (14.32 per cent) as additional central assistance during this period. Looking ahead into the Sixth Plan 1980-85, it is found that while Rs.276.94 crores is proposed to be spent by the state government on such projects during this period, on the resources side they have notionally been allowed only a sum of Rs.59 crores (21.30 per cent) as additional central assistance.

The pre-emption of funds for aided projects has also resulted in drastic cuts in outlays of other sectors thus slowing down activities therein. It has also increased regional disparities by increasing the gap between districts where such projects exist and those which have not been amongst the fortunate few.

We have also the unambiguous national and state objective of self-reliance. Since aid is said to provide additional resources and is thus a 'means' to development, we must ensure that this 'means' does not compromise our end goals of development. With the regional imbalances increasing the end goals today would seem to be farther away from realisation than before. Further, all negotiations are to be with 'head held high'. If this holds from national government to aid giving agency, it holds equally between state government and the central government.

In sum, therefore, the case of external aid to Rajasthan does not indicate any tangible financial gain to the state. On the other hand by increasing costs, reducing the pace of development in non aided sectors and by increasing, instead of reducing, regional imbalances it is only creating more problems for the future.

Appendix-I

Repayments on central assistance by state government to Government of India

Year	Loan received during year	Total loan received up to year end	Repayment of principal during the year	Interest paid (5½) during the year	Amount outstanding at year end
1	150	150	-	-	150
2	150	300	10	8.25	290
3	150	450	20	15.95	420
4	150	600	30	23.10	540
5	150	750	40	29.70	650
6	-	-	50	35.75	600
7	-	-	50	33.00	550
8	-	-	50	30.25	500
9	-	-	50	27.50	450
10	-	-	50	24.75	400
11	-	-	50	22.00	350
12	-	-	50	19.25	300
13	-	-	50	16.50	250
14	-	-	50	13.75	200
15	-	-	50	11.00	150
16	-	-	50	8.25	100
17	-	-	40	5.50	60
18	-	-	30	3.30	30
19	-	-	20	1.65	10
20	-	-	10	0.55	-
		TOTAL	750	330	

Appendix-II

Repayments on aid by Government of India

Year	Aid received	Total aid received up to year end	Repayment of principal during the year	Service charge paid during the year	Amount outstanding at year end
1	2	3	4	5	6
1	310	310	-	-	310
2	310	620	-	2.32	620
3	310	930	-	4.65	930
4	310	1240	-	6.98	1240
5	310	1550	-	9.30	1550
6	-	-	-	11.63	1550
7	-	-	-	11.63	1550
8	-	-	-	11.63	1550
9	-	-	-	11.63	1550
10	-	-	-	11.63	1550
11	-	-	3.10	11.63	1546.90
12	-	-	6.20	11.60	1540.70
13	-	-	9.30	11.56	1531.40
14	-	-	12.40	11.49	1519.00
15	-	-	15.50	11.39	1503.50
16	-	-	15.50	11.28	1488.00
17	-	-	15.50	11.16	1472.50
18	-	-	15.50	11.04	1457.00
19	-	-	15.50	10.93	1441.50
20	-	-	15.50	10.81	1426.00
21	-	-	21.70	10.70	1404.30
22	-	-	27.90	10.53	1376.40
23	-	-	34.10	10.32	1342.30
24	-	-	40.30	10.07	1302.00
25	-	-	46.50	9.77	1255.50
26	-	-	46.50	9.42	1209.00
27	-	-	46.50	9.07	1162.50

1	2	3	4	5	6
28	-	-	46.50	8.72	1116.00
29	-	-	46.50	8.37	1069.50
30	-	-	46.50	8.02	1023.00
31	-	-	46.50	7.67	976.50
32	-	-	46.50	7.32	930.00
33	-	-	46.50	6.98	883.50
34	-	-	46.50	6.63	837.00
35	-	-	46.50	6.28	790.50
36	-	-	46.50	5.93	744.00
37	-	-	46.50	5.58	697.50
38	-	-	46.50	5.23	651.00
39	-	-	46.50	4.88	604.50
40	-	-	46.50	4.53	558.00
41	-	-	46.50	4.16	511.50
42	-	-	46.50	3.84	465.00
43	-	-	46.50	3.49	418.50
44	-	-	46.50	3.14	372.00
45	-	-	46.50	2.79	325.50
46	-	-	46.50	2.44	279.00
47	-	-	46.50	2.09	232.50
48	-	-	46.50	1.74	186.00
49	-	-	46.50	1.40	139.50
50	-	-	46.50	1.05	93.00
51	-	-	37.20	0.70	55.80
52	-	-	27.90	0.42	27.90
53	-	-	18.60	0.21	9.30
54	-	-	9.30	0.07	-

Appendix-III

Sixth Plan Outlays (1980-85) on Externally Aided Projects in Rajasthan

(Rs. in crores)

S.No.	Project	Outlay 1980-85	
1.	Agriculture Extension Project	19.90	
2.	Command Area Development		
	(a) Secretariat	0.57	
	(b) Rajasthan Land Development Corporation		
	(i) Share Capital	3.20	
	(ii) Special Loan Contribution	3.00	
	(iii) On-farm Development on Government Land	4.00	
3.	Rajasthan Canal Project		
	(a) Stage I Phase I CAD	7.00	
	(b) Stage I Phase I Extended	3.00	
	(c) Stage I Phase II	43.62	
	(d) Development of Left Bank	1.00	(Proposed)
	(e) Stage II Phase I	5.00	(-do-)
	(f) Stage I Phase I (Canal lining through0 irrigation department	5.25	
	(g) Stage I Phase I (Diggis and forestry)	2.25	
4.	Chambal Project		
	(a) Phase I on-going	2.27	
	(b) IDA Assisted Works (Irrigation)	5.91	
	(c) Phase II (New)	8.00	(Proposed)
	(d) Phase I (Forestry)	0.15	
5.	Roads in RCP Stage I Phase I and Chambal (on-going projects)	3.75	
6.	Dairy Project	3.94	
7.	Rural Godowns	4.15	
8.	Medium Irrigation Project	60.75	
9.	Water Supply and Sewerage Project	90.23	
	TOTAL =	276.94	

ource:- Planning Department, Government of Rajasthan, Jaipur.

Appendix IV

Total posts provided under Agriculture Extension and Research Project

Posts	Total posts provided
A. Extension:	
1. Additional Director Extension	1
2. Joint Director Extension	2
3. Dy. Director Extension	17
4. Subject Matter Specialists	209
5. Asst. Agriculture Officers	500*
6. Village Extension Workers (VEW)	4000**
7. Supporting staff	490
B. Training:	
1. Principal	2
2. Lecturers	12
3. Instructors	4
4. Supporting staff	36
C. Adaptive Research:	
1. Senior Agronomist	1
2. Agronomists	5
3. Asst. Pathologist/Asst. Entomologist/ Statisticians	11
4. Research Assistants	56
5. Agriculture Supervisors	56
6. Supporting staff	45
D. Monitoring & Evaluation:	
(i) Agriculture Department:	
1. Agriculture Economists/Rural Sociologist	2
2. Asst. Agri. Economists/Statisticians	10
3. Asst. Agri. Officers/Asst. Statistical Officers	12
4. Investigators	51
5. Supporting staff	7
(ii) Evaluation Department:	
1. Dy. Director Statistics	1
2. Evaluation Officer/Junior Research Officer	2
3. Research Assistants	5
4. Investigators	31
5. Supporting staff	13

* 19 posts reduced under Economy

** Includes 1524 posts transferred from Panchayat Samitis to this

Appendix V

Sectorwise details of outlay in the Five Year Plan 1978-83 and 1980-85 - Draft & Approved

(Rupees in crores)

Sector	1978-83 Draft Plan	1978-83 Out of approved outlay of 1750 crores	1980-85 Draft Plan	1980-85 Out of approved outlay of 2025 crores
1	2	3	4	5
I Agriculture & Allied Activities				
1. Land Reforms	0.60	0.62	2.61	1.33
2. Crop Husbandry	26.10	30.55	36.31	31.45
3. Minor Irrigation	34.96	31.00	39.50	34.50
4. Agriculture Credit	8.63	6.50	8.67	8.00
5. Soil Conservation	2.06	5.00	8.80	5.65
6. CAD	120.37	69.27	154.57	94.26
7. Animal Husbandry	11.11	8.65	10.58	9.95
8. Dairy	10.00	12.00	13.00	10.64
9. Fisheries	2.50	2.00	2.50	2.25
10. Forestry	14.70	13.00	20.00	15.00
11. DPAP/DDP	26.50	38.00	61.76	50.60
12. IRD	4.00	15.00	24.00	50.00*
13. SGV/Growth Centres	5.00	4.00	5.00	2.50
14. Antyodaya	30.00	25.00	15.00	7.50
15. CD & Panchayats	0.40	0.40	2.43	0.33
TOTAL-I	296.95	260.99	404.72	323.96
II Cooperation	28.00	20.00	28.00	24.38
III Water & Power Dev.				
1. Irrigation	456.07	381.00	550.00	393.47
2. Flood Control	10.00	10.00	40.00	15.00
3. Colonisation	2.00	2.00	2.75	2.75
4. Power	922.58	550.00	1000.00	650.00
TOTAL-III	1390.65	943.00	1592.75	1061.22
IV Industry & Minerals				
1. Industry	67.66	52.50	73.22	64.59
2. Minerals	41.15	25.00	46.65	19.00
TOTAL-IV	108.81	77.50	119.87	83.59

* Including NREP

(Appendix-V contd.)

1	2	3	4	5
V Transport & Communication				
1. Roads	179.30	95.00	246.00	100.00
2. Road Transport	45.86	40.00	40.00	30.00
3. Tourism	4.00	7.00	8.00	6.50
TOTAL-V	229.16	142.00	294.00	136.50
VI Social & Community **Services**				
1. General Education	191.77	76.31	135.69	95.45
2. Arts & Culture	5.17	3.50	7.03	4.50
3. Technical Education	1.53	1.30	2.71	2.30
4. Medical & Public Health	50.42	38.00	59.75	40.98
5. Sewerage & Water Supply	504.95	140.00	441.14	198.29
6. Housing	53.06	19.00	38.72	24.85
7. Urban Development	7.10	5.00	7.13	5.50
8. Information and Publicity	2.03	1.20	2.13	1.00
9. Labour & Labour Welfare	3.06	5.00	5.55	2.87
10. Welfare of Backward Classes	6.50	3.60	7.50	5.50
11. Social Welfare	0.75	1.50	2.00	1.62
12. Nutrition	12.00	3.00	6.87	3.27
TOTAL-VI	838.34	297.41	715.22	386.13
VII Economic Services	2.35	1.85	2.08	1.22
VIII General Services	8.20	7.25	11.23	8.00
GRAND TOTAL	2902.47	1750.00	3167.87	2025.00

Source:- Planning Department, Government of Rajasthan, Jaipur

Expenditure and physical achievements by districts, in the road sector

(Expenditure - Rupees in lakhs)

S.No.	District	Expenditure in Fourth Plan 1969-74	Expenditure in Fifth Plan 1974-79	Additional road length created in 1969-74 (kms.)	Additional surfaced road length created in 1974-79 (kms.)
1	2	3	4	5	6
1.	Ajmer	12.98 (1.30)	238.00 (3.59)	133	-47
2.	Alwar	61.49 (6.17)	114.25 (1.72)	163	80
3.	Banswara	26.56 (2.67)	361.78 (5.45)	223	72
4.	Barmer	7.32 (0.73)	336.69 (5.07)	356	1083
5.	Bharatpur	58.82 (5.90)	279.74 (4.22)	60	-11
6.	Bikaner	6.89 (0.69)	334.36 (5.04)	361	274
7.	Bhilwara	57.55 (5.77)	180.12 (2.71)	208	112
8.	Bundi	25.56 (2.56)	373.57 (5.63)	40	98
9.	Chittor	57.78 (5.80)	192.18 (2.90)	149	135
10.	Churu	2.69 (0.27)	147.49 (2.22)	62	189
11.	Dungarpur	13.45 (1.35)	134.03 (2.02)	90	175
12.	Ganganagar	263.03 (26.39)	773.71 (11.66)	310	385
13.	Jaipur	59.18 (5.94)	325.13 (4.90)	219	350
14.	Jaisalmer	1.17 (0.12)	44.68 (0.67)	424	498
15.	Jalore	9.58 (0.96)	140.12 (2.11)	218	231
16.	Jhalawar	32.52 (3.26)	86.47 (1.30)	56	-31
17.	Jhunjhunu	23.93 (2.40)	119.43 (1.80)	73	71
18.	Jodhpur	20.78 (2.09)	394.93 (5.95)	770	777
19.	Kota	40.15 (4.03)	645.56 (9.73)	98	169
20.	Nagaur	16.77 (1.68)	130.13 (1.96)	328	151
21.	Pali	18.40 (1.85)	289.97 (4.37)	258	151
22.	Sawai Madhopur	51.45 (5.16)	180.93 (2.73)	21	154
23.	Sikar	14.43 (1.45)	147.86 (2.23)	151	88
24.	Sirohi	14.54 (1.46)	99.85 (1.50)	180	43
25.	Tonk	22.31 (2.24)	113.28 (1.71)	29	-56
26.	Udaipur	45.99 (4.61)	352.90 (5.32)	464	157
27.	Other	31.27	99.48		
	TOTAL	996.59	6636.64		

Source:- Public Works Department, Government of Rajasthan, Jaipur.

Note:- Figures in brackets denote the percentage of district expenditure to total plan expenditure.

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