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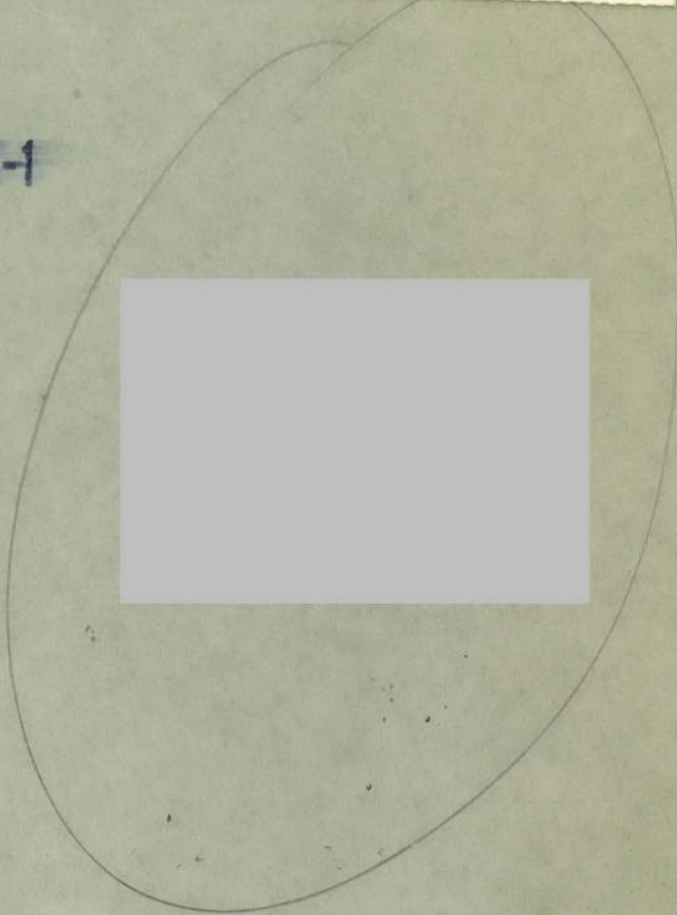


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INDIA - Consortium Meeting No.12 - 1966 - III

HB-1





CONSORTIUM MEETINGS      NO. 12

FILE NO. 3

FROM: Jan. 10, 1966

TO: Apr. 30, 1966

Box 384-16

Location 76-1-1

| S No. | SUBJECT                                                                                                                             | DATE          |
|-------|-------------------------------------------------------------------------------------------------------------------------------------|---------------|
| * 1   | Memo from S. Stanley Katz: "India-Consortium Consortium" (Thoughts on the role of Consortium)                                       | Jan. 10, 1966 |
| * 2   | Note on Indian Food Situation (British Assistance)                                                                                  | Jan. 24       |
| 3     | Memo from A. Stevenson "British Assistance"                                                                                         | Jan. 25       |
| 4     | Memo from Stanley Katz "Implications of Perspective Changes in the U.S. Agricultural Program for the Indian Consortium"             | Jan. 26       |
| 5     | Memo from C.J. Martin - "Current Status" and Future of U.S. Agricultural Commodity and under PL480 Program: Pakistan                | Jan. 26       |
| 6     | Memo from A. Stevenson: "Implications of Perspective Changes in the U.S. Agricultural Program for the Indian & Pakistan Consortium" | Feb. 1        |
| 7     | Memo from A. Stevenson "Use of 90% of India's IDA subscription"                                                                     | Feb. 2        |
| 8     | Memo from Othmar Hanshofer "Austria's Aid to India"                                                                                 | Feb. 3        |
| 9     | Memo from G. Mackenzie (Correct way to address the new Prime Minister - Mrs. Indira Gandhi)                                         | Feb. 4        |
| 10    | Memo from Robert Cavanaugh "Estimate of loan service payment from India during their fiscal year 1966-67"                           |               |
| *11   | Memo on "India-Debt Service 1966/67"                                                                                                | Feb. 8, 1966  |
| *12   | Memo from A. Stevenson: "India-Debt Rescheduling"                                                                                   | Feb. 9        |
| 13    | Memo from Francis R. Poore "Estimate of Semi-monthly Loan Service Payments from India during their fiscal year 1966/67"             | Feb. 9        |
| 14    | Memo from G.D. Woods: Austria's Aid to India                                                                                        | Feb. 10       |
| 15    | Note from A. Stevenson to G. Woods (Famine Relief for India)                                                                        | Feb. 10       |
| *16   | Letter from G.D. Woods to the Indian Minister [of agriculture] (Fertilizer needs of India)                                          | Feb. 14       |

CONSORTIUM MEETINGS      NO. 12

FILE NO. 3

FROM: Jan. 10, 1966

TO: Apr. 30, 1966

Box 384-16

Location 76-1-1

| S No. | SUBJECT                                                                                                      | DATE         |
|-------|--------------------------------------------------------------------------------------------------------------|--------------|
| *17   | Memo from IBRD to the Government of India<br>"India's Fertilizer Needs"                                      | Feb. 14      |
| *18   | Aid India Club - Commitments for second and<br>third quarters of 1965                                        |              |
| *19   | Cutting from Norges Handels og Sjfartstidende<br>"Must India Devaluate?"                                     | Feb. 15      |
| *20   | Memo from Stanley Katz "Paris Club and<br>Related Creditor Group Arrangement"                                | Feb. 16      |
| *21   | Memo from A. Stevenson "India - Lending<br>Program (through June 1966)"                                      | Feb. 16      |
| *22   | "Indian Request for Deferment of 1966/67 Debt<br>Service Payments" Background note                           | Feb. 16      |
| 23    | Tables: India's Debt Repayment Obligations<br>1966/67                                                        | Feb. 17      |
| 24    | Letter from A. Stevenson to John White<br>(Research Officer, Overseas Development<br>Institute Std., London) | Feb. 18      |
| *25   | Memo from A. Stevenson "India Debt"                                                                          | Feb. 21      |
| *26   | Memo from G.B. Votaw "Payments on Debt:<br>Japanese Request for Information"                                 | Feb. 21      |
| 27    | Note from A. Stevenson (Statements to Press)                                                                 | Feb. 21      |
| *28   | Memo from A. Stevenson "Debt Rescheduling"                                                                   | Feb. 23      |
| 29    | Memo from S. Katz "External Debt Reports"                                                                    | Feb. 23      |
| 30    | Memo from A. Stevenson "Indian Debt"                                                                         | Feb. 24      |
| *31   | Memo from B.R. Bell "IMF Meeting on Indian<br>Request for \$200 m. Drawing, Feb. 21, 1966 "                  | Feb. 25      |
| *32   | Memo from J.B. Knapp "Forthcoming Lending<br>Program for India - IDA and Bank"                               | Feb. 28      |
| *33   | Note (Concept and question of Equity)                                                                        |              |
| *34   | Memo from B.B. King "India-Debt Rescheduling"                                                                | Feb. 25      |
| *35   | Memo from Stanley Katz: "Informal Meeting on<br>External Debt"                                               | Mar. 1       |
| *36   | Memo from Stanley Katz: "Debt Relief and<br>Creditor Equity"                                                 | Mar. 1       |
| *37   | Memo from A. Stevenson: "Debt Relief and<br>Creditor Equity"                                                 | Mar. 2, 1966 |
| 38    | Letter from Rene Larra to G.D. Woods<br>(Granting a non-project loan to India)                               | Mar. 2       |



CONSORTIUM MEETINGS      NO. 12

FILE NO. 3

FROM: Jan. 10, 1966

TO: Apr. 30, 1966

Box 384-16

Location 76-1-1

| S No. | SUBJECT                                                                                                                                         | DATE          |
|-------|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| 39    | Memo from J.B. Knapp "Forthcoming Lending Program for India - IDA and Bank"                                                                     | Mar. 3        |
| 40    | Letter from S. Katz to G.B. Votaw                                                                                                               | Mar. 4        |
| *41   | Memo from G.B. Votaw "Lending Program for 1966/67"                                                                                              | Mar. 9        |
| 42    | Memo from G.B. Votaw "Minutes of Meetings of Major Creditors for the full consortium"                                                           | Mar. 10       |
| *43   | Memo from G.B. Votaw "India - Debt Rescheduling"                                                                                                | Mar. 10       |
| 44    | Memo from G.B. Votaw "Debt Rescheduling: Paris Club and other Precedents"                                                                       | Mar. 10       |
| *45   | Press clipping: Financial Express: "Aid to India - The World Bank Takes Another Look"                                                           | Mar. 10       |
| *46   | Memo from A. Stevenson: "India - Debt Relief and Creditor Equity"                                                                               | Mar. 2        |
| 47    | Memo from A. Stevenson: "India - Consortium"                                                                                                    | Mar. 11       |
| 48    | Memo from A. Stevenson: "India - Sending Program for 1966/67"                                                                                   | Mar. 14       |
| 49    | Indian Aid Requirements                                                                                                                         | Mar. 23, 1966 |
| *50   | Memo from Hans Pollan "Consortium and Bell Mission"                                                                                             | Mar. 23       |
| 51    | Memo from A. Stevenson "Consortium Timetable"                                                                                                   | Mar. 23       |
| 52    | Memo from A. Stevenson "Meeting on India's Aid Requirements"                                                                                    | Mar. 23       |
| *53   | Letter from Romano Pantanali to S. Katz                                                                                                         | Mar. 26       |
| 54    | Memo from G.M. Wilson "India"                                                                                                                   | Mar. 30       |
| 55    | Memo from A. Stevenson "India - Consortium"                                                                                                     | Mar. 31       |
| 56    | Memo from Gregory B. Votaw - "India - Consortium Distribution List"                                                                             | Mar. 31       |
| 57    | Memo from A. Stevenson - "India - Distribution of Consortium Documents"                                                                         | Mar. 31       |
| *58   | "India's Request for Deferment of 1966/67 Debt Service Payments"                                                                                | Apr. 5        |
| *59   | Summary of Third Plan Aid to India - Pledges, Agreements signed, orders placed and amounts disbursed by consortium members as of March 31, 1966 |               |

CONSORTIUM MEETINGS      NO. 12

FILE NO. 3

FROM: Jan. 10, 1966

TO: Apr. 30, 1966

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Location 76-1-1

| S No. | SUBJECT                                                                                                                                                    | DATE         |
|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 60    | Quarterly Report on Austrian Aid to India - Position at March 31, 1966                                                                                     |              |
| *61   | Press release by the White House covering the message of the President of the United States to the Congress dated Mar. 30, 1966 recommending aid to India. | Apr. 1, 1966 |
| *62   | Memo from G.M. Wilson "Aid Coordination"                                                                                                                   | Apr. 1       |
| 63    | Letter from G.M. Wilson to Andre Maillard (Embassy of Switzerland)                                                                                         | Apr. 1       |
| *64   | Memo from Hans Pollan "Swiss Assistance"                                                                                                                   | Apr. 1       |
| 65    | Memo from G.B. Votaw "Canadian Aid"                                                                                                                        | Apr. 1       |
| *66   | Cross Reference Sheet on "Senior Staff Meeting"                                                                                                            | Apr. 4       |
| *67   | Memo from G. Votaw "Bank/IDA Lending Program: Consultation with Consortium Members"                                                                        | Apr. 5       |
| 68    | Memo from A. Stevenson "India-Debt payments due to Kuwait"                                                                                                 | Apr. 6       |
| *69   | Emergency Food Relief for India - Congressional record of the Senate                                                                                       | Apr. 6       |
| 70    | Statement of the President of the U.S. on Aid to India                                                                                                     | Apr. 8       |
| *71   | Cross Reference Sheet of the Senior                                                                                                                        |              |
| 72    | Memo from G. Votaw "Circulation on President Johnson's Food Message and the Joint Resolution of the Congress"                                              | Apr. 8       |
| *73   | Memo from B.R. Bell "Visit of Ashok Mehta"                                                                                                                 | Apr. 11      |
| *74   | Memo from G.M. Wilson "IDA Commitments to India"                                                                                                           | Apr. 12      |
| *75   | Memo from G. Votaw "Possible IDA Future Lending to Support the Proposed Liberalization of Imports"                                                         | Apr. 15      |
| 76    | Cross Reference Sheet "Senior Staff Meeting"                                                                                                               | Apr. 18      |
| *77   | "Canadian Aid to India"                                                                                                                                    | Apr. 18      |
| 78    | Cross Reference Sheet "General Negotiations"                                                                                                               | Apr. 19      |
| *79   | Memo from Robert E. Redford "Aid to India"                                                                                                                 | Apr. 19      |
| 80    | Consortium Pledges and Estimated Non-project Aid 1964/65 and 1965/66                                                                                       | Apr. 19      |
| 81    | Memo from S. Noel McIvor "UK Aid to India"                                                                                                                 | Apr. 20      |



CONSORTIUM MEETINGS      NO. 12

FILE NO. 3

FROM: Jan. 10, 1966

TO: Apr. 30, 1966

Box 384-16

Location 76-1-1

| S No. | SUBJECT                                                                                                                        | DATE    |
|-------|--------------------------------------------------------------------------------------------------------------------------------|---------|
| *82   | Memo from S.S. Katz "Possible points of discussion during Mr. Wood's meetings with the French Minister of Finance, May 2, 1966 | Apr. 20 |
| 83    | Memo from G. Votaw "Points for Discussion in Paris"                                                                            | Apr. 20 |
| *84   | Memo from G.M. Wilson (raising \$800 million non-project finance for India)                                                    | Apr. 20 |
| 85    | Memo from A. Stevenson "Mr. Wood's lunch with Foreign Minister Debre"                                                          | Apr. 21 |
| *86   | Memo from G. Votaw "Estimates of non-project aid from consortium sources"                                                      | Apr. 21 |
| 87    | Memo from G.M. Wilson (French contribution to to IDA and Consortium)                                                           | Apr. 21 |
| 88    | Note from Noel Mclvor (French assistance to India)                                                                             | Apr. 22 |
| 89    | Memo from A. Stevenson "Mr. Wood's lunch with Foreign Minister Debre"                                                          | Apr. 22 |
| 90    | Memo from G. Votaw "French Non-project Aid"                                                                                    | Apr. 22 |
| 91    | Incoming wire from Romano Pantanati                                                                                            | Apr. 25 |
| 92    | Memo from B.R. Bell "Distribution to the Consortium of the Bell Mission Reports"                                               | Apr. 25 |
| 93    | Memo from B.R. Bell                                                                                                            | Apr. 26 |
| 94    | Outgoing wire from Votaw                                                                                                       | Apr. 27 |
| *95   | Memo from S. Noel Mclvor "India and Pakistan-Japan"                                                                            | Apr. 27 |
| *96   | Further Background Note "India's Request for Deferment of 1966/67 Debt Service Payments"                                       | Mar. 31 |
| *97   | memo from S. Katz "Import Program 1966/67 - India"                                                                             | Apr. 28 |
| *98   | Memo from G. Votaw "Definition of Non-Project Aid"                                                                             | Apr. 29 |
| 99    | Memo from G. Votaw "Railway Financing from AID"                                                                                | Apr. 29 |

THIS FILE IS CLOSED AS OF APRIL 30, 1966 (from JANUARY 1966)

FOR FURTHER CORRESPONDENCE, PLEASE SEE Consortium Mtg. No. 12 - 1966  
Vol. IV

General Files and  
Communications Section



Ind Consult  
X DLR  
\*

Mr. W. Kaupisch

April 29, 1966

Gregory Votaw

INDIA - Railway Financing from AID

Mr. Sundara Rajan has just informed me that India expected a loan of \$25.5 million from the U.S. AID pledge for 1965-66. This would have been the seventh railway loan by AID reckoning. Since the pledge is no longer operative and there is still a freeze on new U.S. commitments to India, I am wondering what effect the delay will have on the railways' program. Do you have or could you get some information on this?

cc: New Delhi Office

GVotaw/pd

Ind Cons M

Mr. B. R. Bell

April 29, 1966

Gregory Votaw

India - Consortium Definition of Non-Project Aid

At the 6th Meeting of the Pakistan Consortium in 1964 paragraphs 5 and 6 of Mr. Wilson's opening statement included a definition of non-project aid in the following words, which therefore have some official status for both consortia:

"This brings me to the request you made at the last meeting that the Bank endeavor to work out a formula to distinguish between project and non-project aid. As we all realised at the time, a simple and universally acceptable definition is difficult to give, since members have differing views on what constitutes project and non-project aid. Furthermore, such a formula would not only concern Pakistan but all of the countries which give and receive this kind of aid. In these circumstances, the best I can do at this time is to give you the definition of project and non-project aid we in the Bank have been applying to aid given to Pakistan. We would define project aid as aid provided by the supplier solely for the financing of a particular project or program specified in Pakistan's development plan. In this category, in addition to easily recognizable projects, would come aid given to assist a particular program, such as the financing of wagons and rails for a railway program, equipment for an educational program, or finance made available to development banks. Non-project aid would consist of all other types of financial assistance, for example for commodities, supplies, spare parts, balancing and modernizing equipment not specifically earmarked for a particular plant.

"Under this definition, the Bank and IDA have not so far given any non-project aid to Pakistan. I should perhaps say that we have been giving a measure of relief akin to non-project aid when we have covered with foreign exchange some of the local costs of some of the IDA projects we have financed. At the moment, however, we are considering non-project aid in the shape of a credit for the import of industrial equipment and a mission has already left for Pakistan to make a preliminary investigation. We are hoping that we may find ways and means of working out a credit for this purpose of up to \$25 million." (Reference PAK 64-15, Annex I, paragraphs 5-6).

cc: New Delhi Office

GVotaw/pd



## OFFICE MEMORANDUM

TO: Mr. S. Noel McIvor  
(through Mr. G. Votaw)

FROM: Stanley Katz *S. Katz per Mr. Votaw*

SUBJECT: INDIA - Import Program 1966/67 (Your memo of April 27  
concerning request by Mr. Matsukawa)

DATE: April 28, 1966

1. We share Mr. Matsukawa's interest in what the Indian Government is planning in the way of imports for 1966/67. It is unlikely that the Indians have any fixed ideas at this time, since what is imported will be heavily dependent on the availability of foreign assistance.

2. On the basis of most optimistic aid expectations, some recent estimates (which appeared in IND 66-3, March 31, 1966) indicate that India would like imports of about \$3,570 million in 1966/67, of which \$678 million would be PL 480 and the rest (\$2,892 million) would be "commercial" imports. The comparable figures for 1965/66 were \$3,219 million of total imports of which \$588 million was PL 480, and \$2,631 million was commercial.

3. Some details supporting these figures are available, but they were given to Mr. Bell by the Government of India on a confidential basis, and they are at best only rough guesses which could prove to be more misleading than useful. We would have to ask Mr. Bell for these data if you wish to make them available to the Japanese.

4. At least as useful in the Indian context as the import projections are the estimates of exchange allocations, since these would mean aid orders and business this year. The GOI program for 1966/67, again based on optimistic expectations about aid receipts (shown in Table 4 of IND 66-3), would involve import allocations of \$2,271 million, with (in millions): \$200 for fertilizers; \$172 for POL; \$19 for newsprint; \$164 for iron and steel; \$336 for government enterprises, private steel mills and petroleum refineries; \$137 for capacity expansion imports; and \$2,134 million for other commercial imports. Although the details of the latter \$2,134 million are not given in Table 4, the 1964/65 and 1965/66 data give some guidance in allocating the total among the 8 categories shown (i.e., cotton, cashew nuts, raw jute, sulphur, rock phosphate, other materials for chemical industries, materials for engineering industries, and other -- including non-ferrous metals, drugs, etc.).

5. We should know more about the import picture when the current discussions are over and the GOI has had a chance to frame an import program on the basis of indicated aid levels. If the above is not responsive to Mr. Matsukawa's request, perhaps we could offer to give him more information when it is developed.

Attachment: IND 66-3, March 31, 1966.

cc: New Delhi Office  
Mr. B.R. Bell  
Mr. G.B. Votaw



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**AUG 27 2013**

**WBG ARCHIVES**

CONFIDENTIAL

IND 66-3

FROM: The Secretary

March 31, 1966

INDIAN DEBT

Attached is a background note entitled "India's Request for Deferment of 1966/67 Debt Service Payments", for use at the meeting to be held in the Bank's Board Room at 3:00 p.m. on Tuesday, April 5, 1966.

Distribution:

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**AUG 27 2013**

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INDIA'S REQUEST FOR DEFERMENT OF 1966/67 DEBT SERVICE PAYMENTS

FURTHER BACKGROUND NOTE

1. The February 17 meeting in response to India's request for deferment of 1966/67 debt service payments adjourned with the request that the Bank obtain from the Government of India additional information with respect to the following subjects:

- (a) India's immediate balance of payments outlook
- (b) The role of defense expenditure
- (c) India's plans with respect to debt payments due to the East Bloc.

The Government of India has provided information on all these matters; this is summarized in the following paragraphs.

2. As indicated in Table 1 attached, the Government of India anticipates that in the year 1966/67, on the basis of all existing aid commitments, including the recently authorized drawing of \$187.5 million from the IMF and the recent US non-project loan of \$100 million, there will be available for use a total of approximately \$3 billion of foreign exchange resources. After deducting: (a) payments which must be made on account of licenses issued in earlier periods; (b) net payments on account of invisibles and private capital movements; (c) freight payments on PL 480 food shipments plus payments for other food imports; (d) debt service; and (e) imports financed by project-tied aid, the balance available to pay for other imports in the year will be approximately \$500 million. This is approximately \$200 million less than the corresponding figure for 1964/65 and \$75 million less than the corresponding figure in 1965/66 (see Table 2).

3. With these resources in hand, the Government of India states, it would not be in a position in 1966/67 to license other imports (maintenance imports plus very minor amounts for capacity expansion) of more than \$750 million (Tables 3 and 4). This figure compares with almost \$1900 million of such imports licensed in 1964/65, and \$1350 million of such imports licensed in 1965/66. As is evident from Table 4, the effects of such a restricted import licensing program would be severe. They would be experienced in the form of a constricted flow of imports of production materials in the year 1966/67 and even more in the following year. The licensing of



maintenance imports alone (excluding the very minor amounts of capacity-expanding imports not financed by project-tied aid) would be cut to approximately \$650 million as compared with almost twice that figure (\$1268 million) in 1965/66 and more than \$1600 million in 1964/65.

4. It should be noted (see Table 3) that in each of the preceding years, and especially in 1964/65, a much larger import licensing program was undertaken even though the resources available for import payments in each of those years were only moderately higher than those available at this time for use in 1966/67. The difference lies in the extent to which the Government of India was prepared to issue licenses within the year in the expectation that payments would be required only in subsequent years. A number of factors explain the difference. These include the following:

- (a) The loss of approximately \$150 million of foreign exchange reserves in 1964/65 was in some part the result of the relatively large 1964/65 licensing program. In 1965/66 there was no change in reserves but a net drawing of \$25 million on the IMF was necessary. The resources available for 1966/67 already include a net drawing on the IMF in that year of \$137 million (the \$187.5 drawing just authorized by the IMF less \$50 million due to IMF in July 1966); furthermore, as of mid-March foreign exchange reserves were only \$550 million. In these circumstances, the Government of India is not prepared to take the risk involved in licensing imports substantially beyond resources in hand.
- (b) A very substantial part of the licenses issued during 1964/65 and 1965/66 was issued only in the latter part of each of the two years with the result that a major part of the payments pursuant to those licenses came due only in the succeeding years rather than in the year in which the licenses were issued. In 1966/67, particularly in view of the reduced licensing of 1965/66 which will constrict the flow of maintenance imports in 1966/67, the GOI believes it necessary to license as large a volume of imports as possible early in the year. It believes also that licensees are likely to place orders quickly. The result will be that a much larger proportion of the licenses issued will result in deliveries and the necessity of payments within the 1966/67 year.
- (c) In 1964/65, the GOI counted on new and hopefully larger non-project aid commitments becoming available in subsequent years. At this time, the GOI does not feel in a position to count on such subsequent commitments and cannot take the risk of issuing licenses to be paid ultimately out of resources not yet in hand.
- (d) Given a restricted licensing program, a larger proportion of the total must be for so-called "bulk" commodities, such as petroleum and fertilizer, which involve relatively quick delivery and payment.



5. The GOI has itself projected an import program which would permit (see Table 4) the licensing of more than \$2.1 million of maintenance imports in the entire year 1966/67. It estimates that it could undertake such a program if it were to receive new aid usable for non-project imports and disbursable in the amount of \$418 million during the year. With these additional resources, the prospect of further non-project aid commitments in subsequent years, and with licensing spread throughout the year rather than concentrated in its first months, the GOI believes that it could license on the assumption that very substantial amounts would be payable only in subsequent years. The projected and desired increase of more than \$500 million in maintenance import licenses above the 1964/65 level reflects, according to the GOI, the expanded industrial base, an increase of more than \$100 million in fertilizer requirements, and the desire to permit fuller utilization of existing manufacturing capacity.

6. This GOI program is consistent with the GOI balance of payments forecast presented in Table 5. (This forecast was also presented to the IMF in connection with the request to the IMF for a drawing of \$187.5 million.) It is difficult to predict how this balance of payments forecast would be altered if, contrary to the wishes of the Government of India, new non-project aid resources were not obtained. It may be estimated roughly, however, that without these additional resources, 1966/67 imports in the aggregate would be approximately \$400 million less than projected by the GOI and that maintenance imports for industry, in particular, would be lower by more than this amount and lower than in 1964/65, whereas requirements for such imports are now larger than two years ago.

7. The GOI has also indicated that although its request was for a deferment for debt service payments due in 1966/67, hopefully to the extent of \$309 million or the total amount due to all except East Bloc creditors, basically the request is for non-project aid in that amount. The GOI believes that deferment of debt payments would be the most efficient means, from its point of view, of providing the necessary aid since deferment, per se, would make available to it foreign exchange which could be used with complete freedom and, therefore, with greater speed and efficiency than in the case of country-tied and partially commodity-tied non-project aid.

8. The GOI also stated that both its total and its foreign exchange expenditures for defense have remained, and in the coming year will remain, lower than those projected in the five year (1964/65 through 1968/69) defense expenditure plan adopted in 1964/65. The GOI has also stated that although both total and foreign exchange expenditures were sharply increased in 1963/64 following the Chinese attack on India in late 1962, they have remained approximately stable since that time. The budgeted defense expenditures for 1966/67 (918 crores) are, in money terms, insignificantly (30 crores) higher than those in 1965/66; in



real terms they are undoubtedly lower on account of increased pay and allowances and the higher cost of supplies purchased. The import programs indicated in Table 4 include foreign exchange expenditures for defense. The GOI states that in 1965/66 these were not higher and in 1966/67 will not be higher than in the immediately preceding years.

9. The GOI does not propose to ask the Soviet Union, the principal East Bloc creditor, to defer debt service payments due to it in 1967. It has accomplished what it regards as in effect the equivalent, in that the Soviet Union has recently extended a commercial credit to finance non-project imports, including components and spare and replacement parts for Soviet-assisted plants. The GOI estimates that during the Fourth Plan period imports of components and spare parts alone under this credit will range between Rs. 63 crores and Rs. 114 crores (\$130 to \$230 million equivalent). The GOI points out also that at an earlier date the Soviet Union as well as other East Bloc creditors agreed to accept payment on debt in inconvertible rupees.

10. As stated in paragraph 7 of the Background Note of February 16, "the Government of India has for the past seven months been considering shifts in policy and program. Renewed discussion of these with the Bank and early resumption of the formulation of policy and program for the Fourth Plan period is contemplated. The representatives of the Government of India pointed out, however, that a new Finance Minister and a new Prime Minister have just taken office. The Government consequently is not in a position to make quick decisions with respect to the major issues of policy and program. The representatives of the Government of India consequently have asked for relief of their immediately prospective situation in advance of any major policy or program decisions." The Bank believes that in the circumstances it is desirable that the Government of India be put in a position to license now a larger volume of maintenance imports than presently available resources permit, pending decisions on policy and program issues. For this reason we are prepared to recommend to our Board an IDA credit of \$50 million (approximately the amount of principal payments due to the Bank in 1966/67) which we would not otherwise have made, this credit to be available for quick-disbursing non-project purposes. We recommend that all other members of the Consortium provide additional quickly disbursable assistance of the same character in amounts equal at a minimum to the principal payments due them in 1966/67.

B.R. Bell  
I.B.R.D.  
March 31, 1966

Table 1: FOREIGN EXCHANGE RESOURCES (Excluding PL 480 food)

(US \$ million)

|                         | 1964/65      | 1965/66      | 1966/67<br>Existing<br>Commitments | 1966/67<br>GOI<br>Program |
|-------------------------|--------------|--------------|------------------------------------|---------------------------|
| <u>Gross Resources:</u> | <u>2,678</u> | <u>3,049</u> | <u>2,999</u>                       | <u>3,476</u>              |
| Exports of goods        | 1,688        | 1,693        | 1,722                              | 1,722                     |
| Project aid             | <u>599</u>   | <u>848</u>   | <u>777</u>                         | <u>777</u>                |
| Existing                | 536          | 767          | 777                                | 777                       |
| New                     | <u>63</u>    | <u>81</u>    | <u>a/</u>                          | <u>a/</u>                 |
| Non-project aid         | <u>372</u>   | <u>420</u>   | <u>363</u>                         | <u>782</u>                |
| Existing                | 242          | 344          | <u>b/</u>                          | <u>b/</u>                 |
| New                     | <u>130</u>   | <u>76</u>    | <u>--</u>                          | <u>418<sup>c/</sup></u>   |
| PL 480 Cotton           | 19           | 63           | --                                 | 58                        |
| IMF drawings (net)      | --           | 25           | 137                                | 137                       |

a/ New project commitments may be made by various aid donors but these would not affect the problem under consideration.

b/ Includes:

|                                                                    |                      |
|--------------------------------------------------------------------|----------------------|
| (1) IDA Industrial Imports loans                                   | \$ 80 million        |
| (2) U.S. Non-Projects and \$50 million fertilizer loan             | 147 million          |
| (3) U.K. Kipping loans of 1963 and 1964 and food<br>emergency loan | 29 million           |
| (4) West German commodity loans II, III, IV                        | 13 million           |
| (5) Japan Third, Fourth, Fifth Yen Credits                         | 8 million            |
| (6) France, Italy, Austria Suppliers Credits                       | 8 million            |
| (7) Netherlands General Purpose Loan of 1963                       | 7 million            |
| (8) U.S. \$100 million non-project loan                            | <u>71 million</u>    |
| Total                                                              | <u>\$363 million</u> |

c/ Includes:

- (1) \$29 million out of IDA \$50 million loan (suggested)
- (2) \$27 million out of AID \$242 million loan (hoped for)
- (3) \$11 million out of Canadian \$11 million Colombo Plan (hoped for)
- (4) \$309 million out of debt deferment of \$309 (hoped for)
- (5) \$42 million out of U.K. Balance of Payments aid of \$42 million (hoped  
for)

Total - \$418 million



Table 2: PROJECTED FOREIGN EXCHANGE USE (Excluding PL 480 Food)

(US \$ million)

|                                                                                                   | 1964/65      | 1965/66       | 1966/67<br>Existing<br>Commitments | 1966/67<br>GOI<br>Program |
|---------------------------------------------------------------------------------------------------|--------------|---------------|------------------------------------|---------------------------|
| <u>Resources Available (from Table 1)</u>                                                         | <u>2,678</u> | <u>3,049</u>  | <u>2,999</u>                       | <u>3,476</u>              |
| Less (-):                                                                                         |              |               |                                    |                           |
| Payments on account of licenses<br>issued in earlier periods                                      | -817         | -1,111        | -1,037                             | -1,037                    |
| Profit remittances and private<br>investment capital                                              | - 60         | - 64          | - 65                               | - 65                      |
| Net invisibles <u>a/</u>                                                                          | <u>-116</u>  | <u>+ 32</u>   | <u>- 59</u>                        | <u>- 59</u>               |
| <u>Total</u>                                                                                      | <u>-993</u>  | <u>-1,143</u> | <u>-1,161</u>                      | <u>-1,161</u>             |
| <u>Balance Available</u>                                                                          | <u>1,685</u> | <u>1,906</u>  | <u>1,838</u>                       | <u>2,315</u>              |
| Less (-):                                                                                         |              |               |                                    |                           |
| Debt service                                                                                      | -252         | -323          | -359                               | -359                      |
| Freight on PL 480 food                                                                            | - 50         | - 97          | -122                               | -122                      |
| "Normal marketing" food purchases                                                                 | <u>- 40</u>  | <u>- 40</u>   | <u>- 15</u>                        | <u>- 15</u>               |
| <u>Total</u>                                                                                      | <u>-342</u>  | <u>-460</u>   | <u>-496</u>                        | <u>-496</u>               |
| <u>Balance Available for Imports</u>                                                              | <u>1,343</u> | <u>1,446</u>  | <u>1,342</u>                       | <u>1,819</u>              |
| Less (-):                                                                                         |              |               |                                    |                           |
| Imports financed by project-tied aid                                                              | <u>-599</u>  | <u>-848</u>   | <u>-777</u>                        | <u>-777</u>               |
| <u>Balance Available for Other Imports</u>                                                        | <u>744</u>   | <u>598</u>    | <u>565</u>                         | <u>1,042</u>              |
| Less (-):                                                                                         |              |               |                                    |                           |
| Other food                                                                                        | <u>- 21</u>  | <u>- 17</u>   | <u>- 59</u>                        | <u>- 59</u>               |
| <u>Balance Available for Imports excluding<br/>Food and Project-tied aid-financed<br/>imports</u> | <u>723</u>   | <u>581</u>    | <u>506</u>                         | <u>983</u>                |

a/ Differences explained as follows:

- 1) In 1965/66 but not in other years about \$60 to \$70 million received via National Defense Remittance Scheme.
- 2) In 1964/65 a large negative errors and omissions item.
- 3) All other items little changed from year to year.

Table 3: IMPORT ALLOCATIONS

(Excluding PL 480 and "normal marketing" food  
and project-tied aid imports)

(US \$ million)

|                                                                                                       | 1964/65      | 1965/66    | 1966/67<br>Existing<br>Commitments | 1966/67<br>GOI<br>Program |
|-------------------------------------------------------------------------------------------------------|--------------|------------|------------------------------------|---------------------------|
| Balance available for other Imports<br>(from Table 2)                                                 | 723          | 581        | 506                                | 983                       |
| Estimated extent to which licenses<br>issued in year will require payment<br>only in subsequent years | <u>1,159</u> | <u>752</u> | <u>243</u>                         | <u>1,287</u>              |
| TOTAL                                                                                                 | 1,882        | 1,333      | 749                                | 2,270                     |



Table 4: IMPORT ALLOCATIONS

(Excluding food and imports financed by project-tied aid)

(US \$ million)

|                                                                                                                      | 1964/65      | 1965/66      | 1966/67<br>Existing<br>Commitments | 1966/67<br>GOI<br>Program |
|----------------------------------------------------------------------------------------------------------------------|--------------|--------------|------------------------------------|---------------------------|
| <u>Maintenance Imports</u>                                                                                           |              |              |                                    |                           |
| <u>"Bulk Imports"</u>                                                                                                | <u>809</u>   | <u>672</u>   | <u>444</u>                         | <u>891</u>                |
| Fertilizer                                                                                                           | 84           | 128          | 145                                | 200                       |
| POL                                                                                                                  | 200          | 166          | 118                                | 172                       |
| Newsprint                                                                                                            | 15           | 13           | 8                                  | 19                        |
| Iron and steel                                                                                                       | 166          | 46           | 36                                 | 164                       |
| Government Departments including<br>public sector enterprises and<br>private steel mills and petroleum<br>refineries | 344          | 319          | 137                                | 336                       |
| <u>Other Commercial Imports</u>                                                                                      | <u>806</u>   | <u>596</u>   | <u>212</u>                         | <u>1,243</u>              |
| Cotton                                                                                                               | 107          | 84           | -                                  | 143                       |
| Cashew nuts                                                                                                          | 15           | 23           |                                    |                           |
| Raw jute                                                                                                             | 6            | 21           |                                    |                           |
| Sulphur                                                                                                              | 13           | 13           |                                    |                           |
| Rock phosphate                                                                                                       | 4            | 13           |                                    |                           |
| Other materials for chemical<br>industries                                                                           | 111          | 118          | a/                                 | a/                        |
| Materials and components for<br>engineering industry                                                                 | 290          | 216          |                                    |                           |
| Other, including non-ferrous metals,<br>materials for small-scale<br>industry, drugs, etc.                           | 210          | 95           |                                    |                           |
| <u>Total Maintenance Imports</u>                                                                                     | <u>1,615</u> | <u>1,268</u> | <u>656</u>                         | <u>2,134</u>              |
| <u>Capacity Expansion Imports</u>                                                                                    | <u>267</u>   | <u>65</u>    | <u>95</u>                          | <u>137</u>                |
| <u>Total Maintenance and Capacity<br/>Expansion Imports</u>                                                          | <u>1,882</u> | <u>1,333</u> | <u>751</u>                         | <u>2,271</u>              |

a/ Further breakdown not available.

Table 5: INDIA'S BALANCE OF PAYMENTS FORECAST

(US \$ million)

|                                                                     | 1964/65<br>Actuals | 1965/66<br>Nov. 1965<br>(Forecast) | 1965/66 Current Estimates |         |        | 1966/67 |         |        |
|---------------------------------------------------------------------|--------------------|------------------------------------|---------------------------|---------|--------|---------|---------|--------|
|                                                                     |                    |                                    | I Half                    | II Half | Total  | I Half  | II Half | Total  |
| I. <u>Imports (c.i.f.)</u>                                          |                    |                                    |                           |         |        |         |         |        |
| Commercial                                                          | 2,381              | 2,631                              | 1,241                     | 1,390   | 2,631  | 1,428   | 1,464   | 2,892  |
| PL 480                                                              | 481                | 483                                | 294                       | 294     | 588    | 386     | 292     | 678    |
| <u>Total - I</u>                                                    | 2,862              | 3,114                              | 1,535                     | 1,684   | 3,219  | 1,814   | 1,756   | 3,570  |
| II. <u>Exports</u>                                                  | 1,686              | 1,693                              | 827                       | 865     | 1,692  | 819     | 903     | 1,722  |
| III. <u>Trade Balance</u>                                           | -1,176             | -1,421                             | - 708                     | - 819   | -1,527 | - 995   | - 853   | -1,848 |
| IV. <u>Invisibles (net)</u>                                         |                    |                                    |                           |         |        |         |         |        |
| i) Interest on foreign loans                                        | - 109              | - 145                              | - 69                      | - 76    | - 145  | - 69    | - 82    | - 151  |
| ii) Others (including NDRS)                                         | - 4                | --                                 | - 6                       | - 59    | - 53   | - 8     | - 13    | - 21   |
| <u>Total - IV</u>                                                   | - 105              | - 145                              | - 75                      | - 17    | - 92   | - 77    | - 95    | - 172  |
| V. <u>Current Account (net)</u>                                     | -1,281             | -1,566                             | - 783                     | - 836   | -1,619 | -1,072  | - 948   | -2,020 |
| VI. <u>Capital Transactions</u>                                     |                    |                                    |                           |         |        |         |         |        |
| i) Repayments of loans                                              | - 141              | - 178                              | - 82                      | - 96    | - 178  | - 99    | - 109   | - 208  |
| ii) Repayment to IMF                                                | - 101              | - 76                               | -                         | - 75    | - 75   | - 50    | -       | - 50   |
| iii) Other capital                                                  | - 180              | - 61                               | - 90                      | - 6     | - 84   | - 95    | - 8     | - 103  |
| <u>Total - VI</u>                                                   | - 422              | - 315                              | - 172                     | - 165   | - 337  | - 244   | - 117   | - 261  |
| VII. <u>Total Deficit (V - VI)</u>                                  | -1,703             | -1,881                             | - 955                     | -1,001  | -1,956 | -1,316  | -1,065  | -2,281 |
| VIII. <u>Financing</u>                                              |                    |                                    |                           |         |        |         |         |        |
| i) IMF Drawing                                                      | - 101              | - 101                              | - 75                      | - 25    | - 100  | -       | -       | -      |
| ii) PL 480                                                          | - 481              | - 483                              | - 294                     | - 294   | - 588  | - 386   | - 292   | - 678  |
| iii) Other committed assistance                                     | - 970              | -1,268                             | - 567                     | - 701   | -1,268 | - 563   | - 506   | -1,069 |
| iv) Change in reserves (Decline -)                                  | - 151              | - 29                               | - 19                      | - 19    | -      | -       | - 42    | - 42   |
| v) Gap to be covered by disbursements of fresh aid and other inflow | -                  | -                                  | -                         | -       | -      | - 367   | - 309   | - 676  |



Table 6: INDIA'S DEBT REPAYMENT OBLIGATIONS, 1966/67<sup>/a</sup>

(US \$ million)

| Creditor    | Principal | Interest | Total |
|-------------|-----------|----------|-------|
| IBRD/IDA    | 49.0      | 36.0     | 85.0  |
| U.K.        | 33.0      | 23.1     | 56.1  |
| W. Germany  | 25.6      | 23.5     | 49.1  |
| U.S.A.      | 34.2      | 27.2     | 61.4  |
| Japan       | 16.5      | 13.9     | 30.4  |
| Canada      | 5.1       | 2.5      | 7.6   |
| Subtotal    | 163.4     | 126.2    | 289.6 |
| France      | 4.5       | 3.2      | 7.7   |
| Italy       | 2.5       | 1.8      | 4.3   |
| Netherlands | -         | 0.8      | 0.8   |
| Austria     | 1.0       | 0.7      | 1.7   |
| Belgium     | 0.7       | 0.4      | 1.1   |
| Switzerland | 1.1       | 1.2      | 2.3   |
| Kuwait      | 6.7       | 1.9      | 8.6   |
| Subtotal    | 16.5      | 10.0     | 26.5  |
| Other       | 0.1       | 0.4      | 0.5   |
| Grand Total | 180.0     | 136.7    | 316.6 |

Details may not add to totals due to rounding.

<sup>/a</sup> Excludes all "rupee payment" obligations to East Bloc.

Source: Government of India

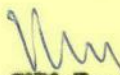
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April 27, 1966

S. Noel McIvor

India and Pakistan - Japan

1. Mr. Michiya Matsukawa, First Secretary, Embassy of Japan, visited me on April 26. He asked how the talks with the Indian and Pakistani visitors were going. I told him that the talks were still going on and that there was nothing to report at this stage since the talks had not reached the point where conclusions could emerge. He had a good idea of the objectives of the visits of Mr. Shoaib and Mr. Mehta and I confirmed his ideas in general terms, pointing out that the presence of the two Ministers at the same time was not a carefully concerted move but rather a coincidence arising out of the timing of the Pakistan budget on the one hand, the visit of the Indian Prime Minister on the other hand, and the desire of both countries to find out more about United States intentions regarding aid in view of the disruption of the aid flow due to the Indo-Pakistan War.
2. Mr. Matsukawa then asked whether we could give him information about the composition of Indian imports proposed for the coming year and particularly its relation to investment. I told him that we were expecting to produce an Economic Report around mid-May and that this would go to our Board. He agreed that the information in that Report might provide the sort of import statistics that he required, but neither he nor I could be sure of this. I, therefore, told him that I would take up his point with people working on the Indian figures and see whether there is any information that we could give him for the Government before our Economic Report comes out. I promised that I would get in touch with him, possibly next week, on this point. The Japanese are anxious to secure this information because they are considering the level of their aid to India, particularly in relation to aid they will be providing other countries in Southeast Asia. When I suggested that India should be in a position to supply the information Japan needed, Mr. Matsukawa said that the Japanese Embassy in New Delhi were, in fact, trying to get import information out of the Indian Government, but he said that the Japanese Government would very much like to have information that we had since it was usually better prepared and presented - he used the word "cooked", but I do not think he meant this in the sense of "cook the books".

  
SNMcIvor:ptv

cc: Mr. Stevenson  
Mr. Mason  
Mr. Votaw



*J. d. Conant*

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Mr. George D. Woods

✓  
April 26, 1966

B.R. Bell

Since Mr. Sundara Rajan has raised questions with respect to the agreement reached in Delhi on distribution of the Bell Mission Report and has asked that I give him a statement of my understanding of the agreement, I have dictated the attached memorandum. I have given him a copy.

For the last several days he has pressed me to agree that you said that the matter of distribution of the Summary Report would be considered only at about the end of May. I have told him that this was not my understanding.

cc:Mr. Knapp  
Mr. Wilson ✓

BB:rh

Files

April 25, 1966

B.R. Bell

Distribution to the Consortium of the Bell Mission Reports

I discussed the question of the distribution of the Bell Mission Reports to the Consortium with the Minister of Finance and Mr. Bhootalingam in a meeting in the Minister's office at 10.00 a.m., Tuesday, March 15. Following some discussion, the Minister suggested that Bhootalingam and I conclude the discussion and assured me that the latter would be fully authorized to speak for him. This further discussion, with I.G. Patel present part of the time, was continued that same evening in Mr. Bhootalingam's house. The agreement reached that night was reconfirmed in a concluding discussion with Bhootalingam and I.G. Patel in the former's office late in the afternoon, March 18.

There was no ambiguity about the agreement. It was as follows:

1. That the Mission Report, including the Summary Report and the Supplemental Reports, except for the Report on Planning, would finally be revised and (a) given to Mr. Woods and (b) distributed to the Consortium.
2. That the Summary Report and the Supplemental Reports would be revised as follows:
  - (a) A supplement would be added to the Agricultural Report, summarizing the policy and program changes made in the last year. (This was on the basis of mutual agreement that agriculture was the one area in which significant changes in policy and program had been made in the last year.)
  - (b) Other Supplemental Reports would be edited and slightly revised to the extent I deemed appropriate in the light of points made in the course of the discussions of the Reports which had occurred in the preceding 2 weeks. (It was agreed that the changes would be minor and would be left entirely to my judgment.)
  - (c) The Summary Report would have added to it a statement of the Indian achievements which its present preface explicitly states are omitted from the present version of the Report. (I had suggested that there were two alternatives here, the first being to add a supplement which would summarize all the policy and program changes which the Government of India had made or had definitely decided to make, the second to add a brief statement on achievements as of the time the Report was written, simply to give it better balance. This last alternative was chosen by Mr. Bhootalingam.)



3. That the entire Report, as revised and edited by me, would be distributed to the Consortium as soon as it was ready which, I indicated, might be about the end of May. (Mr. Bhootalingam expressed the hope that it would not be earlier. I indicated it would be difficult to have it ready earlier.)
4. That conceivably the titling of the Report would be changed and that instead of a Summary Report to Mr. Woods with Supplements there would be a Summary Report to the Consortium with Appendices. (We agreed, however, that titling was not really of any importance; the whole subject arose only when I pointed out that Mr. Woods' agreement with the Minister of Finance that this was a report to him obviously could not give the Government of India a veto over all future Bank reports to the Consortium.)

Three additional points should be noted:

- (i) That there was no discussion whatever of the idea of deleting from the Report references to devaluation or exchange rates. (Although I was prepared to agree to make changes in the terminology or language here, this proved unnecessary, because Mr. Bhootalingam at no point made any such suggestion or raised any question relating to this matter.)
- (ii) I asked specifically whether the Government of India wished to see the revised reports prior to their distribution to the Consortium. The answer was specifically and clearly negative.
- (iii) Mr. Bhootalingam said that an exchange of letters between Mr. Woods and the Finance Minister, providing for distribution to the Consortium as agreed above would be necessary. He emphasized that this was strictly a formality for the record and that our agreement was absolutely firm and final.

cc:Mr. Woods  
Mr. Knapp  
Mr. Wilson

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Date

April 27, 1966

NAME

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1 - ~~Mr. Votaw~~

2 - Files

237

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

REMARKS

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I have replied to cable  
A.S.

April 1st

Duplicate batch  
going April 28  
after reprinting.

From

S.N. McIvor



*Mr. McGowan*  
*Mr. Stevenson*  
*Ed Condit*

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APRIL 25, 1966

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*to Mr. Loe.*  
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*AJ*

34 FOR VOTAW

EMBASSIES OF CONSORTIUM COUNTRIES ARE INQUIRING ABOUT FACTS AND FIGURES

INCLUDED IN PAPERS CIRCULATED TO THEIR REPRESENTATIVES ON APRIL 5TH MEETING.

COULD I RECEIVE COPIES OF THOSE PAPERS THANKS

PANTANALI

FCA

*cc Mr Votaw*

*Arch Apr 27*

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

| TO   | FROM | DATE         |
|------|------|--------------|
| 1700 | 1700 | APR 25, 1966 |
| 1700 | 1700 | APR 25, 1966 |
| 1700 | 1700 | APR 25, 1966 |
| 1700 | 1700 | APR 25, 1966 |
| 1700 | 1700 | APR 25, 1966 |
| 1700 | 1700 | APR 25, 1966 |

1700

ST. JOHN, VIRGINIA  
REMARKS OF DEPARTMENT OF COMMERCE AND INVESTMENT ABOUT FACTS AND FIGURES  
INCLUDING IN FIGURES CALCULATED TO SHOW THE RESULTS OF THE INVESTMENT  
ON APRIL 25, 1966  
GENERAL FILES  
COMMUNICATIONS

APR 26 9 35 AM 1966

GENERAL FILES  
COMMUNICATIONS



Mr. S. Katz

April 22, 1966

Gregory Votaw

INDIA - French non-project aid

1. After discussion with Mr. Andre de Lattre, I can suggest one change in the table dated April 19, 1966. One-third of French aid really is available to India in non-project form - using the strict definition of non-project which is summarized in footnote (a). I understand that this has been true for the last two years even though the evidence of utilization, presented in our quarterly report, suggests that the Indians have not used it very rapidly.

2. I would suggest that we round the figure for France to \$7 million.

3. In consideration of this, I have made a slight amendment on the second page of your memorandum of April 20 and Mr. Stevenson's note of April 21.

cc: Mr. B. R. Bell  
New Delhi Office

Ind Content

Mr. Knapp

April 22, 1966

Alexander Stevenson

Mr. Woods' Lunch with Foreign Minister Debré

I think it would be useful if Mr. Woods voiced some concern about the slow use of French aid to India and the need for more French aid to India, particularly more aid for import of commodities and maintenance equipment. I attach a memorandum which illustrates the slow use of the pledges made to India by France. The evidence available to us indicates that the slowness can be attributed largely to the way the Indians go about their shopping rather than the way France has handled its end of the business.

Improved terms for French aid to India might also be pressed during the forthcoming meeting. Present French aid is made up of suppliers' credits of around 10 years at interest rates now around  $5\frac{1}{4}$  per cent.

This note and its attachment replaces the one which I sent yesterday.

attachment

cc: Mr. Wilson  
Mr. Votaw

SNMcI/GV/AS/uz



Mr. S. Noel McIvor

- 2 -

22  
April 20, 1966

4. Specifically on point (c) the French presently permit one-third of their aid to India to be used to meet maintenance import requirements. This has been true for the last two or three years,

5. I am sending a copy of this note to Mr. Bell in case he wishes to raise other topics for possible discussion. I don't know the extent of Mr. de Lattre's involvement in Indian matters these days, but he might have additional suggestions.

cc: Mr. G. Votaw

B. Bell

New Delhi Office

SSKatz/GV/pd

ROUTING SLIP

Date

April 22, 1966

OFFICE OF THE PRESIDENT

Name

Room No.

~~Mr. Stevenson~~

606

Action

Note and File

Approval

Note and Return

Comment

Prepare Reply

Full Report

Previous Papers

Information

Recommendation

Initial

Signature

Remarks

As per our conversation.

From

J. Burke Knapp



S - Paris Folder

cc IDA. Replenishment

## OFFICE MEMORANDUM

TO: Mr. G. C. Wishart

DATE: 21st April 1966.

FROM: G. M. Wilson

GMW

SUBJECT:

I expect that Mr. Woods already has it in mind to raise with Mr. Debré in Paris the question of finance for India and possibly to touch on I.D.A. replenishment. The facts are as follows:-

India.

The French annual contribution is the equivalent of \$20 million, consisting of extended suppliers' credits guaranteed by the Government, repayable over ten years from delivery at 5-1/4%. One-third of this is available for financing non-project imports. Debt service due in 1966/67 is \$4.5 million principal and \$3.2 million interest. As their contribution to increased aid for India, I think that the French should increase their non-project aid, whether by rescheduling debt or by new loans, to at least \$15 million. There is also room for a vast improvement in the terms.

I.D.A.

France contributed \$52,960,000 to the original I.D.A. fund and \$61,872,000 towards the first replenishment of \$750 million. This compares with contributions to the replenishment of \$312 million by the United States, \$96.6 million by the United Kingdom and \$72.6 million by Germany.

Mr. Knapp.

This is the note I had prepared for Mr. Woods' talk with M. Debré. The above details on India should be incorporated in Mr. Stevenson's note. One reason for the slow commitment and disbursement is the appalling terms on which the French finance is offered, and Mr. Woods should certainly say something about this.

GMWilson/mh

GMW

4/22



*Ind Comm*

Mr. B. R. Bell

April 21, 1966

G. Votaw

INDIA - Estimates of non-project aid from consortium sources

- Not used in file*
1. Attached please find a table marked "tentative" and dated April 19, 1966, which represents a first approximation of the amount of non-project aid provided to India out of the last two years' pledges. Mr. Katz is trying to firm up some of the figures with information available to this Department and by conversation with members' representatives in Washington.
  2. I believe you already have information which is more detailed than ours, and I would therefore request your comments and corrections on the figures given in this first rough estimate.
  3. We could probably make substantial progress if a new definition of "non-project aid" were agreed for Consortium purposes. During our discussions last week you indicated that IDA assistance to the railways, telecommunications or power transmission programs is not considered "aid for the purchase of maintenance imports" by India because it is tied to specific programs, even though it is virtually untied as to country of origin, completely untied as to commodity, and provides supplies to a number of different industries. On the other hand, you classified British assistance to Bhopal as "non-project aid" (in the Indian sense), even though procurement is tied to purchases in one country required by a single industrial undertaking in India. This seems most inconsistent, but I gather the inconsistency is a reflection of current Indian usage rather than any choice of definitions on our side.
  4. In comparing what the Indians consider non-project aid with what donors report to the consortium, one large difference is over what I would call "miscellaneous capital goods". Whenever the donor limits the use of his aid to procurement of capital goods but does not attempt to appraise individual projects, the donors have called this non-project aid. The Indians seem to classify it with assistance for projects and reserve the term "non-project aid" to mean assistance in the procurement of industrial raw materials, components and other commodities. As you will recall, this accounted for much of the difference between Indian government figures and Canada's, since Canada included in "non-project aid" what was later distinguished as "non-project non-commodity aid", alias, miscellaneous capital goods.
  5. In the case of aid from the United States, another problem may arise. The donor may be willing to use the full amount of what he calls a "commodity assistance program" for industrial materials and components and allows India complete freedom in the allocation of the proceeds of his loan. However, India may decide to use part of these funds for miscellaneous capital goods required in connection with a wide variety of "capital expansion" projects. In such instances, the donor has offered more non-project assistance (to pay for commodities and other maintenance imports) than India has been



willing to use for maintenance import purchases (perhaps because of scarcities and/or high prices in the donor country).

6. In asking Stanley to revise estimates of non-project aid, I have instructed him to try to distinguish (and delete) aid which is available only for miscellaneous capital goods and also to note any cases where the donor seems willing to have his assistance used for the purchase of commodities and other maintenance supplies, even though India has in fact allocated these funds for the purchase of capital goods. (It is too much to attempt to distinguish between capital goods which replace old, worn out or obsolete equipment from those used to expand capacity, and I gather that at this stage such a distinction would not be important to our calculations.)

cc: Mr. G. M. Wilson (without attachment)  
Mr. S. Katz " "  
New Delhi office (with attachment)

GV:aw/bj

Ind Cons

Mr. J. Burke Knapp

April 21, 1966

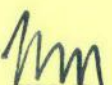
Alexander Stevenson

Mr. Woods' Lunch with Foreign Minister Debré

I think it would be useful if Mr. Woods voiced some concern about the slow use of French aid to India and the need for more French aid to India, particularly more aid for import of commodities and maintenance equipment. I attach a memorandum which illustrates the slow use of the pledges made to India by France.

✓  
Apr 20  
in Kelly's  
L. H. H. H.

Attachment

  
SNMcIvor:ptv

cc: Mr. Votaw





*Ed Conn*

Mr. J. Burke Knapp

20th April 1966.

G. M. Wilson ((Signed) G. M. Wilson

India

I attach a cockshy of how we might try to raise \$800 million of non-project finance for India. The U.S. figures were given to me by Mr. Bell. The other country figures are of my own devising. One thing about which we shall have to be very clear is what precisely is included in "non-project" aid as I understand that the \$800 million figure excludes certain types of miscellaneous capital goods which the contributing countries have hitherto included in their figures for non-project aid.

If we cannot get debt rescheduling, then we shall have to look at the new non-project figures again. My own feeling is that it would be no more difficult to get debt rescheduling than it would be to increase the other countries' figure from \$200 million to \$291 million.

cc: Mr. A. Stevenson  
Mr. B. Bell  
Mr. G. Votaw.

G.M. Wilson/mh

|             | <u>1965/66</u>      |                    | <u>Debt repayment</u><br><u>1966/67</u> |                 | <u>Suggested Contributions</u><br><u>towards \$800 million</u> |             |              |
|-------------|---------------------|--------------------|-----------------------------------------|-----------------|----------------------------------------------------------------|-------------|--------------|
|             | <u>Total Pledge</u> | <u>Non-Project</u> | <u>Principal</u>                        | <u>Interest</u> | <u>New Non-Project</u>                                         | <u>Debt</u> | <u>Total</u> |
| U.S.        | 435                 | 150                | 34                                      | 27              | 350                                                            | 34          | 384          |
| IBRD/IDA    | 245                 | 100                | 49                                      | 36              | 150                                                            | -           | 150          |
| U.K.        | 84                  | 84                 | 33                                      | 23              | 60                                                             | 33          | 93           |
| Germany     | 86                  | 48                 | 26                                      | 23              | 60                                                             | 26          | 86           |
| Japan       | 60                  | 15                 | 17                                      | 14              | 20                                                             | 17          | 37           |
| Canada      | 41                  | 18                 | 5                                       | 3               | 25                                                             | 5           | 30           |
| France      | 20                  | -                  | 5                                       | 3               | 10                                                             | 5           | 15           |
| Italy       | 36                  | -                  | 3                                       | 2               | 10                                                             | 3           | 13           |
| Netherlands | 11                  | 3                  | -                                       | 0.8             | 5                                                              | -           | 5            |
| Austria     | 5                   | 4                  | 1                                       | 0.7             | 5                                                              | 1           | 6            |
| Belgium     | 4                   | -                  | 0.7                                     | 0.4             | 5                                                              | 1           | 6            |
|             | <u>1027</u>         | <u>422</u>         | <u>174</u>                              | <u>133</u>      | <u>700</u>                                                     | <u>125</u>  | <u>825</u>   |



## OFFICE MEMORANDUM

TO: Mr. S. N. McIvor

DATE: April 20, 1966

FROM: Gregory Votaw

SUBJECT: INDIA - Points for Discussion in Paris

1. In addition to the points covered in the attached note from Mr. Katz, I have just seen a press report dated April 7 indicating that "France has decided to liberalize imports from India." We are trying to get details. Even a modest step in this direction deserves commendation.

2. So far as our records indicate, France has made very little of its aid available in non-project form to help India meet its import requirements of raw materials, industrial components and similar maintenance import items. The need for this type of aid cannot be over-stressed and Mr. Woods may wish to ask the French Minister of Finance for his suggestions on how France and other members of the consortium might arrange to meet that need.

3. Since Mr. de Lattre is in the Bank, I have asked Mr. Katz to send a copy of the note to him for further suggestions.

Attachment

cc: Mr. B. R. Bell  
Mr. S. Katz  
New Delhi Office

GVotaw/pd

Ind Cons. 11

Mr. S. Noel McIvor

April 20, 1966

S. Stanley Katz (through Mr. G. Votaw)

INDIA - Possible points for discussion during Mr. Woods' meetings  
with the French Minister of Finance, May 2, 1966

1. The principal problems concerning India that might be raised during the subject meeting are: (a) the slow rate of use of Third Plan aid from France, (b) the likely need for greater total aid in the future, and (c) the importance of increasing the share of aid for commodities, maintenance equipment and other non-project imports.

2. With respect to point (a), the table below shows that, as of December 31, 1965, only about one-third of the aid pledged by France at consortium meetings has been disbursed, and almost all of that was under pledges for the first two years (1961-63). The record for orders placed shows similarly lagging performance. The French Minister might be asked for his interpretation of this slow record and what could be done (on both sides) to accelerate the use of French aid.

France: Aid to India, Third Plan Period, 1961-1966

(As of December 31, 1965; U.S. \$ million)

| Period                   | Pledged | Orders placed | Disbursed |
|--------------------------|---------|---------------|-----------|
| Total, 1961/62 - 1965/66 | 120     | 75            | 38        |
| 1961/62 - 1962/63        | 60      | 44            | 35        |
| 1963/64                  | 20      | 20            | 3         |
| 1964/65                  | 20      | 12            | --        |
| 1965/66                  | 20      | --            | --        |

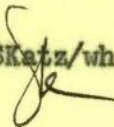
Source: IND 66-1 (March 22, 1966), Quarterly Report on the Utilization of Aid.

3. With respect to points (b) and (c), Mr. B. Ball is in a better position than we are to attempt to quantify these requirements. He is currently preparing projections of what India's future total and non-project aid needs will be if adequate policy decisions are taken. Mr. Woods might wish to discuss these policies matters and their aid ramifications in Paris in general or (on the basis of Mr. Ball's projections) specific terms.

April 20, 1966

4. I am sending a copy of this note to Mr. Bell in case he wishes to raise other topics for possible discussion. I don't know the extent of Mr. de Lattre's involvement in Indian matters these days, but he might have additional suggestions.

cc: Messrs. G. Votaw  
B. Bell  
New Delhi Office

SSKatz/wh  




Ind Consult

## OFFICE MEMORANDUM

TO: Files

DATE: April 20, 1966

FROM: S. Noel McIvor *Alm*SUBJECT: United Kingdom Aid to India

1. Mr. Radford told me today that the United Kingdom is about to announce the signature of two loan agreements totalling £ 5 million which will complete commitments related to their 1965/66 pledge of £ 30 million. These agreements are, of course, quite distinct from the agreements Mr. Radford reported to Mr. Stevenson relating to aid for 1966/67.
2. The £ 5 million is composed of a loan of £ 4.833 million for Bhopal and £ 0.167 million for Sindri Sulphuric Acid Plant.

SNMcIvor:ptv

cc: Mr. Stevenson  
Mr. Votaw

TENTATIVE  
(April 19, 1966)

INDIA - Consortium Pledges and Estimated Non-Project Aid,  
1964/65 and 1965/66  
(\$ million)

| Source               | 1964/65         |                           | 1965/66         |                           |
|----------------------|-----------------|---------------------------|-----------------|---------------------------|
|                      | Total<br>Pledge | Non-<br>Project <u>a/</u> | Total<br>Pledge | Non-<br>Project <u>a/</u> |
| Grand total          | <u>1,028</u>    | <u>444</u>                | <u>1,027</u>    | <u>422</u>                |
| United States        | 435             | 225 <u>b/</u>             | 435             | 150 <u>b/</u>             |
| IBRD/IDA             | 245             | 90                        | 245             | 100                       |
| United Kingdom       | 84              | 59                        | 84              | 84                        |
| All others, subtotal | <u>255</u>      | <u>70</u>                 | <u>263</u>      | <u>88</u>                 |
| Austria              | <u>1</u>        | <u>1</u>                  | <u>5</u>        | <u>4</u>                  |
| Belgium              | -               | -                         | 4               | c/                        |
| Canada               | 41              | 18                        | 41              | 18                        |
| France               | 20              | c/                        | 20              | c/                        |
| Germany              | 95              | 36 <u>b/</u>              | 86              | 48 <u>b/</u>              |
| Italy                | 36              | c/                        | 36              | c/                        |
| Japan                | 60              | 15 <u>d/</u>              | 60              | 15 <u>d/</u>              |
| Netherlands          | 11              | c/                        | 11              | 3 <u>b/</u>               |

a/ Non-project aid is defined, as in Mr. Bell's analysis, to include only aid available for maintenance imports of commodities, industrial materials and components. This definition is more limited than the one used in consortium discussions and reflected in country statements summarized in reports such as the Chairman's "Report of Proceedings" e.g. IND 65-10 (final). Under the earlier definition some countries included miscellaneous capital goods, which would be considered project aid by India and under the new definition. Needless to say PL-480 and equivalent "food aid" is also excluded.

b/ May include a significant portion of miscellaneous capital goods as well as maintenance imports.

c/ Unknown but believed to be negligible.

d/ Breakdown not reported but the non-project or commodity element may be higher.

Source: Estimated by South Asia Department based on Indian and consortium countries' reports.

Form No 75  
(2-60)

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE  
CORPORATION

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

ROUTING SLIP

Date

June 8, 1966

NAME

ROOM NO.

~~Mr. Roberts~~

Op files

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

REMARKS

Did you talk to Redford on this?  
I phoned twice but he didn't  
call back. The second time, I  
passed the question to his secretary.  
From your note on Can. aid, I  
assumed you spoke to Redford too.  
Anything further to be done on this?

From

Stanley Katz



## OFFICE MEMORANDUM

TO: Mr. A. Stevenson

DATE: April 19, 1966

FROM: Robert E. Radford *REL*SUBJECT: Aid to India

I have been asked to inform the Bank that in recognition of the acute economic difficulties which India is now facing, including the food shortage resulting from last year's drought, Her Majesty's Government are prepared, as an emergency measure, to provide further aid immediately. This will consist of £10 million General Purpose Loan, £4 million Kipping loan and a £3 million loan for the maintenance requirements of Bhopal.

2. This is an advance instalment of the U.K. normal aid pledge for 1966/67 and follows the undertaking given by Mr. Wilson at his talks with Mrs. Gandhi on April 2nd that the new British Government would examine as a matter of urgency what immediate steps Britain could take to help India further in resolving her economic problems.

3. This offer is now being conveyed to the Indian Government and if it is accepted H.M.G. will be prepared to sign loans as early as possible.

4. I attach a copy of the draft press release which it is proposed should be issued simultaneously in London and Delhi.

*No action required  
at this time  
June 15 '66  
GV*

CROSS REFERENCE SHEET

COMMUNICATION: Letter # 102  
DATED: April 19, 1966  
TO: Mr. Gregory B. Votaw

FROM: Mr. Pantanali

FILED UNDER: INDIA - General Negotiations

SUMMARY: EXCERPT

3. About your letter No.51, I wish to say that we are still making the distribution of Consortium documents to all interested embassies here, but they seem less keen than in the past about them. I won't mind therefore, if in the interest of economy, you send me 10 copies only for the office use ) ( and some casual distribution). Incidentally, so far I've got no copy of whichever document was distributed at the April 5 meeting.

## OFFICE MEMORANDUM

TO: Mr. Alexander Stevenson

DATE: April 18, 1966

FROM: Patrick M. Reid

SUBJECT: Canadian Aid to India

As you requested, I attach a statement on Canadian non-project aid to India and on the cancellation of the remaining payments on the wheat loans. I would be glad to answer any questions. Perhaps we could consult as to how this should best be presented to the Consortium.

Attachment

Arch May 23



INDIA

## I

CANADIAN NON-PROJECT AIDUNDISBURSED AS OF APRIL 1, 1966

| <u>Source</u>                                             | <u>Can\$ million</u>         |                                         |              |
|-----------------------------------------------------------|------------------------------|-----------------------------------------|--------------|
|                                                           | <u>Grants</u>                | <u>Development Loans</u><br>(IDA Terms) | <u>Total</u> |
| 1. 1964-65 Pledge                                         | 1.50                         |                                         | 1.50         |
| 2. 1965-66 Pledge<br>(Of which: industrial raw materials) | 7.60 <sup>1/</sup><br>(7.60) | 11.85                                   | 19.45        |
| 3. New<br>(Of which: industrial raw materials)            | 11.20<br>(10.00)             | 2.35                                    | 13.55        |

It is hoped that the funds earmarked for industrial raw materials (\$17.60 million) will be fully disbursed in 1966/67.

With regard to the \$11.85 million of development loans derived from the 1965-66 pledge and the \$1.5 million in grants derived from the 1964-65 pledge, orders have already been placed for a number of items and disbursements should be substantial in 1966/67. With regard to the new grant and loan funds (\$3.55 million) which have not been earmarked for industrial raw materials, disbursements are expected to be reasonably large in 1966/67.

## II

CANCELLATION OF PRINCIPAL AND  
INTEREST PAYMENTS ON WHEAT LOANS

Subject to parliamentary approval, the Canadian Government will cancel the remaining interest and principal payments due on two outstanding wheat loans. These payments are as follows:

| <u>Due Date</u>   | <u>Can\$ million</u> |
|-------------------|----------------------|
| March 31, 1966    | 3.75 <sup>2/</sup>   |
| December 31, 1966 | 1.37                 |
| March 31, 1967    | 3.60                 |
| December 31, 1967 | <u>1.30</u>          |
|                   | 10.02                |

<sup>1/</sup> Of which \$4.75 million represents undisbursed portion of \$8.65 million "Commodities Grant" listed on page 17 of December 31 Quarterly Report on Utilization of Aid (IND 66-1).

<sup>2/</sup> This payment was deferred pending parliamentary approval of its cancellation.

*Ind. Comm.*  
*Pt*

CROSS REFERENCE SHEET

COMMUNICATION: **Senior Staff Meeting SSM/M/66-14**

DATED: **April 18, 1966**

TO:

FROM:

FILED UNDER: **Senior Staff Meetings**

SUMMARY:

South Asia

14. The Chairman, noting that the Indian Planning Minister and the Pakistan Finance Minister were due to arrive in Washington the following week for discussions with the U.S. Government and the Bank, said that until the U.S. position on assistance to India and Pakistan was known it would be difficult to estimate IDA's future needs for funds and thus to discuss IDA replenishment with the contributing countries. He hoped that within the next few weeks they would have a clearer idea of where they stood with regard to India.

D R A F T

April 15, 1966

To: Mr. A. Stevenson (Through Mr. S. N. McIvor)

From: G. Votaw

Subject: INDIA - Possible IDA Future Lending to Support the Proposed  
Liberalization of Imports.

1. If India agrees to a program of import liberalization which is satisfactory to the Bank, Mr. Bell estimates that it will be necessary to provide consortium aid disbursable against "maintenance imports" of approximately \$800 million - such aid to be firmly committed as soon as possible (say within 2-3 months(?) after the policy package is agreed in principle) and to be available against payments for a wide range of materials and components during the subsequent 9-12 months. It is understood that aid of this type on more or less this scale would be necessary from consortium members during each year of the Fourth Plan in addition to annual commitments of nearly the same amount (\$700-800 million) for projects - of which, however, a substantial part (perhaps as much as half) might not disburse until after 1971.

2. Rescheduling of debt payments is "aid disbursable against maintenance imports" and is in fact somewhat more beneficial to India than most non-project aid, since it frees resources without limitation as to the country in which or commodity for which the aid will be used. It is expected that some members of the consortium will contribute part of their aid to meet India's "maintenance import" requirements through rescheduling payments on debt. Regarding rescheduling, however, consideration should be given to the tactical advantages of dealing with this question later (in the context of aid for the entire Fourth Plan period) vs. immediately. On balance, it seems best to seek support for the first year of a liberalization program very largely by new non-project commitments and without any general move toward rescheduling, but this question should be dealt with in a separate memorandum.



3. It has been suggested that IDA provide approximately 25 percent or \$200 million of the first year requirement for maintenance import assistance. How would an IDA commitment of \$200 million in 1966/67 affect the balance of IDA's projected lending program (a) in India and (b) in other countries?

(a) As far as India is concerned Annex A (attached) summarizes the status of each identified project currently under active consideration.

(i) Briefly stated this analysis shows that the signing of most proposed credits could be delayed until the end of a calendar 1966 and that few projects are likely to require substantial disbursements before June 30, 1967, when the level of the next replenishment should be known.

(ii) The exception is the telecommunications project, which may be ready for appraisal as early as June and for signing in September and could disburse \$30-40 million by June 30, 1967. The appraisal cannot begin until an important issue regarding accounting practices has been resolved; however, work on the project (which involves minimum expansion of a basic public utility, which is of great importance to further healthy development of most other sectors in the Indian economy) has already been delayed a month or two and further delay in signing a credit should be avoided if at all possible.

(iii) For all these projects (with the possible exception of telecommunications) it would be possible and advantageous to negotiate agreements under which a first tranche would become effective more or less immediately (subject to the usual performance and legal criteria) and cover estimated

withdrawals through June 30, 1967, while a second tranche, equal to the balance of the credit, would become effective as soon as the replenishment exercise had provided commitment authority sufficient to cover such amounts.

- (iv) It might be desirable to consider Bank lending for one or two of the projects in which relatively long disbursement periods are forecast, e.g. Haldia. Loans to these projects taken together with present Bank commitments would not add significantly to the Bank's net investment in India and in fact would provide a means of disbursement two to five years hence which would counterbalance increasing amortization payments already scheduled to fall due at that time. However, such loans might preempt Bank funds which would preferably be invested in fertiliser plants, steel mills and (through ICICI) a variety of other private industries.

(b) The effects of the proposed commitment to India on IDA lending in other countries must be explored in the context of:

- (i) expectations regarding the time when projects are likely to ripen, on which I understand Mr. Malone is preparing data,
- (ii) expectations regarding the availability of new commitment authority, following negotiations on replenishment.

4. How might IDA disburse its \$200 million commitment?

- (i) It is assumed that IDA's contribution is to play a meaningful role in filling the \$800 million payments gap foreseen by Mr. Bell; it must therefore be available in a form that can disburse in the 12-15 months ending around September 30, 1967 if demand develops in India at

the expected rate. Furthermore, a forecast of the overall requirement is more likely to be accurate than forecasts of the individual elements composing the total. Therefore, the form in which IDA aid is offered will partly determine its usefulness as a way of helping to fill the projected import gap.

- (ii) To some extent assistance should be tailored to the type of liberalization program adopted by India. Since we do not know what type of liberalization may be proposed, if any, the following discussion of particular forms of aid must remain highly tentative. If the liberalization policy involves removal of all controls on certain classes of imports, it would be useful to disburse IDA funds against some portion of these "free" imports. However, it should be recognized<sup>2</sup> that this would involve direct payment against part of India's requirements of bulk commodities such as sulphur, finished fertilizer, rock phosphate, steel, non-ferrous metals and similar processed materials which are the type of imports most likely to be freed. On the other hand, if "liberalization" takes the form of allowing certain priority industries to import whatever they wish (other than "banned" items) IDA might consider covering a portion of imports required by those "freed" industries. In short, it will be somewhat more meaningful to discuss specific credit possibilities when we have a clear notion of the form of liberalization and can on that basis adapt our ideas on lending to whatever seems a good way of supporting that program.



(iii) However, under almost any liberalization program an industrial imports credit, patterned on Credits Nos. 52-IN and 78-IN but supplying materials and components to a somewhat wider segment of the machine-building and other engineering industries would offer a convenient framework for IDA financing. These industries might absorb a new credit of \$120-150 million by the end of 1967, assuming a resurgence of confidence among Indian industrialists and investors. The total annual requirement of these industries is considerably higher - perhaps \$200-300 million - but it may take some time to build production and/or markets back to this level. Certainly our previous credits have never been drawn down at anywhere near this rate. Moreover, after careful examination of the issue, it was the view of the 1963/64 appraisal mission that IDA should not try to cover the full requirements of any group of sectors. The primary reason for this conclusion is that bilateral <sup>are</sup> credits (including rupee payment arrangements) ~~and~~ working quite well in many of these industries. If IDA insists on meeting the total requirement, it may be difficult to shift other donors' non-project funds to equally beneficial uses. Country-tied aid will always be harder to use efficiently than IDA funds; therefore as long as some country-tied aid continues, it makes sense for India to try to fit it in first and use IDA funds to fill up whatever gap is left - which is precisely what we have done, and I believe effectively, in railway, power and previous industrial imports lending. Another reason for IDA financing considerably less than the total estimated requirements of participating sectors is that only in this way does one ensure flexibility in

the use of aid if requirements for particular uses fall short of forecasts.

- (iv) Outside industrial imports I still believe that finished fertilizers and bulk materials (sulphur and rock phosphate) for the manufacture of fertilisers in India represent the most easily supervised of high priority imports. Moreover, by providing IDA funds for this purpose we could protect and re-enforce the Government's December 1965 decision to use primarily private channels for increased distribution of farm imports.
- (v) If IDA is prepared to finance imports of other materials imported in bulk, I would recommend especially those materials which are mainly supplied by Part II countries since such countries will benefit from increased trade and are most unlikely to be in a position to offer bilateral credits to India.

5. For the sake of simplicity it is assumed throughout this memorandum that some agreement is reached with India within the next 2-3 months - say, by the end of June. Obviously if there is several months delay in reaching agreement, all time references must be adjusted accordingly.



APR 13 1966

## OFFICE MEMORANDUM

Mr. Knapp.

Returned June 14

TO: Mr. George D. Woods

DATE: 12th April 1966.

FROM: G. M. Wilson

SUBJECT: IDA Commitments to India

Arising out of Dr. Liefstinck's point which I mentioned at our meeting this morning, I have now looked up the record of our meetings with the Executive Directors of the principal contributors.

The first was in April 1963 when the figures of \$50 million for Pakistan and \$140 million for India were mentioned and, at any rate tacitly, accepted. The next meeting was in February 1964. I recorded that "the consensus of opinion was that, of the \$300 million, \$140 million should be earmarked for India and \$50 million for Pakistan". In closing the meeting you said that you hoped "to have a discussion of this kind at regular six-monthly intervals". We did have such a discussion in August 1964. Up to this point we had not made our commitments of IDA funds to India and Pakistan until we had first cleared the ground with the Executive Directors of the principal contributors.

The next meeting was in July 1965 (there is no record of any meeting in the early part of that year). In a paper by Mr. Knapp dated 8th July and circulated before the meeting, we again put forward the figures of \$140 million for India and \$50 million for Pakistan. At that date we had already made our pledge to India for 1965/66, but we had made no pledge for Pakistan. One paragraph in Mr. Knapp's paper reads:-

"The figure for India which is the same as for last year, represents the current rate of IDA commitments under the Indian Consortium through March 31st 1966. If this rate were to be increased for the Indian fiscal year commencing April 1st, 1966, it would be necessary to step up the allocation to India for the April to June quarter of 1966, which would require resort to the surplus of uncommitted funds."

You are recorded as having opened this meeting by saying: "The purpose of the meeting is the annual informal review of the IDA program."

I draw from this the following conclusions:-

- (a) Dr. Liefstinck was right in saying that we have normally



12th April 1966.

(i.e. two times out of three) cleared our lines with the principal Executive Directors before making pledges to India and Pakistan.

(b) that we have a technical answer of sorts in the paragraph from Mr. Knapp's paper quoted above, which can be construed as putting the Executive Directors on notice that IDA funds for India for 1966/67 would be at least maintained, and

(c) that meetings with the principal contributors at six-monthly intervals is a good idea and should be resumed.

If you agree I should like to talk to Dr. Liefstinck on these lines.

cc: Mr. J. Burke Knapp

GMWilson/mh

Files

April 11, 1966

B.R. Bell

Visit of Ashok Mehta

Briefly stated there are 6 major problems related to the impending visit of Mr. Ashok Mehta, Minister of Planning in the Government of India. These are as follows:

- (a) The action which the Government of India proposes to take on the 13 major issues of economic policy and program on which recommendations were made in the Bell Mission Report, and which were subject to discussion between the Government of India on the one hand and Messrs. de Lattre and Bell on the other hand in June and July 1965, and which were discussed further by Mr. Bell and Messrs. Ashok Mehta and Subramaniam a few weeks ago in India.
- (b) The mobilization of the aid or the aid assurances which would be required if the Government of India was to be in a position, within the next few months, to act in relation to its exchange rate and the removal of administrative controls over imports.
- (c) The size and character of future Bank/IDA lending operations in India.
- (d) The continuing relationship of the Bank and the Government of India on major issues of economic policy and program and the role of the Delhi Office of the Bank.
- (e) The response of the Government of India to the recent Bank aide-memoire in relation to India's fertilizer supplies.
- (f) The issues involved in the international waters shared by India and Pakistan.

The most important of these are (a) and (b) above. Obviously, the two together also involve the IMF and the US Government. Consequently, close contact with both will be essential.

Ind Count

Mr. Donald Fowler

April 8, 1966

Gregory Votaw

INDIA - Consortium:

Circulation of President Johnson's Food Message  
and the Joint Resolution of Congress.

Pursuant to our phone conversation yesterday, I attach a draft of a note to be circulated to members of the Indian consortium and a stencil of the text of the joint resolution of Congress.

If there is anything else we can do to facilitate the distribution Mr. Wilson announced at Tuesday's meeting, please do not hesitate to call.

Mr. S. Katz  
cc: New Delhi Office



*I-d Conn*

CROSS REFERENCE SHEET

COMMUNICATION: Senior Staff Meeting SSM/M/66-13

DATED: April 8, 1966

TO:

FROM:

FILED UNDER: Committees - Senior Staff Meetings

SUMMARY:

South Asia

12. Mr. Stevenson reported that the meeting of members of the Indian Consortium held in the Bank on April 5 to consider interim aid to India during 1966/67 had produced modestly encouraging results. The Bank had recommended that India be given assistance in a quick-disbursing, non-project form equal to the debt-repayment - \$180 million - due in 1966-67, and promises (including the proposed IDA credit of \$50 million) covering a substantial part of this sum had been made.

/13. over

13. The general atmosphere at the meeting was that the Consortium members were glad to resume consideration of Indian affairs; this was exemplified by the fact that, although the Bank had indicated when convening the meeting that it would suffice if only representatives normally stationed in Washington attended, Canada, Germany and the U.K. had sent representatives from their capitals.

14. In response to a question, Mr. Stevenson said that the matter of debt rescheduling had been taken up; indeed, the Government of India had requested assistance in that form, but the general feeling had been that debt rescheduling could better be considered in relation to long-term policy considerations, e.g. when the Fourth Five-Year Plan was ready, although there was no objection to individual countries waiving debt service at once. Canada had in fact announced that it was cancelling Indian debt to the extent of about \$10 million.

15. Mr. Alter said that the course taken with India of providing quick disbursing financial assistance on a program rather than a project basis to deal with the immediate emergency created a rather unfortunate precedent for "program assistance" sponsored by the Bank. He would have hoped that an emergency-type one-year debt rescheduling could be employed to cope with this kind of a problem and that program assistance sponsored by the Bank would be linked with understandings on the corrective economic policies that were necessary for the long term.

16. Mr. Stevenson said that, if India took the necessary policy steps, the amount of assistance required would be much larger. Since the debt falling due over the next five years could be an important contribution to that assistance, there was a general feeling that general debt rescheduling was a factor to be introduced at a later stage of discussion rather than in a meeting concerned with emergency assistance for one year.

17. Mr. Knapp said that the choice between quick-disbursing aid and debt-rescheduling had been influenced by the fact that, in view of the wider implications, few wanted to consider rescheduling debt service for one year only. In view of the small amount of assistance discussed at the meeting, compared with the usual Consortium pledging of the order of \$1 billion, he did not think that the Bank's normal policy of conditioning aid on policy changes had been prejudiced in this case.

18. Mr. Wilson pointed out that the Bank was handicapped in pushing for debt-rescheduling by the fact that it was not prepared to reschedule the repayment of its own loans. Mr. Demuth suggested that it was a debatable proposition that, in the long run, the Bank's "image" would be more damaged by rescheduling its own loans than by providing the kind of balance of payments aid which Mr. Alter had criticized. Perhaps a discussion of this general policy question, without reference to particular cases, would be desirable.

STATEMENT on AID to  
Tunisia - President U.S.A.



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Ind Consortium  
CONFIDENTIAL

IND 66-4

FROM: The Secretary

April 8, 1966

STATEMENT OF THE PRESIDENT OF THE UNITED STATES  
ON AID TO INDIA

At the meeting of Indian Consortium members on April 5, 1966, there were several references to the recent Message of the President of the United States to the Congress regarding aid to India. The text of that Message was distributed to the Executive Directors of the Bank on April 1, 1966, under cover of SecM66-108. Additional copies are available on request from the Secretary's Department (Telephone Ext. 2158).

In response to the President's Message both Houses of Congress have, by unanimous vote, adopted a resolution, the text of which is attached.

Distribution:

Executive Directors for:

|         |                |
|---------|----------------|
| Austria | Italy          |
| Belgium | Japan          |
| Canada  | Netherlands    |
| France  | United Kingdom |
| Germany | United States  |

Embassy of Japan  
Managing Director, IMF

Chairman, India Consortium  
Director, South Asia Department

For information:

President  
President's Council  
Executive Vice President (IFC)  
Executive Director for India  
Department Heads (Other)  
Resident Representative, India

### EMERGENCY FOOD RELIEF FOR INDIA

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Congress endorses and supports the President's initiative in organizing substantial American participation in an urgent international effort designed to:

- (a) Help meet India's pressing food shortages by making available to India under Public Law 480 agricultural commodities to meet India's normal import needs plus added quantities of agricultural commodities as the United States share in the international response to the Indian emergency;
- (b) Help combat malnutrition, especially in mothers and children, via a special program;
- (c) Encourage and assist those measures which the Government of India is planning to expand India's own agricultural production.

That the Congress urges the President to join India in pressing on other nations the urgency of sharing appropriately in a truly international response to India's critical need.

The Congress urges that to the extent necessary the food made available by this program be distributed in such manner that hungry people without money will be able to obtain food.

## OFFICE MEMORANDUM

TO: Files

FROM: Alexander Stevenson *AS*

SUBJECT: India - Debt Payments due to Kuwait

DATE: April 6, 1966

I spoke to Mr. Sundara Rajan today and drew his attention to the fact that \$6.7 million equivalent of Indian debt was repayable to Kuwait in 1966/67. The Bank was not, I told him, making any effort on India's behalf to have this postponed. If the Indians wish to do so, they should make that effort themselves.

Mr. Sundara Rajan said he knew that we were not doing anything about this debt, indeed his personal opinion was that the Government of India would not ask Kuwait for any postponement. The origin of the debt was not a development loan. Moreover, if India did ask for postponement it might have undesirable implications.

By this I understood him to mean that the Indians have been having some discussions with the Kuwaitis about industrial cooperation in both India and Kuwait and did not wish to risk disturbing whatever understandings may have been arrived at.

cc: Mr. Wilson ✓  
Mr. Bell  
Mr. Votaw

*GMW*  
*7/4*

AS/uz



*Jed Court*

Mr Alexander Stevenson

April 5, 1966

Gregory Votaw

INDIA - Consultation with Consortium Members:  
Bank/IDA Lending Program.

During this afternoon's meeting there may be a question about Bank/IDA lending to India. The proposed \$50 million credit for industrial imports is noted in Mr. Bell's memorandum and will be mentioned again by the Chairman. With respect to other lending proposals, I suggest an answer be given along the following lines:

"A credit of \$68 million for the Indian Railways has been under consideration for some time and negotiations are scheduled to begin a week from today. Similarly, the Beas equipment project and two loans to private steel mills (TISCO and IISCO) will probably be ready for presentation to the Executive Directors within the next few months. The Bank and IFC also have three fertiliser manufacturing proposals under consideration.

"Projects for the construction of a new port at Haldia, improvement of ore-loading facilities in Goa, expansion of metropolitan Bangalore's water supply, extension of the national telecommunications system and a further increase in power generating capacity at the Kothagudem thermal station are being developed with IDA financing in view and appraisals of these schemes will be completed as soon as various details are worked out at the Indian end. A number of agricultural development projects have also been discussed with Indian authorities and will be given prompt consideration by our staff as soon as they are formally presented for appraisal by India."

cc: Mr. G. M. Wilson  
Mr. B. R. Bell  
New Delhi Office

*Ind Comm*

CROSS REFERENCE SHEET

COMMUNICATION: Senior Staff Meeting SSM/M/66-12

DATED: April 4, 1966

TO:

FROM:

FILED UNDER: Committees - Senior Staff Meeting

SUMMARY:

South Asia

4. The Chairman reported that he and Mr. Schweitzer had met that morning with Mrs. Indira Gandhi, Prime Minister of India. He drew attention to the communique issued by President Johnson of the United States and Mrs. Gandhi, in which it was stated that the United States had a deep interest in participating in international efforts, particularly those under the leadership of the Bank, to raise living standards in India. This meant that the United States would regard the Bank as the principal instrument for development financial assistance to India. This position had favorable implications for IDA replenishment.

- 2 -

5. The next six months were likely to involve important decisions in relation to India, and the Bank would be in a position of responsibility. A first important step for the Bank to take would be to ascertain the willingness of the Consortium members to take part in interim assistance to India in 1966/67; a meeting for this purpose would be held at the Bank on April 5. If these countries expressed such willingness, the Indian Ministries concerned would send representatives to Washington for negotiations. The fourth Indian Five-Year Plan would be ready for study during the summer. For the year 1966/67 India would proceed without a long-term plan.

6. The Chairman said that he had made clear that progress in financial assistance to development in India would depend very largely on a change of attitude towards private investment. The greatest need for funds was in the private sector.

7. Mr. Stevenson reported that negotiations for a proposed \$68 million IDA credit for the Indian Railways would begin on April 12. At the same time a mission would be going to India to study the Tata Iron and Steel Company "balancing" project.



## OFFICE MEMORANDUM

TO: Mr. Alexander Stevenson

DATE: April 1, 1966

FROM: Gregory B. Votaw

APR 5 REC'D

SUBJECT: INDIA - Canadian Aid

1. I spoke with Mr. Patrick Reid this morning. He reported the following:

- (a) Food aid to India (the one million tons of wheat mentioned in President Johnson's message to Congress and recently reported in the press) is being offered on a grant basis. The Indians will have to pay freight charges - presumably at around \$14 per ton.
- (b) The Government has decided to waive the remaining principal and interest payments due from India on two 1958 wheat loans. This waiver would cover \$3.5 million in principal and \$0.3 million in interest due yesterday (March 31, 1966), equal amounts due on March 31, 1967 and slightly over \$1.0 million due both in December 1966 and in December 1967. The total amount of principal and interest payments to be waived would be \$10 million. Nearly half of this is due during the Indian fiscal year 1966/67, and an additional \$3.8 million was due yesterday. So far there has been no public announcement of this decision, which will require parliamentary approval, but Mr. Reid seems to expect to receive instructions to announce it to consortium members Tuesday. Ottawa is still considering various technical aspects of the waiver.
- (c) Canada is expecting to make its normal commodity assistance available to India in 1966/67. (Can. \$12.5 million or approximately U.S. \$11 million as noted in item (3) under footnote of Mr. Bell's Table). It is not clear yet whether Canada will be prepared to announce this intention (or decision) on Tuesday afternoon.
- (d) Last year Canada offered India program aid for purchases other than commodities in an amount of Can. \$5 million. To date India has used none of this, although one would expect that competitive suppliers of miscellaneous transport, electrical and/or industrial equipment could easily be found in Canada for that amount. The fact that this aid has not been used makes it difficult for the Canadian Government to press for additional aid this year.

2. Mr. Reid is agreeable to having the Chairman call Canada for the first statement when he starts around the table Tuesday.

cc: Mr. G. M. Wilson  
Mr. B. R. Bell  
Mr. S. Katz  
New Delhi Office



STATEMENT to Congress  
re Aid by Pres. U.S.A.

Mr. Geoffrey M. Wilson (through Mr. Alexander  
Stevenson)

April 1, 1966

Hans Pollan

INDIA - Swiss Assistance

1. We received yesterday the text of an agreement between the Government of India and the Government of the Swiss Confederation on the granting of "transfer credits" for a total of Sw. Fr. 70 million (\$16.2 million). This agreement was signed on March 7, 1966, in Bern.
2. The credit of Sw. Fr. 70 million is in the main to finance Swiss capital goods and to be provided in equal shares by the Swiss Government and a consortium of Swiss banks. The Government portion of the credit has a term of 15 years, including a grace period of 10 years, and carries interest at 3 percent per annum. (The term for the portion to be provided by the bank consortium is ten years, including five years' grace; interest is presumably charged at commercial rates).
3. Out of the 70 million Swiss francs, an amount of Sw. Fr. 21 million (\$4.9 million) has been set aside for the supply of component parts of capital goods "within the framework of joint venture projects or on the basis of license agreements between the Swiss and Indian firms"; this amount has therefore in some measure the character of non-project assistance.
4. The terms of the credit provided by the Swiss Government appear to be quite favorable. Therefore, you may wish to reply to the attached letter from the Swiss Embassy under cover of which the particulars on the credit were communicated to us. To that end, I enclose a draft, to which it may also be appropriate to add some words regarding your recent visit. Would you also want us to prepare a letter for you to officials in Switzerland with whom you discussed this credit last month?

cc: Messrs. A. Stevenson, B. Bell, G. Votaw, S. Katz; Delhi office

/bj

D R A F T  
HPollan/cas  
April 1, 1966

Mr. Andre Maillard  
Secretary of Embassy  
Embassy of Switzerland  
2900 Cathedral Avenue, N.W.  
Washington, D.C. 20008

Dear Mr. Maillard:

Your letter 533.321.-Md/mw of March 30 and its enclosures  
have been brought to my attention.

The Bank is glad to note the contribution which Switzerland  
is making to help India carry out her development effort. We are  
particularly glad to learn of the terms on which the Credit made by  
your Government has been arranged.

Yours sincerely,

Geoffrey M. Wilson

(copies to be sent to Messrs. Stevenson, Bell, Votaw, Katz, Delhi Office)



COPY

Mr. M. L. Hoffman

1st April 1966.

G. M. Wilson (Signed) G. M. Wilson

Aid Co-ordination

As you are away this afternoon I want to put in writing some comments on your admirable paper on aid coordination while they are fresh in my mind. I hope that we can talk about them on Monday.

I have some minor comments which I can explain orally but my main point, as you might expect, arises on page 12. This paragraph brushes off the Consortia in a way which to my mind is seriously misleading for the following reasons (I leave out the Turkish Consortium about which I know nothing).

1. Experience has been quite different in regard to India and Pakistan and they cannot be lumped together like this. Whatever may be said of India I do not believe that there has been any "detriment of coordination" so far as Pakistan is concerned and its performance has in fact improved steadily since the Consortium came into existence. The coordinating function was important for Pakistan right from the beginning and it was not until Pakistan planning and programming had been put on a relatively sound basis that the Consortium began to come through with pledges that the Pakistanis regarded as being anything like adequate.

2. It is true that the Indian Consortium started as a rescue operation, but India was also regarded at any rate until about a couple of years ago as "moving up towards the head of the class so far as its general economic performance is concerned." This was at least as important a reason for continuing with the Consortium after the original rescue operation as was the fund-raising aspect. It is India's disappointing performance over the last two or three years (due in part to "political and financial relapse") which has coloured the picture. And the existence of the Consortium, and the processes that have been carried out under its umbrella, have been responsible at any rate in part for, as we hope, getting India back on the rails. If they are to get back on the rails and do the things they ought to do, they will need assurance of finance on an increased scale for the next few years. I do not know whether this will be done formally through the Consortium or not but it would be a pity to dam in such uncompromising terms the fund-raising aspect of this activity.

3. Since Pakistan is well up in the class so far as its general economic performance is concerned and since India was there at the time when the Consortium was established I think that the conclusion in the last sentence of this paragraph is invalid.

4. One of the purposes of the Consortia was to secure general statements of intent with respect to the volume of assistance that a country might expect, i.e. the "second unfavourable feature" that you mentioned on pages 18 and 19 in regard to consultative groups. Surely you cannot condemn this in the case of the Consortia and at the same time advocate it in the case of consultative groups as something which would help to make these latter groups "an unqualified success".

5. In all the various functions that you set out for consultative groups there is nothing which is not equally applicable so far as the Consortia are concerned, even though some of these functions may not have been carried out as effectively as they might have been. (In fact I am not sure how far "coordination" is really the right word; we are not really coordinating the activities of the donors; what we are doing is trying to secure better performance and provide authoritative information on the basis of which bi-lateral donors can take their own decisions). The only difference as I see it between a Consortium and a consultative group is that in the case of the former there is an added function, i.e. pledging, which also means a more restricted membership. It seems to me that, for the purpose of your argument all that you need do is point out this difference between the two types of organization without making the qualitative judgments which appeared on page 12.

Incidentally, the U.S., U.K., Germany and Canada all attach considerable importance to the maintenance of the two Consortia which seems to show that they are not nearly as gloomy about them as you are.

One form of coordination you do not mention is the Colombo Plan. It is a very queer kind of animal and there may be good reasons for omitting it but you may care to give the matter a thought.

Ind Comm  
SecM66-108

FROM: The Secretary

April 1, 1966

STATEMENT OF THE PRESIDENT OF THE UNITED STATES

Attached for the information of the Executive Directors is a copy of the press release issued by the White House covering the Message of the President of the United States to the Congress dated March 30, 1966, recommending aid to India.

Distribution:

Executive Directors and Alternates  
President  
President's Council  
Executive Vice President, IFC  
Department Heads, Bank and IFC



MARCH 30, 1966

NOTICE: There should be no premature release of this Message to the Congress, nor should its contents be paraphrased, alluded to or hinted at in earlier stories. There is a total embargo on this message until 12:00 noon March 30, 1966, which includes any and all references to any material in this message.

Bill Moyers

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THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

In recent months I have been watching with deep concern the emerging problem of world food supply. And I have been especially concerned with the prospect for India. During this past week I have discussed the Indian food problem with the Prime Minister of India, who has been our welcome and distinguished guest here in Washington. I am persuaded that we may stand, at this moment on the threshold of a great tragedy. The facts are simple; their implications are grave. India faces an unprecedented drought. Unless the world responds, India faces famine.

Strong efforts by the Indian government, and our help, have so far averted famine. But in the absence of cooperative and energetic action by the United States, by other nations and by India herself, some millions of people will suffer needlessly before the next crop is harvested. This, in our day and age, must not happen. Can we let it be said that man, who can travel into space and explore the stars, cannot feed his own?

Because widespread famine must not and cannot be allowed to happen, I am today placing the facts fully before the Congress. I am asking the endorsement of the Congress for a program that is small neither in magnitude nor concept. I am asking the Congress, and the American people, to join with me in an appeal to the conscience of all nations that can render help.

I invite any information that the Congress can supply. Our people will welcome any judgments the Congress can provide. The executive branch, this nation and the world will take appropriate note and give proper attention to any contributions in counsel and advice that Congressional debate may produce.

If we all rally to this task, the suffering can be limited. A sister democracy will not suffer the terrible strains which famine imposes on free government.

Nor is this all. The Indians are a proud and self-respecting people. So are their leaders. The natural disaster which they now face is not of their making. They have not asked our help needlessly; they deeply prefer to help themselves. The Indian government has sound plans for strengthening its agricultural economy and its economic system. These steps will help India help herself. They will prevent a recurrence of this disaster. I also propose action through the World Bank and the Agency for International Development to support this strong initiative by the Government of India.

MORE



### The Crisis

Since independence India has done much to increase her output of agricultural products. Her agriculture has not been neglected. From 1950 to 1965 she increased food production 75 percent. This is a creditable achievement. But India has had to contend with a continuing and relentless increase in population. Her people have also consumed more from a higher income. Accordingly, she has remained heavily dependent on our help. Last year we provided, under Public Law 480, more than 6 million tons of wheat, equal to more than two-fifths of our own consumption. To keep this supply moving, the equivalent of two fully loaded liberty ships had to put in at an Indian port every day of the year.

Now India has been the victim of merciless natural disaster. Nothing is so important for the Indian farmer as the annual season of heavy rain -- the monsoon. Last year, over large parts of India, the rains did not come. Crops could not be planted, or the young plants withered and died in the fields. Agricultural output, which needed to increase, was drastically reduced. Not since our own dustbowl years of the nineteen-thirties has there been a greater agricultural disaster.

Indian leaders have rightly turned to the world for help. Pope Paul VI has endorsed their plea. So has the World Council of Churches. So has the Secretary General of the United Nations. So has the Director General of the Food and Agriculture Organization. And so, in this message, does the President of the United States.

I have said that effective action will not be cheap. India's need is for at least 11 to 12 million tons of imported grain from January to December 1966.

Food in this world is no longer easy to find.

But find it we must.

Here is what I propose.

### The Program

Last fiscal year we supplied six million tons of food grain to India. So far in this fiscal year, I have allotted 6.5 million tons of grain for shipment to India -- more than the total of six million tons which we had planned to provide as a continuation of past arrangements. It is even more necessary in this emergency to keep the pipelines full and flowing and to insure that there is no congestion of rail or sea transport. India, furthermore, estimates an additional six to seven million tons of food grain will be necessary through next December beyond what has already been committed or expected.

I propose that the United States provide three and one-half million tons of that requirement, with the remaining three and a half million tons coming from those nations which have either the food to offer or the means to buy food. I invite those nations to match the amount which we will supply. For example, I am delighted to be informed that Canada is prepared to provide a million tons of wheat and flour to India.

MORE



Every agriculturally advanced country can, by close scrutiny of its available supplies, make a substantial contribution. I ask that every government seek to supply the maximum it can spare -- and then a little more. I ask those industrial countries which cannot send food to supply a generous equivalent in fertilizer, or in shipping, or in funds for the purchase of these requisites. All know the Indian balance of payments is badly overburdened. Food and other materials should be supplied against payment in rupees, which is our practice, or as a gift.

It is not our nature to drive a hard mathematical bargain where hunger is involved. Children will not know that they suffered hunger because American assistance was not matched. We will expect and press for the most energetic and compassionate action by all countries of all political faiths. But if their response is insufficient, and if we must provide more, before we stand by and watch children starve, we will do so. I, therefore, ask your endorsement for this emergency action.

I have spoken mostly of bread-grains. The Prime Minister of India spoke also of other commodities which can meet part of the requirements or replace part of the need. In response to her needs, I propose that we allot up to 200,000 tons of corn, up to 150 million pounds of vegetable oils, and up to 125 million pounds of milk powder to India. The vegetable oil and milk powder are especially needed for supplementing the diets of Indian children.

In addition, India's own exchange resources can be released for food and fertilizer purchases if we make substantial shipments of cotton and tobacco. I am suggesting the allotment for this purpose of 325-700,000 bales of cotton and 2-4 million pounds of tobacco. Both of these commodities we have in relative abundance.

I request prompt Congressional endorsement of this action.

I urge, also, the strong and warmhearted and generous support of this program by the American people.

And I urge the strong and generous response of governments and people the world around.

India is a good and deserving friend. Let it never be said that "bread should be so dear, and flesh and blood so cheap" that we turned in indifference from her bitter need.

#### Further Action

The Indian people want to be self-supporting in their food supply.

Their government has adopted a far-reaching program to increase fertilizer production, improve water and soil management, provide rural credit, improve plant protection and control food loss. These essentials must be accompanied by a strong training and education program.

I have directed the Secretary of Agriculture, in cooperation with AID, to consult with the Indian government to ascertain if there are ways and means by which we can strengthen this effort. We have long experience with short courses, extension training and similar programs. If they can



be used, I feel certain that American agricultural experts would respond to an appeal to serve in India as a part of an Agricultural Training Corps or through an expanded Peace Corps. Many of our younger men and women would especially welcome the opportunity.

I am determined that in our assistance to the Indian government we not be narrowly limited by what has been done in the past. Let us not be afraid of our own enthusiasm. Let us be willing to experiment.

The Indian government believes that there can be no effective solution of the Indian food problem that does not include population control. The choice is now between a comprehensive and humane program for limiting births and the brutal curb that is imposed by famine. As Mrs. Gandhi told me, the Indian government is making vigorous efforts on this front.

Following long and careful planning and after discussions in recent days with Prime Minister Gandhi, I have proposed the establishment of the Indo-U.S. Foundation. This Foundation will be financed by rupees, surplus to our need, now on deposit in India. It will be governed by distinguished citizens of both countries. It will be a vigorous and imaginative enterprise designed to give new stimulus to education and scientific research in India. There is no field where, I hope, this stimulus will be greater than in the field of agriculture and agricultural development.

Finally, in these last days, the Prime Minister and I have talked about the prospects for the Indian economy. The threat of war with China and the unhappy conflict with Pakistan seriously interrupted India's economic progress. Steps had to be taken to protect dwindling exchange resources. These also had a strangling effect on the economy. Indian leaders are determined now to put their economy again on the upward path. Extensive discussions have been held with the World Bank, which heads the consortium of aid-giving countries.

The United States interferes neither in the internal politics nor the internal economic structure of other countries. The record of the last fifteen years is a sufficient proof that we ask only for results. We are naturally concerned with results -- with insuring that our aid be used in the context of strong and energetic policies calculated to produce the most rapid possible economic development.

We believe Indian plans now under discussion show high promise. We are impressed by the vigor and determination of the Indian economic leadership. As their plans are implemented, we look forward to providing economic assistance on a scale that is related to the great needs of our sister democracy.

An India free from want and deprivation will, as Mahatma Gandhi himself once predicted, "be a mighty force for the good of mankind."

LYNDON B. JOHNSON

THE WHITE HOUSE

March 30, 1966

# # # #

MINISTRY OF FINANCE

Ref. ZL.308.830-15a/66

Quarterly Report on Austrian Aid to India

Position at March 31, 1966

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Part A

1. Pledges. The Ministry of Finance once again points out that the total Austrian pledges amount to US\$17.85 million, and requests that this be indicated in a footnote in the next Quarterly Report, as in the case of the 1964/65 pledge in the IND 66-1 Report.

2. Orders placed. The total figure of orders placed up to December 31, 1965 was US\$12.6 million, of which US\$5 million relates to Austrian Credit to India I (1961/63 pledges) and US\$7.6 million to Credits to India II and III (1963/65 pledges). No orders have yet been placed against Credit to India IV (1965/66 pledges).

3. Disbursements. Disbursements during the fourth quarter of 1965 totalled approximately US\$1,127,300, of which about US\$20,800 relates to Credit to India I, about US\$388,500 to Credit to India II and about US\$718,000 to Credit to India III. Since no orders have yet been placed against Credit to India IV, no disbursements have been made.

Part B

No further agreements were concluded during the period of the Report.

Part C

No additional projects in preparation.

TRANSLATION SECTION

801/66

Translated From: German: 5/9/66

By:

JB:jn



Zl. 308.830-15a/66

TRANSLATED

MAY 9 1966

V i e r t e l j a h r e s b e r i c h t

I.B.R.D.

über die österreichische Indienhilfe zum 31. März 1966

Teil A

1. Zusagen (pledges): Das Bundesministerium für Finanzen weist nochmals darauf hin, daß die gesamten österreichischen Zusagen (pledges) 17'85 Millionen Dollar betragen und ersucht, dies im nächsten Vierteljahresbericht in einer Fußnote anzuführen, wie es bei der Zusage für 1964/65 im Bericht IND 66-1 geschehen ist.

2. Vergebene Aufträge (orders placed): Die Summe der bis 31.12.1965 getätigten Geschäftsabschlüsse betrug insgesamt 12'6 Millionen Dollar, davon entfallen auf den österreichischen Indien-Kredit I (1961/63 pledges) 5 Millionen Dollar und auf Indien-Kredite II und III (1963/65 pledges) 7'6 Millionen Dollar. Auf den Indien-Kredit IV (1965/66 pledges) sind bisher keine Aufträge vergeben worden.

3. Auszahlungen (disbursements): Die Höhe der Auszahlungen im vierten Quartal 1965 betrug rd. 1,127.300 US-Dollar. Davon entfallen rd. 20.800 US-Dollar auf den Indien-Kredit I, rd. 388.500 US-Dollar auf den Indien-Kredit II und rd. 718.000 US-Dollar auf den Indien-Kredit III. Auf den Indien-Kredit IV konnten, da bisher keine Aufträge vergeben wurden, keine Auszahlungen vorgenommen werden.

Teil B

Im Berichtszeitraum wurden keine weiteren Abkommen abgeschlossen.

Teil C

Zusätzliche Projekte stehen nicht in Vorbereitung.



Summary of 3rd PLAN  
aid PLEDGES Mar. 1966

SUMMARY OF THIRD PLAN AID TO INDIA  
PLEDGES, AGREEMENTS SIGNED, ORDERS PLACED AND AMOUNTS  
DISBURSED BY CONSORTIUM MEMBERS, AS OF MARCH 31, 1966

(U.S.\$ Million)

| Members                   | Pledges       | Amount for<br>which agree-<br>ments have<br>been signed. | Value of<br>orders<br>placed. | Amount<br>disbursed |
|---------------------------|---------------|----------------------------------------------------------|-------------------------------|---------------------|
| <u>TOTAL, ALL PLEDGES</u> |               |                                                          |                               |                     |
| 1961-62/1965-66.          | <u>5472.0</u> | <u>4537.7</u>                                            | <u>3780.3</u>                 | <u>2929.5</u>       |
| 1. Austria                | 18.0          | 17.9                                                     | 14.6                          | 9.9                 |
| 2. Belgium                | 24.0          | 24.0                                                     | 15.2                          | 7.6                 |
| 3. Canada                 | 173.5         | 113.4                                                    | 99.3                          | 80.9                |
| 4. France                 | 120.0         | 120.0                                                    | 78.0                          | 43.8                |
| 5. Germany                | 644.5         | 644.3                                                    | 534.6                         | <del>419.1</del>    |
| 6. Italy                  | 170.0         | 170.0                                                    | 69.9                          | 24.5                |
| 7. Japan                  | 290.0         | 290.0                                                    | 250.8                         | 166.3               |
| 8. Netherlands            | 44.0          | 44.0                                                     | 38.4                          | 20.0                |
| 9. United Kingdom         | 518.0         | 504.0                                                    | 479.5                         | 356.0               |
| 10. United States         | <u>2285.0</u> | <u>1720.7</u>                                            | <u>1517.0</u>                 | <u>1246.0</u>       |
| DLF/AID                   | NA            | 1528.7                                                   | 1351.8                        | 1125.1              |
| EXIM                      | NA            | 192.0                                                    | 165.2                         | 120.9               |
| 11. IBRD & IDA            | <u>1185.0</u> | <u>388.6</u>                                             | <u>683.0</u>                  | <u>555.4</u>        |
| IBRD                      | 515.0         | 303.6                                                    | 164.5                         | 131.9               |
| IDA                       | 670.0         | 585.0                                                    | 518.5                         | 423.5               |
| <u>SUBTOTAL, 1961/63</u>  |               |                                                          |                               |                     |
| <u>PLEDGES.</u>           | <u>2365.0</u> | <u>2337.8</u>                                            | <u>2201.4</u>                 | <u>1936.0</u>       |
| 1. Austria                | 5.0           | 5.0                                                      | 5.0                           | 4.7                 |
| 2. Belgium                | 10.0          | 10.0                                                     | 10.0                          | 7.3                 |
| 3. Canada                 | 61.0          | 58.8                                                     | 58.4                          | 53.1                |
| 4. France                 | 60.0          | 60.0                                                     | 45.0                          | 38.2                |

.....2/-



|                          |               |                         |              |                         |
|--------------------------|---------------|-------------------------|--------------|-------------------------|
| 5. Germany               | 364.0         | 363.9                   | 361.8        | 325.3                   |
| 6. Italy                 | 53.0          | 53.8                    | 38.9         | <del>24.5</del><br>24.5 |
| 7. Japan                 | 105.0         | 105.0                   | 105.0        | 104.7                   |
| 8. Netherlands           | 11.0          | 11.0                    | 11.0         | 7.2                     |
| 9. United Kingdom        | 263.0         | 266.0                   | 264.0        | 209.3                   |
| 10. United States        | <u>980.0</u>  | <u>954.3</u>            | <u>915.8</u> | <u>848.9</u>            |
| DLF/AID                  | 857.4         | 857.7                   | 820.7        | 760.8                   |
| EXIM                     | 122.6         | <del>96.6</del><br>96.6 | 95.1         | 88.1                    |
| 11. IBRD AND IDA         | 450.0         | 450.0                   | 386.5        | 312.8                   |
| IBRD                     | 200.0         | 200.0                   | 151.1        | 126.7                   |
| IDA                      | 250.0         | 250.0                   | 235.4        | 186.1                   |
| <u>SUBTOTAL, 1963/64</u> |               |                         |              |                         |
| <u>PLEDGES.</u>          | <u>1052.0</u> | <u>986.1</u>            | <u>831.4</u> | <u>573.9</u>            |
| 1. Austria               | 7.0           | 7.0                     | 6.7          | 4.3                     |
| 2. Belgium               | 10.0          | 10.0                    | 5.2          | 0.3                     |
| 3. Canada                | 30.5          | 23.5                    | 16.9         | 11.9                    |
| 4. France                | 20.0          | 20.0                    | 20.0         | 5.6                     |
| 5. Germany               | 99.5          | 99.5                    | 86.2         | 45.1                    |
| 6. Italy                 | 45.0          | 45.0                    | 31.0         | --                      |
| 7. Netherlands           | 11.0          | 11.0                    | 11.0         | 7.2                     |
| 8. Japan                 | 65.0          | 65.0                    | 61.7         | 44.2                    |
| 9. United Kingdom        | 84.0          | 84.0                    | 82.3         | 61.9                    |
| 10. United States        | <u>435.0</u>  | <u>377.5</u>            | <u>357.0</u> | <u>248.7</u>            |
| DLF/AID                  | NA            | 320.2                   | 312.6        | 234.2                   |
| EXIM                     | NA            | 57.3                    | 44.4         | 14.5                    |
| 11. IBRD & IDA           | <u>245.0</u>  | <u>243.6</u>            | <u>153.4</u> | <u>144.7</u>            |
| IBRD                     | 105.0         | 103.6                   | 13.4         | 5.2                     |
| IDA                      | 140.0         | 140.0                   | 140.0        | 139.5                   |
| <u>SUBTOTAL, 1964/65</u> |               |                         |              |                         |
| <u>Pledges</u>           | <u>1028.0</u> | <u>754.0</u>            | <u>562.2</u> | <u>321.7</u>            |
| 1. Austria               | 1.0           | a/ 0.9                  | 0.9          | 0.9                     |
| 2. Belgium               | --            | --                      | --           | --                      |
| 3. Canada                | 41.0          | 16.5                    | 12.1         | 9.4                     |
| .....3/-                 |               |                         |              |                         |



| Members                 | Pledges       | Amount for which agreements have been signed. | Value of orders placed | Amount disbursed. |
|-------------------------|---------------|-----------------------------------------------|------------------------|-------------------|
| 1                       | 2             | 3                                             | 4                      | 5                 |
| 4. France               | 20.0          | 20.0                                          | 13.0                   | -                 |
| 5. Germany              | 95.0          | 95.0                                          | 63.2                   | 25.3              |
| 6. Italy                | 36.0          | 36.0                                          | -                      | -                 |
| 7. Japan                | 60.0          | 60.0                                          | 57.2                   | 13.1              |
| 8. Netherlands          | 11.0          | 11.0                                          | 11.0                   | 5.6               |
| 9. United Kingdom       | 84.0          | 84.0                                          | 73.4                   | 42.6              |
| 10. United States       | 435.0         | 335.6                                         | 238.3                  | 142.5             |
| DLF/AID                 | NA            | 300.8                                         | 212.6                  | 124.2             |
| EXIM                    | NA            | 34.8                                          | 25.7                   | 18.3              |
| 11. IBRD & IDA          | 245.0         | 95.0                                          | 93.1                   | 82.3              |
| IBRD                    | 105.0         | -                                             | -                      | -                 |
| IDA                     | 140.0         | 95.0                                          | 93.1                   | 82.3              |
| <u>SUBTOTAL 1965/66</u> |               |                                               |                        |                   |
| <u>Pledges</u>          | <u>1027.0</u> | <u>459.8</u>                                  | <u>185.3</u>           | <u>97.9</u>       |
| 1. Austria              | 5.0           | 5.0                                           | 2.0                    | -                 |
| 2. Belgium              | 4.0           | 4.0                                           | -                      | -                 |
| 3. Canada               | 41.0          | 14.6                                          | 11.9                   | 6.5               |
| 4. France               | 20.0          | 20.0                                          | -                      | -                 |
| 5. Germany              | 86.0          | 85.9                                          | 23.4                   | 23.4              |
| 6. Italy                | 36.0          | 36.0                                          | -                      | -                 |
| 7. Japan                | 60.0          | 60.0                                          | 26.9                   | 4.3               |
| 8. Netherlands          | 11.0          | 11.0                                          | 5.4                    | -                 |
| 9. United Kingdom       | 84.0          | 70.0                                          | 59.8                   | 42.2              |
| 10. United States       | 435.0         | 53.3                                          | 5.9                    | 5.9               |
| DLF/AID                 | NA            | 50.0                                          | 5.9                    | 5.9               |
| EXIM                    | NA            | 3.3                                           | -                      | -                 |

.....4/-



| 1.             | 2     | 3     | 4    | 5    |
|----------------|-------|-------|------|------|
| 11. IBRD & IDA | 245.0 | 100.0 | 50.0 | 15.6 |
| IBRD           | 105.0 | -     | -    | -    |
| IDA            | 140.0 | 100.0 | 50.0 | 15.6 |

\*\*\*\*\*

A  
a/ The pledge is for \$ 0.85 million.  
\$ 1 million is shown as rounded figure,  
since it is also being shown by IBRD in  
consolidated press releases.

Summary concluded

(For details please see enclosed statement.)



DETAILS OF CONSORTIUM ASSISTANCE VALUE OF ORDERS PLACED AND-  
AMOUNTS DISBURSED UNDER VARIOUS AID AGREEMENTS AS OF 31-3-66

(U.S. \$ Million)

| Agreement                        |                                               | Amount of     | Orders        | Disbursement  |
|----------------------------------|-----------------------------------------------|---------------|---------------|---------------|
| 1                                |                                               | Agreement     | placed        |               |
|                                  |                                               | 2             | 3             | 4             |
| GRAND TOTAL:                     |                                               | 4537.7        | 3780.3        | 2929.5        |
| <u>SUB-TOTAL 1961/63 PLEDGES</u> |                                               | <u>2337.8</u> | <u>2201.4</u> | <u>1936.0</u> |
| <u>AUSTRIA</u>                   | Sub-total                                     | 5.0           | 5.0           | 4.7           |
|                                  | Credit for Capital goods                      | 5.0           | 5.0           | 4.7           |
| <u>BELGIUM</u>                   | Sub-total                                     | <u>10.0</u>   | <u>10.0</u>   | <u>7.3</u>    |
|                                  | Supplier's credits                            | 10.0          | 10.0          | 7.3 (b)       |
| <u>CANADA</u>                    | Sub-total                                     | <u>58.8</u>   | <u>58.4</u>   | <u>53.1</u>   |
| <u>LOANS</u>                     | Sub-total                                     | <u>23.4</u>   | <u>23.0</u>   | <u>19.6</u>   |
|                                  | Rana Pratap Sagar Hydro-electric Project      | 7.4           | 7.2           | 6.7           |
|                                  | Indian Aluminium Co. Expansion (I Loan)       | 0.9           | 0.9           | 0.9           |
|                                  | Diesel Locos for Indian Railways              | 7.1           | 7.1           | 7.1           |
|                                  | Binani Zinc Smelter                           | 1.5           | 1.5           | 1.8           |
|                                  | Indian Aluminium Co. Expansion (II Loan)      | 0.8           | 0.6           | 0.5           |
|                                  | Wind Tunnel Project                           | 3.9           | 3.9           | 2.5           |
|                                  | Amco furnace for Durgapur Alloy Steel Project | 1.8           | 1.8           | 0.9           |
| <u>GRANTS</u>                    | sub-total                                     | <u>35.4</u>   | <u>35.4</u>   | <u>33.5</u>   |
| <u>FRANCE</u>                    | sub-total                                     | <u>60.0</u>   | <u>45.0</u>   | <u>38.2</u>   |
|                                  | First Credit for Third Plan                   | 30.0          | 45.0          | 38.2 h/e      |
|                                  | Second Credit for Third Plan                  | 20.0          |               |               |
|                                  | I.F.C. Credit                                 | 10.0          | -             | -             |

contd.....p.t.o.



|                                                                                                         | (1) | (2)          | (3)          | (4)          |
|---------------------------------------------------------------------------------------------------------|-----|--------------|--------------|--------------|
| <u>GERMANY</u> sub-total                                                                                |     | <u>363.9</u> | <u>361.8</u> | <u>325.3</u> |
| Credits DM 230, DM 100 and)<br>DM 170 Million in 1961 )<br>plus DM 85 and DM 100 )<br>Million in 1962 ) |     | 171.3        | 171.3        | 171.3        |
| DM 56 Mil. Credit for<br>Rourkela Services                                                              |     | 14.0         | 14.0         | 9.4          |
| DM 107 Mil. Credit for<br>Projects                                                                      |     | 26.8         | 26.8         | 26.8         |
| DM 75 Mil. Credit for<br>Commodities                                                                    |     | 18.8         | 18.8         | 18.8         |
| DM 20 Mil for ICICT                                                                                     |     | 5.0          | 4.9          | 4.9          |
| DM 25 Mil for I.F.C.                                                                                    |     | 6.2          | 4.6          | 3.4          |
| DM 5 Mil. for N.S.I.C.                                                                                  |     | 1.3          | 0.9          | 0.6          |
| DM 82 Mil. credit for<br>infrastructure Projects                                                        |     | 20.5         | 20.5         | 20.5         |
| DM 400 Mil credit for<br>Rourkela Expansion                                                             |     | 100.0        | 100.0        | 69.6         |
| <u>ITALY</u> sub-total                                                                                  |     | <u>53.8</u>  | <u>38.9</u>  | <u>24.5</u>  |
| ENI Credit for Petroleum<br>Projects                                                                    |     | 45.0         | 30.9         | 16.7         |
| Montecatini Credit for<br>Madras Aluminium                                                              |     | 8.8          | 8.0          | 7.8          |
| <u>JAPAN</u> Sub-total                                                                                  |     | <u>105.0</u> | <u>105.0</u> | <u>104.7</u> |
| 34.2 billion yen Credit<br>for Capital goods                                                            |     | 95.0         | 95.0         | 94.7         |
| Suppliers' Credit for<br>Textile Machinery                                                              |     | 10.0         | 10.0         | 10.0         |
| <u>NETHERLANDS</u> - Sub-total                                                                          |     | <u>11.0</u>  | <u>11.0</u>  | <u>7.2</u>   |
| General Purpose Credit                                                                                  |     | 7.2          | 7.2          | 7.2          |
| Financial (Export) Credit                                                                               |     | 3.8          | 3.8          | -            |
| <u>UNITED KINGDOM</u> - Sub-total                                                                       |     | <u>266.0</u> | <u>264.0</u> | <u>209.3</u> |
| UK India (FYP) Credit 1961                                                                              |     | 84.0         | 84.0         | 78.1         |



| <u>(1)</u>                                     | <u>(2)</u>   | <u>(3)</u>   | <u>(4)</u>   |
|------------------------------------------------|--------------|--------------|--------------|
| UK-India (General Credits)<br>1961 (1st & 2nd) | 42.0         | 42.0         | 42.0         |
| 1st UK-India (General)<br>Credit, 1962         | 28.0         | 28.0         | 21.9         |
| UK-India (Durgapur Expansion)<br>Credit 1962   | 61.6         | 61.6         | 32.7         |
| UK-India (FYP) Credit 1962                     | 36.4         | 34.4         | 20.6         |
| 2nd UK-India (General)<br>Credit 1962          | 14.0         | 14.0         | 14.0         |
| <u>UNITED STATES - Sub-total</u>               | <u>954.3</u> | <u>915.8</u> | <u>848.9</u> |
| <u>Exim Bank - sub-total</u>                   | <u>96.6</u>  | <u>95.1</u>  | <u>88.1</u>  |
| Air India I                                    | 4.1          | 4.1          | 4.1          |
| Orient Paper Mills                             | 18.5         | 18.5         | 18.5         |
| Air India II                                   | 8.1          | 8.1          | 8.1          |
| East India Hotels                              | 0.7          | 0.5          | 0.5          |
| Exim Credit III for<br>capital goods           | 25.0         | 25.0         | 25.0         |
| Union Carbide                                  | 7.6          | 6.9          | 6.4          |
| Diesel Locomotive Works I                      | 19.0         | 19.0         | 17.9         |
| Hindustan Aluminium II                         | 5.0          | 5.0          | 4.6          |
| Bharat Forge                                   | 3.9          | 3.3          | 3.0          |
| Indian Rayon Corporation                       | 4.7          | 4.7          | -            |
| <u>DLF/AID - Sub-total</u>                     | <u>857.7</u> | <u>820.7</u> | <u>760.8</u> |
| ICICI                                          | 5.0          | 4.4          | 3.5          |
| N.S.I.C.                                       | 10.0         | 9.8          | 8.8          |
| Talcher Power                                  | 33.0         | 32.6         | 21.7         |
| Sharavathi Power II                            | 18.4         | 15.6         | 12.3         |
| Birsinghpur Power                              | 8.4          | 8.4          | 5.2          |
| Premier Automobiles I                          | 7.2          | 7.2          | 7.1          |



| (1)                           | (2)          | (3)                  | (4)          |
|-------------------------------|--------------|----------------------|--------------|
| Non-ferrous Metals            | 20.0         | 20.0                 | 20.0         |
| Bandel Power                  | 38.0         | 37.4                 | 33.1         |
| Cambay Power                  | 33.6         | 33.0                 | 31.9         |
| Non-Project Loan I            | 200.0        | 200.0                | 199.7        |
| Patherdih Coal Washery        | 4.2          | 4.2                  | 3.6          |
| Fourth Railway Loan           | 43.0         | 43.0                 | 42.7         |
| Pamba-Kakki Power             | 20.2         | 17.1                 | 17.2         |
| I.F.C. II                     | 20.0         | 10.3                 | 5.1          |
| Premier Automobiles II        | 3.0          | 3.0                  | 2.9          |
| Trombay Power                 | 17.9         | 17.2                 | 16.4         |
| D.C.M. Rayon Tire Cord        | 9.8          | 7.8                  | 7.8          |
| Nepco Bavel Gear              | 2.3          | 2.3                  | 2.3          |
| TELCO I                       | 13.7         | 13.6                 | 13.6         |
| Hindustan Motors              | 15.8         | 15.8                 | 14.7         |
| Non-Project Loan II           | 240.0        | 240.0                | 239.9        |
| Delhi Thermal Power           | 16.0         | 13.0                 | 6.0          |
| Satpura Thermal Power         | 25.1         | 18.2                 | 11.5         |
| Ramagundam Power              | 8.4          | 5.4                  | 1.6          |
| Chandrapura Thermal Power II  | 16.0         | 12.9                 | 7.8          |
| Railways V                    | 15.9         | 15.9                 | 13.6         |
| Central Ropeways              | 7.7          | 7.5                  | 6.3          |
| Dugda Coal Washery            | 5.1          | 5.1                  | 4.5          |
| <u>WORLD BANK - Sub-total</u> | <u>200.0</u> | <u>(a) 151.1 (a)</u> | <u>126.7</u> |
| Private Sector Coal           | 29.1 d       | 29.1 d               | 28.3         |
| Calcutta Port II              | 21.0         | 20.0                 | 9.9          |
| IISCO III                     | 19.5         | 7.9                  | 4.7          |
| Railway VI                    | 50.0         | 50.0                 | 50.0         |



|                                           | (1) | (2)                      | (3)          | (4)          |
|-------------------------------------------|-----|--------------------------|--------------|--------------|
| ICICI IV                                  |     | 20.0                     | 18.4         | 16.6         |
| ICICI V                                   |     | 30.0                     | 24.2         | 16.8         |
| ICICI VI                                  |     | 30.4 (50.0) <sup>e</sup> | 1.5 f        | 0.4          |
| <u>IDA -</u> Sub-total                    |     | <u>250.0</u>             | <u>235.4</u> | <u>186.1</u> |
| Roads                                     |     | 60.0                     | 60.0 g       | 51.7         |
| U.P. Tubewells                            |     | 6.0                      | 6.0 g        | 6.0          |
| Shetrunji Irrigation                      |     | 4.5                      | 4.5 g        | 3.4          |
| Salandi Irrigation                        |     | 8.0                      | 6.1 g        | 1.6          |
| Punjab Drainage                           |     | 10.0                     | 10.0 g       | 9.4          |
| D.V.C. IV                                 |     | 18.5                     | 18.5         | 12.0         |
| Sone Irrigation                           |     | 15.0                     | 14.0 g       | 11.6         |
| Purna Irrigation                          |     | 13.0                     | 12.5 g       | 9.4          |
| Koyna II                                  |     | 17.5                     | 12.6 g       | 11.0         |
| Bombay Port                               |     | 18.0                     | 11.7         | 3.4          |
| Telecommunications I                      |     | 42.0                     | 42.0         | 35.6         |
| Railways VII                              |     | 17.5                     | 17.5         | 17.5         |
| Kothagudam Power                          |     | 20.0                     | 20.0 g       | 13.5         |
| <u>SUB-TOTAL 1963/64 PLEDGES</u>          |     | <u>986.1</u>             | <u>831.4</u> | <u>573.9</u> |
| <u>AUSTRIA</u> Sub-total                  |     | <u>7.0</u>               | <u>6.7</u>   | <u>4.3</u>   |
| Credit for Capital goods                  |     | 7.0                      | 6.7          | 4.3          |
| <u>BELGIUM</u> Sub-total                  |     | <u>10.0</u>              | <u>5.2</u>   | <u>0.3</u>   |
| Suppliers' Credit                         |     | 10.0                     | 5.2          | 0.3          |
| <u>CANADA</u> Sub-total                   |     | <u>23.5</u>              | <u>16.9</u>  | <u>11.9</u>  |
| <u>LOANS</u> Kotah Hydro Electric Project |     | 7.4                      | 5.3          | 0.9          |
| <u>GRANTS</u>                             |     | 16.1                     | 11.6         | 11.0         |

Contd....P.T.O....p/6...



|                       | (1)                                                 | (2)         | (3)         | (4)         |
|-----------------------|-----------------------------------------------------|-------------|-------------|-------------|
| <u>FRANCE</u>         | Sub-total                                           | <u>20.0</u> | <u>20.0</u> | <u>5.6</u>  |
|                       | Third Credit for III Plan                           | 20.0        | 20.0        | 5.6         |
| <u>GERMANY</u>        | Sub-total                                           | <u>99.5</u> | <u>86.2</u> | <u>45.1</u> |
|                       | DM 61.4 Mil. credit for Rourkela Refinancing        | 15.4        | 15.4 h      | 15.4        |
|                       | DM 40 Mil. for commodities                          | 10.0        | 10.0        | 9.3         |
|                       | DM 40 Mil. for selected continuing Projects I       | 10.0        | 8.6         | 5.2         |
|                       | DM 60 Mil. for Alloy Steel Plant                    | 15.0        | 12.2        | 3.4         |
|                       | DM 14 Mil. for Rourkela Expansion                   | 3.5 i       | 3.5         | -           |
|                       | DM 23.5 Mil for commodities                         | 5.9         | -           | -           |
|                       | DM 28.1 Mil for down payment for ships              | 7.0         | 7.0         | 7.0         |
|                       | DM 10 mil for ICICI                                 | 2.5         | 0.5         | 0.5         |
|                       | DM 5 Mil for N.S.I.C.                               | 1.2         | -           | -           |
|                       | DM 116 Mil. Suppliers' credit for Purchase of ships | 29.0        | 29.0        | 4.3         |
| <u>ITALY</u>          | Sub-total                                           | <u>45.0</u> | <u>31.0</u> | <u>-</u>    |
|                       | Suppliers' Credit                                   | 45.0        | 31.0 j      | -           |
| <u>JAPAN</u>          | Sub-total                                           | <u>65.0</u> | <u>61.7</u> | <u>44.2</u> |
|                       | Third Yen Credit (23.4 billion)                     | 65.0        | 61.7        | 44.2        |
| <u>NETHERLANDS</u>    | Sub-total                                           | <u>11.0</u> | <u>11.0</u> | <u>7.2</u>  |
|                       | General Purpose Credit                              | 7.2         | 7.2         | 7.2         |
|                       | Financial (Export) Credit                           | 3.8         | 3.8         | -           |
| <u>UNITED KINGDOM</u> | Sub-total                                           | <u>84.0</u> | <u>82.3</u> | <u>61.9</u> |
|                       | Steel, 1963                                         | 9.8         | 9.8         | 9.0         |
|                       | General, 1963                                       | 28.0        | 28.0        | 28.0        |

Contd.....p/7.....



|                      | <u>(1)</u>                            | <u>(2)</u>   | <u>(3)</u>   | <u>(4)</u>   |
|----------------------|---------------------------------------|--------------|--------------|--------------|
|                      | Kipping Loan, 1963                    | 11.2         | 11.2         | 4.6          |
|                      | (no) General, 1964                    | 14.0         | 14.0         | 14.0         |
|                      | Bhopal, 1964                          | 7.0          | 7.0          | 2.8          |
|                      | First UK-India (Five Year Plan)       | 14.0         | 12.3         | 3.5          |
| <u>UNITED STATES</u> | - Sub-total                           | <u>377.5</u> | <u>357.0</u> | <u>248.7</u> |
|                      | Exim Bank - Sub-total                 | <u>57.3</u>  | <u>44.4</u>  | <u>14.5</u>  |
|                      | Coromandel Fertilizers                | 27.0         | 21.6 ( / )   | 6.7          |
|                      | Exim Credit IV                        | 25.0         | 20.7         | 7.0          |
|                      | Mysore Acetate & Chemicals            | 2.1          | 2.1          | 0.8          |
| <u>AID</u>           | Chemicals & Plastics                  | 3.2          | 3.2          | 2.2          |
|                      | Sub-total                             | <u>320.2</u> | <u>312.6</u> | <u>234.2</u> |
|                      | Tarapore Atomic Power                 | 80.0         | 75.8         | 29.5         |
|                      | Non-Project Loan III                  | 225.0        | 225.0        | 198.7        |
|                      | Trombay Fertilizer II                 | 7.8          | 7.6          | 6.0          |
|                      | National Engineering Industries       | 4.3          | 3.0          | -            |
|                      | Sharavathi Hydro-Electric Project III | 3.1          | 1.2          | -            |
| <u>I. B. R. D.</u>   | Sub-total                             | <u>103.6</u> | <u>13.4</u>  | <u>5.2</u>   |
|                      | Power Transmission Schemes            | 70.0         | -            | -            |
|                      | Kothagudam Power                      | 14.0         | 13.4         | 5.2          |
|                      | I. C. I. C. I. - VI                   | 19.6         | -            | -            |
|                      | (50.0 e)                              |              |              |              |
| <u>I. D. A.</u>      | Sub-total                             | <u>140.0</u> | <u>140.0</u> | <u>139.5</u> |
|                      | Railways - VII                        | 50.0         | 50.0         | 50.0         |
|                      | Industrial Imports I                  | 90.0         | 90.0         | 89.5         |



(U.S. \$ Million)

|                                  | Agreement                                       | Amount of Agreement | Orders placed | Disbursement |
|----------------------------------|-------------------------------------------------|---------------------|---------------|--------------|
| <u>SUB-TOTAL 1964/65 PLEDGES</u> |                                                 |                     |               |              |
|                                  |                                                 | 754.0               | 562.2         | 321.7        |
| <u>Austria-</u>                  | Sub-total                                       | 0.9                 | 0.9           | 0.9          |
|                                  | For Capital goods and Commodities.              | 0.9                 | 0.9           | 0.9          |
| <u>Canada-</u>                   | Sub-total                                       | 16.5                | 12.1          | 9.4          |
|                                  | <u>Loans</u>                                    |                     |               |              |
|                                  | Bandu Atomic Power Project.                     | 0.6 K/              | 0.6           | 0.6          |
|                                  | <u>Grants</u>                                   | 15.9 L              | 11.5          | 8.8          |
| <u>France-</u>                   | Sub-total                                       | 20.0                | 13.0          | -            |
|                                  | Fourth Credit for Third Plan                    | 20.0                | 13.0          | -            |
| <u>Germany-</u>                  | Sub-total                                       | 95.0                | 63.2          | 25.3         |
|                                  | DM 90 Mil. for Rourkela repayments              | 22.5                | 22.5 K/       | 22.5         |
|                                  | DM 55 Mil. for Commodities                      | 12.8                | 2.0           | -            |
|                                  | DM 40 Mil. for financing continuing Projects II | 10.0                | 10.0          | -            |
| @ Neyveli minig scheme.          | DM 10 Mil. for @                                | 2.5                 | 2.5           | 1.6          |
|                                  | DM 6.4 Mil. for Sawang Coal Washery             | 1.6                 | 1.6           | 0.2          |
|                                  | DM 13 Mil. for MISL Electric Arc Furnace        | 3.3                 | 2.5           | 0.2          |
|                                  | DM 18 Mil. for Railways                         | 4.5                 | 0.8           | 0.8          |
|                                  | DM 7.25 Mil. for Telco                          | 1.8                 | -             | -            |

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| Agreement             |                                                                                 | Amount of Agreement | Orders placed | Disbursement |
|-----------------------|---------------------------------------------------------------------------------|---------------------|---------------|--------------|
| <u>3</u>              | D.M. 5.35 Mil. for other projects.                                              | 1.3                 | -1/           | -            |
|                       | DM 15 Mil. for I.F.C.                                                           | 3.8                 | 0.4           | -            |
|                       | DM 5 Mil. for I.C.I.C.I                                                         | 1.2                 | -             | -            |
|                       | DM 5 Mil. for N.S.I.C.                                                          | 1.2                 | -             | -            |
|                       | DM 82 Mil suppliers' credit for ships                                           | 20.5                | 20.5          | -            |
|                       | DM 28 Mil. Suppliers' credit for items other than ships.                        | 7.0                 | 0.4           | -            |
| <u>ITALY</u>          | Sub -total                                                                      | <u>36.0</u>         | <u>-</u>      | <u>-</u>     |
|                       | Suppliers Credit                                                                | 36.0                | -             | -            |
| <u>JAPAN</u>          | Sub-total                                                                       | <u>60.0</u>         | <u>57.2</u>   | <u>13.1</u>  |
|                       | Fourth Yen Credit (21.6 billion)                                                | 60.0                | 57.2          | 13.1         |
| <u>NETHERLANDS</u>    | Sub Total                                                                       | <u>11.0</u>         | <u>11.0</u>   | <u>5.6</u>   |
|                       | General purpose credit                                                          | 7.2                 | 7.2           | 5.6          |
|                       | Financial (Export)                                                              | 3.8                 | 3.8           | -            |
| <u>UNITED KINGDOM</u> | Sub-total                                                                       | <u>84.0</u>         | <u>73.4</u>   | <u>42.6</u>  |
|                       | Second UK-India (General) Credit, 1964                                          | 28.0                | 28.0          | 28.0         |
|                       | Second UK-India (General) Credit 1964 (Oil India)                               | 4.2                 | 3.4           | -            |
|                       | Third UK-India (Five Year Plan) Credit, 1964 (Capital goods for Private sector) | 4.3                 | 1.4           | -            |
|                       | Fourth UK-India (Five year Plan) Credit, 1964 (Components for B.O.I Industries) | 2.8                 | 0.8           | -            |



|                                                                           |              |              |              |
|---------------------------------------------------------------------------|--------------|--------------|--------------|
| Fifth UK-India (Five Year Plan) Credit, 1964 (Singarani)                  | 3.5          | 3.0          | 0.8          |
| Sixth UK-India (Five Year Plan) Credit, 1964 (Turbines for Power station) | 9.0          | 9.0          | -            |
| Second UK-India (Bhopal) Credit, 1964                                     | 5.6          | 4.8          | 0.4          |
| Third UK-India (General) Credit, 1964 (Kipping II)                        | 11.2         | 7.6          | -            |
| First UK-India (General) Credit, 1965                                     | 14.0         | 14.0         | 13.0         |
| UK-India (Five Year Plan) Credit, 1965                                    | 1.4          | 1.4          | 0.4          |
| <u>United States-Sub-total</u>                                            | <u>335.6</u> | <u>238.3</u> | <u>142.5</u> |
| <u>Exim Bank Sub-total</u>                                                | <u>34.8</u>  | <u>25.7</u>  | <u>18.3</u>  |
| Diesel Locomotive Works II                                                | 17.0         | 17.0         | 15.3         |
| Hindustan Aluminium III                                                   | 11.0         | 8.7          | 3.0          |
| General Pulp Mills                                                        | 6.8          | -            | -            |
| <u>DLF/AID-Sub-total</u>                                                  | <u>300.8</u> | <u>212.6</u> | <u>124.2</u> |
| Commodity Assistance Programme 1964/65 (I Tranche)                        | 50.0         | 50.0         | 42.8         |
| Railways VI                                                               | 7.2          | 7.2          | 5.8          |
| Telco II                                                                  | 11.8         | 7.9          | 3.7          |
| Consultancy Services                                                      | 2.0          | 0.2          | 0.2          |



(U.S. \$ Million)

| Agreement               |                                                   | Amount of    | Orders       | Disbursement. |
|-------------------------|---------------------------------------------------|--------------|--------------|---------------|
|                         |                                                   | Agreement    | placed       |               |
|                         | IFC III                                           | 10.0         | -            | -             |
|                         | Hindustan Motors<br>(Trucks)                      | 23.0         | -            | -             |
|                         | Hindustan Motors<br>(Shovels)                     | 3.0          | 0.3          | 0.3           |
|                         | Commodity Assistance<br>Programme (II Tranche)    | 190.0        | 147.0        | 71.4          |
|                         | Railways VII                                      | 3.8          | -            | -             |
| <u>I.D.A.</u>           | -Sub-total                                        | 95.0         | 93.1         | 82.3          |
|                         | Telecommunications                                | 113.0        | 31.1         | 20.3          |
|                         | Railways VIII                                     | 62.0         | 62.0         | 62.0          |
|                         | <u>SUB-TOTAL 1965/66 Pledges</u>                  | <u>459.8</u> | <u>185.3</u> | <u>97.9</u>   |
|                         | <u>Austria-Sub-total</u>                          | <u>5.0</u>   | <u>2.0</u>   | <u>-</u>      |
|                         | Suppliers' Credit<br>credit for capital<br>goods. | 1.0<br>4.0   | -<br>2.0     | -<br>-        |
| <u>BELGIUM-</u>         | Sub-total.                                        | 4.0          | -            | -             |
|                         | Suppliers' Credit                                 | 4.0          | -            | -             |
| <u>CANADA</u>           | Sub-total                                         | 14.6         | 11.9         | 6.5           |
|                         | <u>Loans</u>                                      |              |              |               |
|                         | Candu Atomic Power<br>Project                     | 3.0 K        | 3.0          | 3.0           |
|                         | <u>Grants</u>                                     | <u>11.6</u>  | <u>8.9</u>   | <u>3.5</u>    |
| <u>FRANCE-Sub-total</u> |                                                   | <u>20.0</u>  | <u>-</u>     | <u>-</u>      |
|                         | Fifth Credit for<br>Third Plan.                   | 20.0         | -            | -             |



| Agreement             |                                        | Amount of Agreement | Orders Placed | Disbursement |
|-----------------------|----------------------------------------|---------------------|---------------|--------------|
| <u>GERMANY</u>        | Sub-total                              | <u>85.9</u>         | <u>23.4</u>   | <u>23.4</u>  |
|                       | DM 93.6 Mil. for Rourkela Repayments   | 23.4                | 23.4h/        | 23.4         |
|                       | DM 60 Mil. for Commodities             | 15.0                | -             | -            |
|                       | DM 40 Mil. for New Projects            | 10.0                | -             | -            |
|                       | DM 20 Mil. for IFC                     | 5.0                 | -             | -            |
|                       | DM 20 Mil. for ICICI                   | 5.0                 | -             | -            |
|                       | DM 10 Mil. for NSIC                    | 2.5                 | -             | -            |
|                       | DM 100 Mil Suppliers' Credit.          | 25.0                | -             | -            |
| <u>ITALY</u>          | Sub-total                              | <u>36.0</u>         | <u>-</u>      | <u>-</u>     |
|                       | Suppliers' Credit                      | 36.0                | -             | -            |
| <u>JAPAN</u>          | Sub-total                              | <u>60.0</u>         | <u>26.9</u>   | <u>4.3</u>   |
|                       | Fifth Yen Credit (21.6 billion)        | 60.0                | 26.9          | 4.3          |
| <u>NETHERLANDS</u>    | Sub-total                              | <u>11.0</u>         | <u>5.4</u>    | <u>-</u>     |
|                       | General Purpose Credit                 | 7.2                 | 5.4           | -            |
|                       | Financial (Export) Credit.             | 3.8                 | -             | -            |
| <u>UNITED KINGDOM</u> | Sub-total                              | <u>70.0</u>         | <u>59.8</u>   | <u>42.2</u>  |
|                       | Second UK-India (General) Credit, 1965 | 14.0                | 14.0          | 14.0         |
|                       | UK-India (General) Credit 1965         | 28.0                | 28.0          | 28.0         |
|                       | Kipping Loan III                       | 11.2                | 1.0           | 0.2          |
|                       | U.K. India Food Emergency Loan 1966    | 16.8                | M 16.8        | -            |



|                                 |              |             |             |
|---------------------------------|--------------|-------------|-------------|
| <u>UNITED STATES</u> -Sub-total | <u>53.3</u>  | <u>5.9</u>  | <u>5.9</u>  |
| <u>Exim Bank</u> -Sub-total     | 3.3          | -           | -           |
| Herdilla Chemicals Ltd.         | 3.3          | -           | -           |
| <u>A.I.D.</u>                   | <u>50.0</u>  | <u>5.9</u>  | <u>5.9</u>  |
| Fertiliser Commodities Loan     | 50.0         | 5.9         | 5.9         |
| <u>IBRD</u> - Sub-total         | -            | -           | -           |
| <u>IDA</u> - Sub-total          | <u>100.0</u> | <u>50.0</u> | <u>15.6</u> |
| Industrial Imports III          | 100.0        | 50.0        | 15.6        |

- 
- a) Total amounts of loan in respect of certain I.B.R.D. Projects have been corrected to reflect these adjustments as per the world Bank report.
- b) Estimated.
- c) Combine for all the four French Credits for third Plan.
- d) This takes into account the net amount after cancellation of \$5.9 million.
- e) This loan is for a total amount of \$50 Million. For reporting purposes this is being split up into two amounts as per I.B.R.D. report for 1961/63 and 1963/64.
- f) Orders placed under this loan will be attributed to the 1961-63 pledges until it has been absorbed and then to the 1963/64 pledges.
- g) Including that portion of the value of contracts awarded locally which is reimbursable from I.D.A. on a percentage basis.
- h) Notional.
- i) Final Loan agreement with Kreditanstalt not yet signed.
- j) Against suppliers credit for 63/64, 64/65 and 65/66
- k) The total amount of the project is \$34.2 million but an amount of \$0.6 million will be adjusted against Canadian pledges for 1964/65 and \$3.0 million against pledges for 65/66 upto March 31, 1966.



According to the terms of the agreement the amount disbursed during the year will be adjusted against consortium pledges for that year.

1) Reduced since last reported, an account of adjustment.

M) The total amount of the loan signed on 11.2.66 is for £7.5 million against which £6 million only is being counted against consortium pledges. With the signing of two agreements on 20th April, 1966 for £5 million (£14 Million) the entire pledges committed by U.K. during the Third Plan have been received.

- a) Total amount of loan in respect of certain I.R.D. Projects have been corrected to reflect these adjustments as per the World Bank report.
- b) Estimated.
- c) Combining for all the four French Credits for Third Plan.
- d) This takes into account the net amount after cancellation of £5.0 million.
- e) This loan is for a total amount of £5.0 million. For reporting purposes this is being split up into two amounts as per I.R.D. report for 1961/62 and 1962/63.
- f) Orders placed under this loan will be attributed to the 1961-63 pledges until it has been absorbed and then to the 1963/64 pledges.
- g) Including that portion of the value of contracts awarded locally which is reimbursable from I.R.D. on a percentage basis.
- h) Notional.
- i) Final loan agreement with Mediterranean not yet signed.
- j) Against suppliers credit for 65/66, 66/67 and 67/68.
- k) The total amount of the project is £34.2 million but an amount of £0.6 million will be adjusted against Canadian pledges for 1964/65 and £3.0 million against pledges for 65/66 upto March 31, 1966.



DETAILS OF CONSORTIUM ASSISTANCE VALUE OF ORDERS PLACED AND  
AMOUNTS DISBURSED UNDER VARIOUS AID AGREEMENTS AS OF 31-3-66

(U.S. \$ Million)

| Agreement                                        | Amount of<br>Agreement | Orders<br>placed | Disbursement  |
|--------------------------------------------------|------------------------|------------------|---------------|
| 1                                                | 2                      | 3                | 4             |
| GRAND TOTAL:                                     | 4537.7                 | 3780.3           | 2929.5        |
| <u>SUB-TOTAL 1961/63 PLEDGES</u>                 | <u>2337.8</u>          | <u>2201.4</u>    | <u>1936.0</u> |
| <u>AUSTRIA</u> - Sub-total                       | <u>5.0</u>             | <u>5.0</u>       | <u>4.7</u>    |
| Credit for Capital goods                         | 5.0                    | 5.0              | 4.7           |
| <u>BELGIUM</u> Sub-total                         | <u>10.0</u>            | <u>10.0</u>      | <u>7.3</u>    |
| Supplier's credits                               | 10.0                   | 10.0             | 7.3 a/(b)     |
| <u>CANADA</u> Sub-total                          | <u>58.8</u>            | <u>58.4</u>      | <u>53.0</u>   |
| <u>LOANS</u> Sub-total                           | <u>23.4</u>            | <u>23.0</u>      | <u>19.6</u>   |
| Rana Pratap Sagar Hydro-<br>electric Project     | 7.4                    | 7.2              | 6.7           |
| Indian Aluminium Co.<br>Expansion (I Loan)       | 0.9                    | 0.9              | 0.9           |
| Diesel Locos for<br>Indian Railways              | 7.1                    | 7.1              | 7.1           |
| Binani Zinc Smelter                              | 1.5                    | 1.5              | 1.0           |
| Indian Aluminium Co.<br>Expansion (II Loan)      | 0.8                    | 0.6              | 0.5           |
| Wind Tunnel Project                              | 3.9                    | 3.9              | 2.5           |
| Amco furnace for Durgapur<br>Alloy Steel Project | 1.8                    | 1.8              | 0.9           |
| <u>GRANTS</u> sub-total                          | <u>35.4</u>            | <u>35.4</u>      | <u>33.5</u>   |
| <u>FRANCE</u> sub-total                          | <u>60.0</u>            | <u>45.0</u>      | <u>38.2</u>   |
| First Credit for Third Plan                      | 30.0                   | 45.0             | 38.2 b/c a/b  |
| Second Credit for Third Plan                     | 20.0                   |                  |               |
| I.F.C. Credit                                    | 10.0                   | -                | -             |

Contd.....p.t.o.



|                                                                                                         | (1) | (2)          | (3)          | (4)          |
|---------------------------------------------------------------------------------------------------------|-----|--------------|--------------|--------------|
| <u>GERMANY</u> sub-total                                                                                |     | <u>363.9</u> | <u>361.8</u> | <u>325.3</u> |
| Credits DM 230, DM 100 and)<br>DM 170 Million in 1961 )<br>plus DM 85 and DM 100 )<br>Million in 1962 ) |     | 171.3        | 171.3        | 171.3        |
| DM 56 Mil. Credit for<br>Rourkela Services                                                              |     | 14.0         | 14.0         | 9.4          |
| DM 107 Mil. Credit for<br>Projects                                                                      |     | 26.8         | 26.8         | 26.8         |
| DM 75 Mil. Credit for<br>Commodities                                                                    |     | 18.8         | 18.8         | 18.8         |
| DM 20 Mil for ICICT                                                                                     |     | 5.0          | 4.9          | 4.9          |
| DM 25 Mil for I.F.C...                                                                                  |     | 6.2          | 4.6          | 3.4          |
| DM 5 Mil. for N.S.I.C.                                                                                  |     | 1.3          | 0.9          | 0.6          |
| DM 82 Mil. credit for<br>infrastructure Projects                                                        |     | 20.5         | 20.5         | 20.5         |
| DM 400 Mil. credit for<br>Rourkela Expansion.                                                           |     | 100.0        | 100.0        | 69.6         |
| <u>ITALY</u> sub-total                                                                                  |     | <u>53.8</u>  | <u>38.9</u>  | <u>24.5</u>  |
| ENI Credit for Petroleum<br>Projects                                                                    |     | 45.0         | 30.9         | 16.7         |
| Montecatini Credit for<br>Madras Aluminium                                                              |     | 8.8          | 8.0          | 7.8          |
| <u>JAPAN</u> Sub-total                                                                                  |     | <u>105.0</u> | <u>105.0</u> | <u>104.7</u> |
| 34.2 billion yen Credit<br>for Capital goods                                                            |     | 95.0         | 95.0         | 94.7         |
| Suppliers' Credit for<br>Textile Machinery                                                              |     | 10.0         | 10.0         | 10.0         |
| <u>NETHERLANDS</u> - Sub-total                                                                          |     | <u>11.0</u>  | <u>11.0</u>  | <u>7.2</u>   |
| General Purpose Credit                                                                                  |     | 7.2          | 7.2          | 7.2          |
| Financial (Export) Credit                                                                               |     | 3.8          | 3.8          | -            |
| <u>UNITED KINGDON</u> - Sub-total                                                                       |     | <u>266.0</u> | <u>264.0</u> | <u>209.3</u> |
| UK India (FYP) Credit 1961                                                                              |     | 84.0         | 84.0         | 78.1         |



| <u>(1)</u>                                               | <u>(2)</u>   | <u>(3)</u>   | <u>(4)</u>   |
|----------------------------------------------------------|--------------|--------------|--------------|
| UK-India (General Credits<br>1961.(1st & 2nd) )          | 42.0         | 42.0         | 42.0         |
| 1st UK-India (General)<br>Credit, 1962                   | 28.0         | 28.0         | 21.9         |
| UK-India ( <del>Durgapur</del> Expansion)<br>Credit 1962 | 61.6         | 61.6         | 32.7         |
| UK-India (FYP) Credit 1962                               | 36.4         | 34.4         | 20.6         |
| 2nd UK-India (General)<br>Credit 1962                    | 14.0         | 14.0         | 14.0         |
| <u>UNITED STATES - Sub-total</u>                         | <u>954.3</u> | <u>915.8</u> | <u>848.9</u> |
| <u>Exim Bank - sub-total</u>                             | <u>96.6</u>  | <u>95.1</u>  | <u>88.1</u>  |
| Air India I                                              | 4.1          | 4.1          | 4.1          |
| Orient Paper Mills                                       | 18.5         | 18.5         | 18.5         |
| Air India II                                             | 8.1          | 8.1          | 8.1          |
| East India Hotels                                        | 0.7          | 0.5          | 0.5          |
| Exim Credit III for<br>capital goods                     | 25.0         | 25.0         | 25.0         |
| Union Carbide                                            | 7.6          | 6.9          | 6.4          |
| Diesel Locomotive Works I                                | 19.0         | 19.0         | 17.9         |
| Hindustan Aluminium II                                   | 5.0          | 5.0          | 4.6          |
| Bharat Forge                                             | 3.9          | 3.3          | 3.0          |
| Indian Rayon Corporation                                 | 4.7          | 4.7          | -            |
| <u>DLF/AID - Sub-total</u>                               | <u>857.7</u> | <u>820.7</u> | <u>760.8</u> |
| ICICI                                                    | 5.0          | 4.4          | 3.5          |
| N.S.I.C.                                                 | 10.0         | 9.8          | 8.8          |
| Talcher Power                                            | 33.0         | 32.6         | 21.7         |
| Sharavathi Power II                                      | 18.4         | 15.6         | 12.3         |
| Birsinghpur Power                                        | 8.4          | 8.4          | 5.2          |
| Premier Automobiles I                                    | 7.2          | 7.2          | 7.1          |



| (1)                           | (2)              | (3)              | (4)          |
|-------------------------------|------------------|------------------|--------------|
| Non-ferrous Metals            | 20.0             | 20.0             | 20.0         |
| Bandel Power                  | 38.0             | 37.4             | 33.1         |
| Cambay Power                  | 33.6             | 33.0             | 31.9         |
| Non-Project Loan I            | 200.0            | 200.0            | 199.7        |
| Patherdih Coal Washery        | 4.2              | 4.2              | 3.6          |
| Fourth Railway Loan           | 43.0             | 43.0             | 42.7         |
| Pamba-Kakki Power             | 20.2             | 17.1             | 17.2         |
| I.F.C. II                     | 20.0             | 10.3             | 5.1          |
| Premier Automobiles II        | 3.0              | 3.0              | 2.9          |
| Trombay Power                 | 17.9             | 17.2             | 16.4         |
| D.C.M. Rayon Tire Cord        | 9.8              | 7.8              | 7.8          |
| Nepco Bavel Gear              | 2.3              | 2.3              | 2.3          |
| TELCO I                       | 13.7             | 13.6             | 13.6         |
| Hindustan Motors              | 15.8             | 15.8             | 14.7         |
| Non-Project Loan II           | 240.0            | 240.0            | 239.9        |
| Delhi Thermal Power           | 16.0             | 13.0             | 6.0          |
| Satpura Thermal Power         | 25.1             | 18.2             | 11.5         |
| Ramagundam Power              | 8.4              | 5.4              | 1.6          |
| Chandrapura Thermal Power II  | 16.0             | 12.9             | 7.8          |
| Railways V                    | 15.9             | 15.9             | 13.6         |
| Central Ropeways              | 7.7              | 7.5              | 6.3          |
| Dugda Coal Washery            | 5.1              | 5.1              | 4.5          |
| <u>WORLD BANK - Sub-total</u> | <u>200.0 (a)</u> | <u>151.1 (a)</u> | <u>126.7</u> |
| Private Sector Coal           | 29.1 d           | 29.1 d           | 28.3         |
| Calcutta Port II              | 21.0             | 20.0             | 9.9          |
| IISCO III                     | 19.5             | 7.9              | 4.7          |
| Railway VI                    | 50.0             | 50.0             | 50.0         |



|                | (1)                              | (2)          | (3)                 | (4)          |
|----------------|----------------------------------|--------------|---------------------|--------------|
|                | ICICI IV                         | 20.0         | 18.4                | 16.6         |
|                | ICICI V                          | 30.0         | 24.2                | 16.8         |
|                | ICICI VI                         | 30.4 (50.0)  | 1.5 <del>e/f</del>  | 0.4          |
| <u>IDA -</u>   | Sub-total                        | <u>250.0</u> | <u>235.4</u>        | <u>186.1</u> |
|                | Roads                            | 60.0         | 60.0 g <del>f</del> | 51.7         |
|                | U.P. Tubewells                   | 6.0          | 6.0 g <del>f</del>  | 6.0          |
|                | Shetrunji Irrigation             | 4.5          | 4.5 g <del>f</del>  | 3.4          |
|                | Salandi Irrigation               | 8.0          | 6.1 g <del>f</del>  | 1.6          |
|                | Punjab Drainage                  | 10.0         | 10.0 g <del>f</del> | 9.4          |
|                | D.V.C. IV                        | 18.5         | 18.5                | 12.0         |
|                | Sone Irrigation                  | 15.0         | 14.0 g <del>f</del> | 11.6         |
|                | Purna Irrigation                 | 13.0         | 12.5 g <del>f</del> | 9.4          |
|                | Koyna II                         | 17.5         | 12.6 g <del>f</del> | 11.0         |
|                | Bombay Port                      | 18.0         | 11.7                | 3.4          |
|                | Telecommunications I             | 42.0         | 42.0                | 35.6         |
|                | Railways VII                     | 17.5         | 17.5                | 17.5         |
|                | Kothagudam Power                 | 20.0         | 20.0 g <del>f</del> | 13.5         |
|                | <u>SUB-TOTAL 1963/64 PLEDGES</u> | <u>986.1</u> | <u>831.4</u>        | <u>573.9</u> |
| <u>AUSTRIA</u> | Sub-total                        | <u>7.0</u>   | <u>6.7</u>          | <u>4.3</u>   |
|                | Credit for Capital goods.        | 7.0          | 6.7                 | 4.3          |
| <u>BELGIUM</u> | Sub-total                        | <u>10.0</u>  | <u>5.2</u>          | <u>0.3</u>   |
|                | Suppliers' Credit                | 10.0         | 5.2                 | 0.3          |
| <u>CANADA</u>  | Sub-total                        | <u>23.5</u>  | <u>16.9</u>         | <u>11.9</u>  |
| <u>LOANS</u>   | Kotah Hydro Electric Project     | 7.4          | 5.3                 | 0.9          |
| <u>GRANTS</u>  |                                  | 16.1         | 11.6                | 11.0         |

Contd....P.T.O....p/6...



|                       | (1)                                                 | (2)         | (3)             | (4)         |
|-----------------------|-----------------------------------------------------|-------------|-----------------|-------------|
| <u>FRANCE</u>         | Sub-total                                           | <u>20.0</u> | <u>20.0</u>     | <u>5.6</u>  |
|                       | Third Credit for III Plan                           | 20.0        | 20.0            | 5.6         |
| <u>GERMANY</u>        | Sub-total                                           | <u>99.5</u> | <u>86.2</u>     | <u>45.1</u> |
|                       | DM 61.4 Mil. credit for Rourkela Refinancing        | 15.4        | 15.4 <i>h/y</i> | 15.4        |
|                       | DM 40 Mil. for commodities                          | 10.0        | 10.0            | 9.3         |
|                       | DM 40 Mil. for selected continuing Projects I       | 10.0        | 8.6             | 5.2         |
|                       | DM 60 Mil. for Alloy Steel Plant                    | 15.0        | 12.2            | 3.4         |
|                       | DM 14 Mil. for Rourkela Expansion                   | 3.5 1       | 3.5             | -           |
|                       | DM 23.5 Mil for commodities                         | 5.9         | -               | -           |
|                       | DM 28.1 Mil for down payment for ships              | 7.0         | 7.0             | 7.0         |
|                       | DM 10 mil for ICICI                                 | 2.5         | 0.5             | 0.5         |
|                       | DM 5 Mil for N.S.I.C.                               | 1.2         | -               | -           |
|                       | DM 116 Mil. Suppliers' credit for Purchase of ships | 29.0        | 29.0            | 4.3         |
| <u>ITALY</u>          | Sub-total                                           | <u>45.0</u> | <u>31.0</u>     | <u>-</u>    |
|                       | Suppliers' Credit                                   | 45.0        | 31.0 <i>j/g</i> | -           |
| <u>JAPAN</u>          | Sub-total                                           | <u>65.0</u> | <u>61.7</u>     | <u>44.2</u> |
|                       | Third Yen Credit (23.4 billion)                     | 65.0        | 61.7            | 44.2        |
| <u>NETHERLANDS</u>    | Sub-total                                           | <u>11.0</u> | <u>11.0</u>     | <u>7.2</u>  |
|                       | General Purpose Credit                              | 7.2         | 7.2             | 7.2         |
|                       | Financial (Export) Credit                           | 3.8         | 3.8             | -           |
| <u>UNITED KINGDOM</u> | Sub-total                                           | <u>84.0</u> | <u>82.3</u>     | <u>61.9</u> |
|                       | Steel, 1963                                         | 9.8         | 9.8             | 9.0         |
|                       | General, 1963                                       | 28.0        | 28.0            | 28.0        |

Contd.....p/7.....



|                                       | (1) | (2)          | (3)          | (4)          |
|---------------------------------------|-----|--------------|--------------|--------------|
| Kipping Loan, 1963                    |     | 11.2         | 11.2         | 4.6          |
| General, 1964                         |     | 14.0         | 14.0         | 14.0         |
| Bhopal, 1964                          |     | 7.0          | 7.0          | 2.8          |
| First UK-India (Five Year Plan)       |     | 14.0         | 12.3         | 3.5          |
| <u>UNITED STATES - Sub-total</u>      |     | <u>377.5</u> | <u>357.0</u> | <u>248.7</u> |
| <u>Exim Bank - Sub-total</u>          |     | <u>57.3</u>  | <u>44.4</u>  | <u>14.5</u>  |
| Coromandel Fertilizers                |     | 27.0         | 21.6         | 6.7          |
| Exim Credit IV                        |     | 25.0         | 20.7         | 7.0          |
| Mysore Acetate & Chemicals            |     | 2.1          | 2.1          | 0.8          |
| Chemicals & Plastics                  |     | 3.2          |              |              |
| <u>AID Sub-total</u>                  |     | <u>320.2</u> | <u>312.6</u> | <u>234.2</u> |
| Tarapore Atomic Power                 |     | 80.0         | 75.8         | 29.5         |
| Non-Project Loan III                  |     | 225.0        | 225.0        | 198.7        |
| Trombay Fertilizer II                 |     | 7.8          | 7.6          | 6.0          |
| National Engineering Industries       |     | 4.3          | 3.0          | -            |
| Sharavathi Hydro-Electric Project III |     | 3.1          | 1.2          | -            |
| <u>I.B.R.D. Sub-total</u>             |     | <u>103.6</u> | <u>13.4</u>  | <u>5.2</u>   |
| Power Transmission Schemes            |     | 70.0         | -            | -            |
| Kothagudam Power                      |     | 14.0         | 13.4         | 5.2          |
| I.C.I.C.I. VI                         |     | 19.6         | -            | -            |
|                                       |     | (50.0)       |              |              |
| <u>I.D.A. Sub-total</u>               |     | <u>140.0</u> | <u>140.0</u> | <u>139.5</u> |
| Railways VII                          |     | 50.0         | 50.0         | 50.0         |
| Industrial Imports I                  |     | 90.0         | 90.0         | 89.5         |



(U.S. \$ Million)

|                                                 | Agreement Amount of Agreement | Orders placed | Disbursement |
|-------------------------------------------------|-------------------------------|---------------|--------------|
| <u>SUB-TOTAL 1964/65 PLEDGES</u>                |                               |               |              |
|                                                 | 754.0                         | 562.2         | 321.7        |
| <u>Austria</u> Sub-total                        | <u>0.9</u>                    | <u>0.9</u>    | <u>0.9</u>   |
| For Capital goods and Commodities.              | <del>0.9</del> 0.9            | 0.9           | 0.9          |
| <u>Canada</u> Sub-total                         | <u>16.5</u>                   | <u>12.1</u>   | <u>9.4</u>   |
| Loans                                           |                               |               |              |
| Gandu Atomic Power Project.                     | 0.6 K/h                       | 0.6           | 0.6          |
| Grants                                          | 15.9 L/h                      | 11.5          | 8.8          |
| <u>France</u> Sub-total                         | <u>20.0</u>                   | <u>13.0</u>   | <u>-</u>     |
| Fourth Credit for Third Plan                    | 20.0                          | 13.0          | -            |
| <u>Germany</u> Sub-total                        | <u>95.0</u>                   | <u>63.2</u>   | <u>25.3</u>  |
| DM 90 Mil. for Rourkela repayments              | 22.5                          | 22.5          | 22.5         |
| DM 55 Mil. for Commodities                      | 12.8                          | 2.0           | -            |
| DM 40 Mil. for financing continuing Projects II | 10.0                          | 10.0          | -            |
| @ Neyveli minig scheme. DM 10 Mil. for          | 2.5                           | 2.5           | 1.6          |
| DM 6.4 Mil for Sawang Coal Washery              | 1.6                           | 1.6           | 0.2          |
| DM 13 Mil. for MISL Electric Arc Furnace        | 3.3                           | 2.5           | 0.2          |
| DM 18 Mil for Railways                          | 4.5                           | 0.8           | 0.8          |
| DM 7.25 Mil. for Telco                          | 1.8                           | -             | -            |

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|                       | Agreement                                                                       | Amount of Agreement | Orders placed | Disbursement |
|-----------------------|---------------------------------------------------------------------------------|---------------------|---------------|--------------|
| 8                     | D.M.5.35 Mil. for other projects.                                               | 1.3 <del>4/1</del>  | -             | -            |
|                       | DM 15 Mil. for I.F.C.                                                           | 3.8                 | 0.4           | -            |
|                       | DM 5 Mil. for I.C.I.C.I                                                         | 1.2                 | -             | -            |
|                       | DM 5 Mil. for N.S.I.C.                                                          | 1.2                 | -             | -            |
|                       | DM 82 Mil suppliers' credit for ships                                           | 20.5                | 20.5          | -            |
|                       | DM 28 Mil. Suppliers' credit for items other than ships.                        | 7.0                 | 0.4           | -            |
| <u>ITALY</u>          | Sub -total                                                                      | <u>36.0</u>         | <u>-</u>      | <u>-</u>     |
|                       | Suppliers Credit                                                                | 36.0                | -             | -            |
| <u>JAPAN</u>          | Sub-total                                                                       | <u>60.0</u>         | <u>57.2</u>   | <u>13.1</u>  |
|                       | Fourth Yen Credit (21.6 billion)                                                | 60.0                | 57.2          | 13.1         |
| <u>NETHERLANDS</u>    | Sub Total                                                                       | <u>11.0</u>         | <u>11.0</u>   | <u>5.6</u>   |
|                       | General purpose credit                                                          | 7.2                 | 7.2           | 5.6          |
|                       | Financial (Export)                                                              | 3.8                 | 3.8           | -            |
| <u>UNITED KINGDOM</u> | Sub-total                                                                       | <u>84.0</u>         | <u>73.4</u>   | <u>42.6</u>  |
|                       | Second UK-India (General) Credit, 1964                                          | 28.0                | 28.0          | 28.0         |
|                       | Second UK-India (General) Credit 1964 (Oil India)                               | 4.2                 | 3.4           | -            |
|                       | Third UK-India (Five Year Plan) Credit, 1964 (Capital goods for Private sector) | 4.3                 | 1.4           | -            |
|                       | Fourth UK-India (Five year Plan) Credit, 1964 (Components for B.Ot Industries)  | 2.8                 | 0.8           | -            |



|                                                                           |              |              |              |
|---------------------------------------------------------------------------|--------------|--------------|--------------|
| Fifth UK-India (Five Year Plan) Credit, 1964 (Singarani)                  | 3.5          | 3.0          | 0.8          |
| Sixth UK-India (Five Year Plan) Credit, 1964 (Turbines for Power station) | 9.0          | 9.0          | -            |
| Second UK-India (Bhopal) Credit, 1964                                     | 5.6          | 4.8          | 0.4          |
| Third UK-India (General) Credit, 1964 (Kipping II)                        | 11.2         | 7.6          | -            |
| First UK-India (General) Credit, 1965                                     | 14.0         | 14.0         | 13.0         |
| UK-India (Five Year Plan) Credit, 1965                                    | 1.4          | 1.4          | 0.4          |
| <u>United States Sub-total</u>                                            | <u>335.6</u> | <u>238.3</u> | <u>142.5</u> |
| <u>Exim Bank Sub-total</u>                                                | <u>34.8</u>  | <u>25.7</u>  | <u>18.3</u>  |
| Diesel Locomotive Works II                                                | 17.0         | 17.0         | 15.3         |
| Hindustan Aluminium III                                                   | 11.0         | 8.7          | 3.0          |
| General Pulp Mills                                                        | 6.8          | -            | -            |
| <u>DLF/AID Sub-total</u>                                                  | <u>300.8</u> | <u>212.6</u> | <u>124.2</u> |
| Commodity Assistance Programme 1964/65 (I Tranche)                        | 50.0         | 50.0         | 42.8         |
| Railways VI                                                               | 7.2          | 7.2          | 5.8          |
| Telco II                                                                  | 11.8         | 7.9          | 3.7          |
| Consultancy Services                                                      | 2.0          | 0.2          | 0.2          |



(U.S. \$ Million)

| Agreement                                   | Amount of Agreement | Orders placed | Disbursement. |
|---------------------------------------------|---------------------|---------------|---------------|
| IFC III                                     | 10.0                | -             | -             |
| Hindustan Motors (Trucks)                   | 23.0                | -             | -             |
| Hindustan Motors (Shovels)                  | 3.0                 | 0.3           | 0.3           |
| Commodity Assistance Programme (II Tranche) | 190.0               | 147.0         | 71.4          |
| Railways VII                                | 3.8                 | -             | -             |
| <u>I.D.A.</u> Sub-total                     | <u>95.0</u>         | <u>93.1</u>   | <u>82.3</u>   |
| Telecommunications II                       | 33.0                | 31.1          | 20.3          |
| Railways VIII                               | 62.0                | 62.0          | 62.0          |
| <u>SUB-TOTAL 1965/66 Pledges</u>            | <u>459.8</u>        | <u>185.3</u>  | <u>97.9</u>   |
| <u>Austria</u> Sub-total                    | <u>5.0</u>          | <u>2.0</u>    | -             |
| Suppliers' Credit credit for capital goods. | 1.0<br>4.0          | -<br>2.0      | -<br>-        |
| <u>BELGIUM</u> Sub-total                    | <u>4.0</u>          | -             | -             |
| Suppliers' Credit                           | 4.0                 | -             | -             |
| <u>CANADA</u> Sub-total                     | <u>14.6</u>         | <u>11.9</u>   | <u>6.5</u>    |
| <u>Loans</u>                                |                     |               |               |
| Candu Atomic Power Project                  | 3.0                 | 3.0           | 3.0           |
| <u>Grants</u>                               | <u>11.6</u>         | <u>8.9</u>    | <u>3.5</u>    |
| <u>FRANCE</u> Sub-total                     | <u>20.0</u>         | -             | -             |
| Fifth Credit for Third Plan                 | 20.0                | -             | -             |



| Agreement             |                                        | Amount of Agreement | Orders Placed | Disbursement |
|-----------------------|----------------------------------------|---------------------|---------------|--------------|
| <u>GERMANY</u>        | Sub-total                              | <u>85.9</u>         | <u>23.4</u>   | <u>23.4</u>  |
|                       | DM 93.6 Mil. for Rourkela Repayments   | 23.4                | 23.4          | 23.4         |
|                       | DM 60 Mil. for Commodities             | 15.0                | -             | -            |
|                       | DM 40 Mil. for New Projects            | 10.0                | -             | -            |
|                       | DM 20 Mil. for IFC                     | 5.0                 | -             | -            |
|                       | DM 20 Mil. for ICICI                   | 5.0                 | -             | -            |
|                       | DM 10 Mil. for NSIC                    | 2.5                 | -             | -            |
|                       | DM 100 Mil Suppliers' Credit.          | 25.0                | -             | -            |
| <u>ITALY</u>          | Sub-total                              | <u>36.0</u>         | <u>-</u>      | <u>-</u>     |
|                       | Suppliers' Credit                      | 36.0                | -             | -            |
| <u>JAPAN</u>          | Sub-total                              | <u>60.0</u>         | <u>26.9</u>   | <u>4.3</u>   |
|                       | Fifth-Yen Credit (21.6 billion)        | 60.0                | 26.9          | 4.3          |
| <u>NETHERLANDS</u>    | Sub-total                              | <u>11.0</u>         | <u>5.4</u>    | <u>-</u>     |
|                       | General Purpose Credit                 | 7.2                 | 5.4           | -            |
|                       | Financial (Export) Credit.             | 3.8                 | -             | -            |
| <u>UNITED KINGDOM</u> | Sub-total                              | <u>70.0</u>         | <u>59.8</u>   | <u>42.2</u>  |
|                       | Second UK-India (General) Credit, 1965 | 14.0                | 14.0          | 14.0         |
|                       | UK-India (General) Credit 1965         | 28.0                | 28.0          | 28.0         |
|                       | Kipping Loan III                       | 11.2                | 1.0           | 0.2          |
|                       | U.K. India Food Emergency Loan 1966    | 16.8                | 16.8          | -            |



|                                    |                     |                   |                   |
|------------------------------------|---------------------|-------------------|-------------------|
| <u>UNITED STATES</u> -Sub-total    | <u>53.3</u>         | <u>5.9</u>        | <u>5.9</u>        |
| Exim Bank-Sub-total                | 3.3                 | -                 | -                 |
| Herdilla Chemicals Ltd.            | 3.3                 | -                 | -                 |
| A.I.D. Fertiliser Commodities Loan | <u>50.0</u><br>50.0 | <u>5.9</u><br>5.9 | <u>5.9</u><br>5.9 |
| IBRD - Sub-total                   | -                   | -                 | -                 |
| IDA - Sub-total                    | <u>100.0</u>        | <u>50.0</u>       | <u>15.6</u>       |
| Industrial Imports III             | 100.0               | 50.0              | 15.6              |

- c/a) Total amounts of loan in respect of certain I.B.R.D. Projects have been corrected to reflect these adjustments as per the world Bank report.
- q/b) Estimated.
- b/c) Combine for all the four French Credits for third Plan.
- d) This takes into account the net amount after cancellation of \$5.9 million.
- d/e) This loan is for a total amount of \$50 Million. For reporting purposes this is being split up into two amounts as per I.B.R.D. report for 1961/63 and 1963/64.
- e/f) Orders placed under this loan will be attributed to the 1961-63 pledges until it has been absorbed and then to the 1963/64 pledges.
- f/g) Including that portion of the value of contracts awarded locally which is reimbursable from I.D.A. on a percentage basis.
- f/h) Notional.
- k/i) Final Loan agreement with Kreditanstalt not yet signed.
- g/j) Against suppliers credit for 63/64, 64/65 and 65/66
- h/k) The total amount of the project is \$34.2 million but an amount of \$0.6 million will be adjusted against Canadian pledges for 1964/65 and \$3.0 million against pledges for 65/66 upto March 31, 1966.

(cont'd)



According to the terms of the agreement the amount disbursed during the year will be adjusted against consortium pledges for that year.

- li* 1) Reduced since last reported, an account of adjustment.
- li* 2) The total amount of the loan signed on 11.2.66 is for £7.5 million against which £ 6 million only is being counted against consortium. With the signing of two agreements on 20th April, 1966 for £ 5 million (£14 Million) the entire pledges committed by U.K. during the Third Plan have been received.



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IND 66-3

March 31, 1966

FROM: The Secretary

INDIAN DEBT

Attached is a background note entitled "India's Request for Deferment of 1966/67 Debt Service Payments", for use at the meeting to be held in the Bank's Board Room at 3:00 p.m. on Tuesday, April 5, 1966.

Distribution:

Executive Directors for:

|         |                |
|---------|----------------|
| Austria | Italy          |
| Belgium | Japan          |
| Canada  | Netherlands    |
| France  | United Kingdom |
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Embassy of Japan  
Managing Director, IMF

Chairman, India Consortium  
Director, South Asia Department

For information:

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Executive Vice President (IFC)  
Executive Director for India  
Department Heads (Other)  
Resident Representative, India

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INDIA'S REQUEST FOR DEFERMENT OF 1966/67 DEBT SERVICE PAYMENTS

FURTHER BACKGROUND NOTE

1. The February 17 meeting in response to India's request for deferment of 1966/67 debt service payments adjourned with the request that the Bank obtain from the Government of India additional information with respect to the following subjects:

- (a) India's immediate balance of payments outlook
- (b) The role of defense expenditure
- (c) India's plans with respect to debt payments due to the East Bloc.

The Government of India has provided information on all these matters; this is summarized in the following paragraphs.

2. As indicated in Table 1 attached, the Government of India anticipates that in the year 1966/67, on the basis of all existing aid commitments, including the recently authorized drawing of \$187.5 million from the IMF and the recent US non-project loan of \$100 million, there will be available for use a total of approximately \$3 billion of foreign exchange resources. After deducting: (a) payments which must be made on account of licenses issued in earlier periods; (b) net payments on account of invisibles and private capital movements; (c) freight payments on PL 480 food shipments plus payments for other food imports; (d) debt service; and (e) imports financed by project-tied aid, the balance available to pay for other imports in the year will be approximately \$500 million. This is approximately \$200 million less than the corresponding figure for 1964/65 and \$75 million less than the corresponding figure in 1965/66 (see Table 2).

3. With these resources in hand, the Government of India states, it would not be in a position in 1966/67 to license other imports (maintenance imports plus very minor amounts for capacity expansion) of more than \$750 million (Tables 3 and 4). This figure compares with almost \$1900 million of such imports licensed in 1964/65, and \$1350 million of such imports licensed in 1965/66. As is evident from Table 4, the effects of such a restricted import licensing program would be severe. They would be experienced in the form of a constricted flow of imports of production materials in the year 1966/67 and even more in the following year. The licensing of



maintenance imports alone (excluding the very minor amounts of capacity-expanding imports not financed by project-tied aid) would be cut to approximately \$650 million as compared with almost twice that figure (\$1268 million) in 1965/66 and more than \$1600 million in 1964/65.

4. It should be noted (see Table 3) that in each of the preceding years, and especially in 1964/65, a much larger import licensing program was undertaken even though the resources available for import payments in each of those years were only moderately higher than those available at this time for use in 1966/67. The difference lies in the extent to which the Government of India was prepared to issue licenses within the year in the expectation that payments would be required only in subsequent years. A number of factors explain the difference. These include the following:

- (a) The loss of approximately \$150 million of foreign exchange reserves in 1964/65 was in some part the result of the relatively large 1964/65 licensing program. In 1965/66 there was no change in reserves but a net drawing of \$25 million on the IMF was necessary. The resources available for 1966/67 already include a net drawing on the IMF in that year of \$137 million (the \$187.5 drawing just authorized by the IMF less \$50 million due to IMF in July 1966); furthermore, as of mid-March foreign exchange reserves were only \$550 million. In these circumstances, the Government of India is not prepared to take the risk involved in licensing imports substantially beyond resources in hand.
- (b) A very substantial part of the licenses issued during 1964/65 and 1965/66 was issued only in the latter part of each of the two years with the result that a major part of the payments pursuant to those licenses came due only in the succeeding years rather than in the year in which the licenses were issued. In 1966/67, particularly in view of the reduced licensing of 1965/66 which will constrict the flow of maintenance imports in 1966/67, the GOI believes it necessary to license as large a volume of imports as possible early in the year. It believes also that licensees are likely to place orders quickly. The result will be that a much larger proportion of the licenses issued will result in deliveries and the necessity of payments within the 1966/67 year.
- (c) In 1964/65, the GOI counted on new and hopefully larger non-project aid commitments becoming available in subsequent years. At this time, the GOI does not feel in a position to count on such subsequent commitments and cannot take the risk of issuing licenses to be paid ultimately out of resources not yet in hand.
- (d) Given a restricted licensing program, a larger proportion of the total must be for so-called "bulk" commodities, such as petroleum and fertilizer, which involve relatively quick delivery and payment.



5. The GOI has itself projected an import program which would permit (see Table 4) the licensing of more than \$2.1 million of maintenance imports in the entire year 1966/67. It estimates that it could undertake such a program if it were to receive new aid usable for non-project imports and disbursable in the amount of \$418 million during the year. With these additional resources, the prospect of further non-project aid commitments in subsequent years, and with licensing spread throughout the year rather than concentrated in its first months, the GOI believes that it could license on the assumption that very substantial amounts would be payable only in subsequent years. The projected and desired increase of more than \$500 million in maintenance import licenses above the 1964/65 level reflects, according to the GOI, the expanded industrial base, an increase of more than \$100 million in fertilizer requirements, and the desire to permit fuller utilization of existing manufacturing capacity.

6. This GOI program is consistent with the GOI balance of payments forecast presented in Table 5. (This forecast was also presented to the IMF in connection with the request to the IMF for a drawing of \$187.5 million.) It is difficult to predict how this balance of payments forecast would be altered if, contrary to the wishes of the Government of India, new non-project aid resources were not obtained. It may be estimated roughly, however, that without these additional resources, 1966/67 imports in the aggregate would be approximately \$400 million less than projected by the GOI and that maintenance imports for industry, in particular, would be lower by more than this amount and lower than in 1964/65, whereas requirements for such imports are now larger than two years ago.

7. The GOI has also indicated that although its request was for a deferment for debt service payments due in 1966/67, hopefully to the extent of \$309 million or the total amount due to all except East Bloc creditors, basically the request is for non-project aid in that amount. The GOI believes that deferment of debt payments would be the most efficient means, from its point of view, of providing the necessary aid since deferment, per se, would make available to it foreign exchange which could be used with complete freedom and, therefore, with greater speed and efficiency than in the case of country-tied and partially commodity-tied non-project aid.

8. The GOI also stated that both its total and its foreign exchange expenditures for defense have remained, and in the coming year will remain, lower than those projected in the five year (1964/65 through 1968/69) defense expenditure plan adopted in 1964/65. The GOI has also stated that although both total and foreign exchange expenditures were sharply increased in 1963/64 following the Chinese attack on India in late 1962, they have remained approximately stable since that time. The budgeted defense expenditures for 1966/67 (918 crores) are, in money terms, insignificantly (30 crores) higher than those in 1965/66; in



real terms they are undoubtedly lower on account of increased pay and allowances and the higher cost of supplies purchased. The import programs indicated in Table 4 include foreign exchange expenditures for defense. The GOI states that in 1965/66 these were not higher and in 1966/67 will not be higher than in the immediately preceding years.

9. The GOI does not propose to ask the Soviet Union, the principal East Bloc creditor, to defer debt service payments due to it in 1967. It has accomplished what it regards as in effect the equivalent, in that the Soviet Union has recently extended a commercial credit to finance non-project imports, including components and spare and replacement parts for Soviet-assisted plants. The GOI estimates that during the Fourth Plan period imports of components and spare parts alone under this credit will range between Rs. 63 crores and Rs. 114 crores (\$130 to \$230 million equivalent). The GOI points out also that at an earlier date the Soviet Union as well as other East Bloc creditors agreed to accept payment on debt in inconvertible rupees.

10. As stated in paragraph 7 of the Background Note of February 16, "the Government of India has for the past seven months been considering shifts in policy and program. Renewed discussion of these with the Bank and early resumption of the formulation of policy and program for the Fourth Plan period is contemplated. The representatives of the Government of India pointed out, however, that a new Finance Minister and a new Prime Minister have just taken office. The Government consequently is not in a position to make quick decisions with respect to the major issues of policy and program. The representatives of the Government of India consequently have asked for relief of their immediately prospective situation in advance of any major policy or program decisions." The Bank believes that in the circumstances it is desirable that the Government of India be put in a position to license now a larger volume of maintenance imports than presently available resources permit, pending decisions on policy and program issues. For this reason we are prepared to recommend to our Board an IDA credit of \$50 million (approximately the amount of principal payments due to the Bank in 1966/67) which we would not otherwise have made, this credit to be available for quick-disbursing non-project purposes. We recommend that all other members of the Consortium provide additional quickly disbursable assistance of the same character in amounts equal at a minimum to the principal payments due them in 1966/67.

B.R. Bell  
I.B.R.D.  
March 31, 1966

Table 1: FOREIGN EXCHANGE RESOURCES (Excluding PL 480 Food)

(US \$ million)

|                         | 1964/65      | 1965/66      | 1966/67<br>Existing<br>Commitments | 1966/67<br>GOI<br>Program |
|-------------------------|--------------|--------------|------------------------------------|---------------------------|
| <u>Gross Resources:</u> | <u>2,678</u> | <u>3,049</u> | <u>2,999</u>                       | <u>3,476</u>              |
| Exports of goods        | 1,688        | 1,693        | 1,722                              | 1,722                     |
| Project aid             | <u>599</u>   | <u>848</u>   | <u>777</u>                         | <u>777</u>                |
| Existing                | 536          | 767          | 777                                | 777                       |
| New                     | <u>63</u>    | <u>81</u>    | <u>a/</u>                          | <u>a/</u>                 |
| Non-project aid         | <u>372</u>   | <u>420</u>   | <u>363</u>                         | <u>782</u>                |
| Existing                | 242          | 344          | <u>b/</u>                          | <u>b/</u>                 |
| New                     | <u>130</u>   | <u>76</u>    | <u>--</u>                          | <u>363</u><br><u>c/</u>   |
| PL 480 Cotton           | 19           | 63           | --                                 | 58                        |
| IMF drawings (net)      | --           | 25           | 137                                | 137                       |

a/ New project commitments may be made by various aid donors but these would not affect the problem under consideration.

b/ Includes:

|                                                                    |                      |
|--------------------------------------------------------------------|----------------------|
| (1) IDA Industrial Imports loans                                   | \$ 80 million        |
| (2) U.S. Non-Projects and \$50 million fertilizer loan             | 147 million          |
| (3) U.K. Kipping loans of 1963 and 1964 and food<br>emergency loan | 29 million           |
| (4) West German commodity loans II, III, IV                        | 13 million           |
| (5) Japan Third, Fourth, Fifth Yen Credits                         | 8 million            |
| (6) France, Italy, Austria Suppliers Credits                       | 8 million            |
| (7) Netherlands General Purpose Loan of 1963                       | 7 million            |
| (8) U.S. \$100 million non-project loan                            | 71 million           |
| Total                                                              | <u>\$363 million</u> |

c/ Includes:

- (1) \$29 million out of IDA \$50 million loan (suggested)
- (2) \$27 million out of AID \$242 million loan (hoped for)
- (3) \$11 million out of Canadian \$11 million Colombo Plan (hoped for)
- (4) \$309 million out of debt deferment of \$309 (hoped for)
- (5) \$42 million out of U.K. Balance of Payments aid of \$42 million (hoped for)

Total - \$418 million



Table 2: PROJECTED FOREIGN EXCHANGE USE (Excluding PL 480 Food)

(US \$ million)

|                                                                                                       | 1964/65      | 1965/66       | 1966/67<br>Existing<br>Commitments | 1966/67<br>GOI<br>Program |
|-------------------------------------------------------------------------------------------------------|--------------|---------------|------------------------------------|---------------------------|
| <u>Resources Available (from Table 1)</u>                                                             | <u>2,678</u> | <u>3,049</u>  | <u>2,999</u>                       | <u>3,476</u>              |
| Less (-):                                                                                             |              |               |                                    |                           |
| Payments on account of licenses<br>issued in earlier periods                                          | -817         | -1,111        | -1,037                             | -1,037                    |
| Profit remittances and private<br>investment capital                                                  | - 60         | - 64          | - 65                               | - 65                      |
| Net invisibles <u>a/</u>                                                                              | <u>-116</u>  | <u>+ 32</u>   | <u>- 59</u>                        | <u>- 59</u>               |
| <u>Total</u>                                                                                          | <u>-993</u>  | <u>-1,143</u> | <u>-1,161</u>                      | <u>-1,161</u>             |
| <u>Balance Available</u>                                                                              | <u>1,685</u> | <u>1,906</u>  | <u>1,838</u>                       | <u>2,315</u>              |
| Less (-):                                                                                             |              |               |                                    |                           |
| Debt service                                                                                          | -252         | -323          | -359                               | -359                      |
| Freight on PL 480 food                                                                                | - 50         | - 97          | -122                               | -122                      |
| "Normal marketing" food purchases                                                                     | <u>- 40</u>  | <u>- 40</u>   | <u>- 15</u>                        | <u>- 15</u>               |
| <u>Total</u>                                                                                          | <u>-342</u>  | <u>-460</u>   | <u>-496</u>                        | <u>-496</u>               |
| <u>Balance Available for Imports</u>                                                                  | <u>1,343</u> | <u>1,446</u>  | <u>1,342</u>                       | <u>1,819</u>              |
| Less (-):                                                                                             |              |               |                                    |                           |
| Imports financed by project-tied aid                                                                  | <u>-599</u>  | <u>-848</u>   | <u>-777</u>                        | <u>-777</u>               |
| <u>Balance Available for Other Imports</u>                                                            | <u>744</u>   | <u>598</u>    | <u>565</u>                         | <u>1,042</u>              |
| Less (-):                                                                                             |              |               |                                    |                           |
| Other food                                                                                            | <u>- 21</u>  | <u>- 17</u>   | <u>- 59</u>                        | <u>- 59</u>               |
| <u>Balance Available for Imports excluding<br/>  Food and Project-tied aid-financed<br/>  imports</u> | <u>723</u>   | <u>581</u>    | <u>506</u>                         | <u>983</u>                |

a/ Differences explained as follows:

- 1) In 1965/66 but not in other years about \$60 to \$70 million received via National Defense Remittance Scheme.
- 2) In 1964/65 a large negative errors and omissions item.
- 3) All other items little changed from year to year.

Table 3: IMPORT ALLOCATIONS

(Excluding PL 480 and "normal marketing" food  
and project-tied aid imports)

(US \$ million)

|                                                                                                       | 1964/65      | 1965/66    | 1966/67<br>Existing<br>Commitments | 1966/67<br>GOI<br>Program |
|-------------------------------------------------------------------------------------------------------|--------------|------------|------------------------------------|---------------------------|
| Balance available for other Imports<br>(from Table 2)                                                 | 723          | 581        | 506                                | 983                       |
| Estimated extent to which licenses<br>issued in year will require payment<br>only in subsequent years | <u>1,159</u> | <u>752</u> | <u>243</u>                         | <u>1,287</u>              |
| TOTAL                                                                                                 | 1,882        | 1,333      | 749                                | 2,270                     |



Table 4: IMPORT ALLOCATIONS

(Excluding food and imports financed by project-tied aid)

(US \$ million)

|                                                                                                                      | 1964/65 | 1965/66 | 1966/67<br>Existing<br>Commitments | 1966/67<br>GOI<br>Program |
|----------------------------------------------------------------------------------------------------------------------|---------|---------|------------------------------------|---------------------------|
| <u>Maintenance Imports</u>                                                                                           |         |         |                                    |                           |
| "Bulk Imports"                                                                                                       | 809     | 672     | 444                                | 891                       |
| Fertilizer                                                                                                           | 84      | 128     | 145                                | 200                       |
| POL                                                                                                                  | 200     | 166     | 118                                | 172                       |
| Newsprint                                                                                                            | 15      | 13      | 8                                  | 19                        |
| Iron and steel                                                                                                       | 166     | 46      | 36                                 | 164                       |
| Government Departments including<br>public sector enterprises and<br>private steel mills and petroleum<br>refineries | 344     | 319     | 137                                | 336                       |
| <u>Other Commercial Imports</u>                                                                                      | 806     | 596     | 212                                | 1,243                     |
| Cotton                                                                                                               | 107     | 84      | -                                  | 143                       |
| Cashew nuts                                                                                                          | 15      | 23      |                                    |                           |
| Raw jute                                                                                                             | 6       | 21      |                                    |                           |
| Sulphur                                                                                                              | 13      | 13      |                                    |                           |
| Rock phosphate                                                                                                       | 4       | 13      |                                    |                           |
| Other materials for chemical<br>industries                                                                           | 111     | 118     | a/                                 | a/                        |
| Materials and components for<br>engineering industry                                                                 | 290     | 216     |                                    |                           |
| Other, including non-ferrous metals,<br>materials for small-scale<br>industry, drugs, etc.                           | 210     | 95      |                                    |                           |
| Total Maintenance Imports                                                                                            | 1,615   | 1,268   | 656                                | 2,134                     |
| <u>Capacity Expansion Imports</u>                                                                                    | 267     | 65      | 95                                 | 137                       |
| Total Maintenance and Capacity<br>Expansion Imports                                                                  | 1,882   | 1,333   | 751                                | 2,271                     |

a/ Further breakdown not available.

Table 5: INDIA'S BALANCE OF PAYMENTS FORECAST

(US \$ million)

|                                                                          | 1964/65<br>Actuals | 1965/66<br>Nov. 1965<br>(Forecast) | 1965/66 Current Estimates |               |               | 1966/67       |               |               |
|--------------------------------------------------------------------------|--------------------|------------------------------------|---------------------------|---------------|---------------|---------------|---------------|---------------|
|                                                                          |                    |                                    | I Half                    | II Half       | Total         | I Half        | II Half       | Total         |
| I. <u>Imports (c.i.f.)</u>                                               |                    |                                    |                           |               |               |               |               |               |
| Commercial                                                               | 2,381              | 2,631                              | 1,241                     | 1,390         | 2,631         | 1,428         | 1,464         | 2,892         |
| PL 480                                                                   | 481                | 483                                | 294                       | 294           | 588           | 386           | 292           | 678           |
| <u>Total - I</u>                                                         | 2,862              | 3,114                              | 1,535                     | 1,684         | 3,219         | 1,814         | 1,756         | 3,570         |
| II. <u>Exports</u>                                                       | 1,686              | 1,693                              | 827                       | 865           | 1,692         | 819           | 903           | 1,722         |
| III. <u>Trade Balance</u>                                                | <u>-1,176</u>      | <u>-1,421</u>                      | <u>- 708</u>              | <u>- 819</u>  | <u>-1,527</u> | <u>- 995</u>  | <u>- 853</u>  | <u>-1,848</u> |
| IV. <u>Invisibles (net)</u>                                              |                    |                                    |                           |               |               |               |               |               |
| i) Interest on foreign loans                                             | - 109              | - 145                              | - 69                      | - 76          | - 145         | - 69          | - 82          | - 151         |
| ii) Others (including NDRS)                                              | - 4                | --                                 | - 6                       | - 59          | - 53          | - 8           | - 13          | - 21          |
| <u>Total - IV</u>                                                        | <u>- 105</u>       | <u>- 145</u>                       | <u>- 75</u>               | <u>- 17</u>   | <u>- 92</u>   | <u>- 77</u>   | <u>- 95</u>   | <u>- 172</u>  |
| V. <u>Current Account (net)</u>                                          | <u>-1,281</u>      | <u>-1,566</u>                      | <u>- 783</u>              | <u>- 836</u>  | <u>-1,619</u> | <u>-1,072</u> | <u>- 948</u>  | <u>-2,020</u> |
| VI. <u>Capital Transactions</u>                                          |                    |                                    |                           |               |               |               |               |               |
| i) Repayments of loans                                                   | - 141              | - 178                              | - 82                      | - 96          | - 178         | - 99          | - 109         | - 208         |
| ii) Repayment to IMF                                                     | - 101              | - 76                               | -                         | - 75          | - 75          | - 50          | -             | - 50          |
| iii) Other capital                                                       | - 180              | - 61                               | - 90                      | - 6           | - 84          | - 95          | - 8           | - 103         |
| <u>Total - VI</u>                                                        | <u>- 422</u>       | <u>- 315</u>                       | <u>- 172</u>              | <u>- 165</u>  | <u>- 337</u>  | <u>- 244</u>  | <u>- 117</u>  | <u>- 261</u>  |
| VII. <u>Total Deficit (V - VI)</u>                                       | <u>-1,703</u>      | <u>-1,881</u>                      | <u>- 955</u>              | <u>-1,001</u> | <u>-1,956</u> | <u>-1,316</u> | <u>-1,065</u> | <u>-2,381</u> |
| VIII. <u>Financing</u>                                                   |                    |                                    |                           |               |               |               |               |               |
| i) IMF Drawing                                                           | - 101              | - 101                              | - 75                      | - 25          | - 100         | -             | -             | -             |
| ii) PL 480                                                               | - 481              | - 483                              | - 294                     | - 294         | - 588         | - 386         | - 292         | - 678         |
| iii) Other committed assistance                                          | - 970              | -1,268                             | - 567                     | - 701         | -1,268        | - 563         | - 506         | -1,069        |
| iv) Change in reserves (Decline -)                                       | - 151              | - 29                               | - 19                      | - 19          | -             | -             | - 42          | - 42          |
| v) Gap to be covered by disburse-<br>ments of fresh aid and other inflow | -                  | -                                  | -                         | -             | -             | - 367         | - 309         | - 676         |



Table 6: INDIA'S DEBT REPAYMENT OBLIGATIONS, 1966/67<sup>/a</sup>

(US \$ million)

| Creditor    | Principal  | Interest   | Total      |
|-------------|------------|------------|------------|
| IBRD/IDA    | 49.0       | 36.0       | 85.0       |
| U.K.        | 33.0       | 23.1       | 56.1       |
| W. Germany  | 25.6       | 23.5       | 49.1       |
| U.S.A.      | 34.2       | 27.2       | 61.4       |
| Japan       | 16.5       | 13.9       | 30.4       |
| Canada      | <u>5.1</u> | <u>2.5</u> | <u>7.6</u> |
| Subtotal    | 163.4      | 126.2      | 289.6      |
| France      | 4.5        | 3.2        | 7.7        |
| Italy       | 2.5        | 1.8        | 4.3        |
| Netherlands | -          | 0.8        | 0.8        |
| Austria     | 1.0        | 0.7        | 1.7        |
| Belgium     | 0.7        | 0.4        | 1.1        |
| Switzerland | 1.1        | 1.2        | 2.3        |
| Kuwait      | <u>6.7</u> | <u>1.9</u> | <u>8.6</u> |
| Subtotal    | 16.5       | 10.0       | 26.5       |
| Other       | <u>0.1</u> | <u>0.4</u> | <u>0.5</u> |
| Grand Total | 180.0      | 136.7      | 316.6      |

Details may not add to totals due to rounding.

/a Excludes all "rupee payment" obligations to East Bloc.

Source: Government of India

Mr. B. R. Bell

March 31, 1966

Alexander Stevenson

INDIA - Distribution of Consortium Documents

1. Our records indicate that 120 copies of the February 17 background note were printed and used. Since the meeting scheduled for April 5 will include all members of the consortium and considering also that balance of payments information will be included and thus increase the demand for your new background note, I would suggest a substantially larger number of copies be run off.

2. The standard distribution of Indian consortium documents requires 250-275 copies. The normal procedure is for stencils of documents to be cut in the author's office and sent to the Secretary's office (attention Miss Mary Copeland, Room 1209). The Secretary's office then assumes responsibility for dealing with the Print Shop and for prompt distribution. I believe it would simplify your task if the normal distribution procedure were used in connection with the background note you are preparing. Miss Copeland has been informed that such a note may be sent to her for distribution within the next day or two and I would suggest that your office contact her as soon as you are in a position to estimate when the stencil is likely to be available to her.

cc: Miss Mary Copeland  
Mr. S. Katz  
New Delhi Office



Miss Mary Copeland

March 31, 1966

Gregory B. Votaw

India - Consortium Distribution List

1. Thank you for supplying us with an up-to-date list of the distribution normally given to Indian consortium documents. Your list is dated June 15, 1965, but incorporates one or two subsequent corrections (6 for Mr. Larre, 10 for Mr. Stevens, 10 for Mr. Rajan and delete Mr. Reid).
2. I understand that Mr. L. von Hoffmann is to be added to the persons listed in the righthand column and will be shown on subsequent lists. He should receive 2 copies.
3. I would also like to request the addition of two names in the lefthand column, namely, Mr. B. R. Bell who should receive 10 copies, and Mr. R. Sadove who should receive 1 copy.
4. These additions may exhaust your normal inventory of spares and I would suggest that the run be increased to 265-275 from the present 250.
5. If you type out a revised distribution list incorporating these changes, I would be most grateful for six copies of same.
6. Incidentally, my present extension is 2847. In my absence, as you know, Mr. Pollan (extension 2135) will be in charge of these matters. Mr. Katz (extension 2138) is responsible for many consortium details and will be working more and more closely with you on these matters in future.

cc: Mr. S. Katz  
New Delhi Office

## OFFICE MEMORANDUM

TO: Files

FROM: Alexander Stevenson

SUBJECT: India - Consortium

DATE: March 31, 1966

Mr. Matsukawa and Mr. Ukawa came to see me this afternoon to ask about the April 5 meeting. They said they had heard rumors that certain high officials from the Indian Government would be coming to Washington in the next week or so and wondered if the meeting would be held. I said it was going forward as scheduled and they would have a background paper today or tomorrow.

Mr. Matsukawa asked whether the meeting would be an informational one and I told him that it would, but added that if any country was in a position to state what it was doing or had promised to do, this would be most helpful. He mentioned that Japan was making a grant of rice to India as emergency aid.

cc: Mr. Wilson ✓  
Mr. Bell  
Mr. Votaw

AS/uz



*J. L. D. Dr.  
Consul*

## OFFICE MEMORANDUM

TO: Files

DATE: 30th March 1966.

FROM: G. M. Wilson *GMW*SUBJECT: India

Mr. Patrick Reid telephoned me to say that Canada had decided to waive principal and interest payments for the next two years on its outstanding wheat loan to India. This will account for \$ 10 million over two years as compared with the principal and interest payments of \$ 8.1 million which are due in 1966/67. The Indians and the United States already know about this.

Dr. Donner called to say that the meeting on 5th April will be attended by Herr Elson, deputy to Dr. Kaiser who (at any rate for this purpose) has taken Dr. Henckel's place. While he is here he wants to discuss Indian matters with the U.S. Government and with us and I have told Dr. Donner that he should certainly see Mr. Bell and Mr. Stevenson. Perhaps Mr. Woods would also like to see him.

cc: Mr. G. D. Woods  
Mr. A. Stevenson  
Mr. B. Bell.

GMWilson:mh



**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**  
**WASHINGTON 25, D. C.**

RESIDENT REPRESENTATIVE IN INDIA  
RESERVE BANK OF INDIA BUILDING  
NEW DELHI

TELEPHONE: 47867 34987

CABLE ADDRESS: INTBAFRAD-NEW DELHI

March 26, 1966

Letter No. 86

Mr. Stanley Katz  
South Asia Department  
International Bank for Reconstruction  
and Development  
1818 H Street, N.W.  
Washington, D.C. 20433

Dear Stanley,

1. I'm afraid I just couldn't make it to send you the draft I promised. It just doesn't seem to be possible to get the couple of days I would need to write down something decent, on top of the flood of visitors, mostly non-colleagues, during the last three days, Barbara left for London on leave, and Shobha has been tied up with an undeferable real estate job at Prithviraj Road today. Hence, even dictation time has been in short supply.

2. However, I thought you might be helped by a sketch of an outline, which I prepared early in the week. It is just a series of points. Scarcity of actual data make it difficult to elaborate, but I believe they might still serve a useful purpose:

- (a) direct cost of fighting is about Rs. 50 crores (Ministry of Defence Report, p. 4). It includes arms, ammunition and military hardware, but no damage to civilian property, which, however, should not have been excessively large in absolute terms;
- (b) a good deal of the Rs. 50 crores is, directly or indirectly, foreign exchange. Some of the hardware is imported, some is indigenously manufactured using materials the country is in short supply of. Explosives, for example, are manufactured in India, but imported at the margin, etc., etc.
- (c) some losses of export is also attributable to the conflict (Report of Ministry of Commerce, p. 10). Some of this has been caused by dislocation of traffic, delay in delivery time, etc. Some by confiscation (all the tea in transit through East Pakistan at the beginning of the conflict and not yet released).



March 26, 1966

- (d) In the eastern part of the country the conflict caused enormous increase in transport cost for goods coming down from Assam via the rail link rather than the inland navigation system in East Pakistan. Additional costs to industry due to dislocation of transport system in September have been heavy in the North Western region as well;
- (e) a certain amount of goods in transit bound to India has been confiscated at Pakistani ports and not yet released. Though the amounts involved is probably not very large, it includes machinery and equipment required for projects, the completion of which will be considerably delayed now;
- (f) increased requirements for the defence effort of commodities usually exported caused a further decline in export earnings (raw wool is a case in point).

3. I should have thought that you would also like to draft a few paragraphs on the "aid pause", which is by far the most severe effect of the conflict on the Indian economy. The effect is felt mostly via:

- (i) an immediate decline in imports availability of some crucial raw material, which were either to be financed by non-project assistance or by free foreign exchange GOI did not want to use in the absence of commitments for financing other imports under aid sources. (Licences were actually suspended on September 1st and released for such materials as copper, lead, tin etc., on October 16th, though at a very low level, when it appeared obvious that a number of factories would close down.)
- (ii) A very severe tightening up of the issuance of licences for other maintenance imports as well, such as spares and components, which though not immediately reflected in a slow down in physical imports, should be fully felt during the first half of the current financial year.
- (iii) Very serious uncertainty over investment prospects, the delay in the formulation and appraisal of the Fourth Plan, etc.

4. You know well what the position of the US Government with respect to the aid pause is and has been. As to other countries, you could perhaps refer to my letter No. 301 of November 11, 1965, which still reflects the position of other Consortium members as late as the beginning of December - but check the Germans. You also know how the program got to move again by the end of 1965 and to which extent. I think you will like to draft a couple of paragraphs to tell this story. Of course, the consequences of the attitude of major donor countries effect the prospects for the economy as a whole. However, an important development you might like to emphasise in the industrial sector, both private and public, is that



Mr. Stanley Katz

- 3 -

March 26, 1966

sluggishness in aid flow and uncertainty over the general aid prospects, has caused a considerable slow down of the tempo of investment, with a deceleration effect mainly on the machine tool, electrical equipment, and other investment goods industries, which are now suffering from lack of demand, or a substantially reduced level of it (particularly true with respect of machine tools and electrical equipment). Thus, the slow down in investment tempo has, in a sense, eased the pressure arising from reduced and uncertain availability of foreign exchange on the demand for imports. Nonetheless, industries either with a long order booking list, or producing for other sectors of the economy, such as transport where demand is still fairly buoyant, have been obliged to run down stocks at very low levels to keep production going.

5. At this point you might also like to mention that the indirect effects of the war have hit Indian industry at a time when they were already under pressure from a somewhat deflationary policy of the RBI and the Finance Ministry, which was meant to curb excessive inflationary pressure in the economy and check money supply expansion, as well as to make imports dearer to the economy. The credit squeeze operated by the RBI during the first half of the 1965/66 financial year was accompanied by a number of other measures, such as the 10% import surcharge introduced early in 1965, the 25% compulsory deposit scheme against orders issued for industrial imports in effect till the second Finance Bill was introduced in July, and substituted, at that time, by a substantial increase in import duties. All these measures had already contributed to drying up the liquidity in the industrial sector to a considerable extent, even if, from the general monetary point of view, probably have been far from sufficient to result in a contraction of total indebtedness of the industrial sector toward the banking system, and had proved of little use to check money supply growth in view of continuous expenditure in the Government sector (and the States). The fact of the matter is that most industrial enterprises have been extremely short of working capital during the second half of last year, and still are.

6. I should have thought that this is as far as we would like to say in a short report to the Board, just to show that that we are aware of what is happening. The tone of the drafting should depict a rather serious situation, without making it too dramatically bad. This would be only fair, if we do not value time, of course, since the correct way to look at the economic consequences of the Indo-Pak conflict would be, instead, to estimate the cost in terms of ~~lost~~ per capita income of a minimum set back of about one year in the economic development of a country where population growth at 2.6% per annum means some 12 million people more every twelve months. I hope this is of some help; better than nothing, perhaps.

It was very nice seeing you here and I hope you had a nice trip back.

With best regards,

Yours sincerely,

*Romano Pantanali*

Romano Pantanali

cc: Mr. Gregory Votaw



Mr. Stanley Katz

- 4 -

March 26, 1966

Dictated but not read

Ind Consult

Mr. Donald D. Fowler

March 23, 1966

Alexander Stevenson

Meeting on India's Aid Requirements

Would you please arrange for the distribution of this note  
as soon as possible?

if

HPollan/bj



## OFFICE MEMORANDUM

TO: Files

FROM: Alexander Stevenson *AS*

SUBJECT: India - Consortium Timetable

DATE: March 23, 1966

*Mr. Knapp* *AS*

Mr. Wilson discussed with Mr. Macomber this morning a possible line of action concerning aid to India by the consortium members this year. Mr. Bell and I were also present.

Mr. Wilson said that for the time being at least the debt re-scheduling issue was dead but the issue of interim aid was very much alive. Mr. Bell had now returned from India and was putting together the information which the February 17 meeting had requested. Mr. Bell would have a paper ready next week and a meeting of the Washington representatives of the consortium countries would be convened on April 5. Mr. Wilson went on to say that the Government of India had agreed to the release of the Bell Report and that it would be made available to consortium members, hopefully in May. A meeting of the consortium might be held in June to obtain comments of members on the Bell Report and Mr. Bell would thereafter go to India in July to carry out the appraisal of the Fourth Five-Year Plan. Hopefully this would be done before the Plan had been presented to the National Development Council, since Mr. Bell would be carrying the views of consortium members on major issues of Indian economic policy. On this schedule, a meeting of the consortium to discuss the Fourth Plan could be visualized from September on, probably in the fourth quarter of 1966.

There followed some discussion of this timetable and the implications on it of Mrs. Gandhi's Washington visit and possible consequences of that visit. It was agreed that while the later parts of the timetable outlined above might very well be affected by decisions taken as a result of Mrs. Gandhi's Washington visit, there was little use in speculating on these implications now.

Mr. Wilson and I later discussed plans for the April 5 meeting with the representatives of the other consortium members.

cc: Mr. Wilson ✓  
Mr. Bell  
Mr. Pollan  
Delhi Office

*Ind Consortium  
to Bell Study*

## OFFICE MEMORANDUM

TO: Files

DATE: March 23, 1966

FROM: Hans Pollan

SUBJECT: INDIA - Consortium and Bell Mission

1. Mr. Wilson convened a meeting on March 21 which was also attended by Messrs. Stevenson, Bell and Pollan.
2. Mr. Wilson explained that the Executive Directors of the United Kingdom and Canada had called on him earlier in the day expressing the wish that the Consortium be convened, even if informally, at an early date to review the short-term aid requirements of India. Mr. Wilson, who had been in London a few days ago, said that this was in line with what he had heard from Mr. Belcher in ODM and he wanted to discuss the next moves.
3. Mr. Bell, who had just returned from India, explained that he had recently seen Sir Alan Dudley in Delhi. Sir Alan made a similar point and had expressed concern that protracted inaction of the Consortium may lead to individual aid arrangements of the Consortium members with India, each having their individual conditions without the benefit of intra-Consortium consultation. Sir Alan had also indicated that the United Kingdom was prepared in any event to continue its aid to India in 1966/67.
4. Mr. Wilson, who had spoken recently to a number of Consortium representatives, considered that India's earlier proposal for debt relief did not have a chance. Mr. Bell said that essentially the GOI wanted interim non-project aid and did not care whether this was related, except in amount, to 1966/67 debt service. With respect to timing, the Finance Minister had suggested the earliest possible date but with some preference that the Consortium get together shortly after rather than prior to the imminent visit of the Indian Prime Minister in Washington. Mr. Bell said that the Indians, after taking into account the proposed IMF drawing of \$187.5 million 1/ and the recently announced U.S. non-project loan of \$100 million, would hope that such a meeting would lead to indications of another \$200-\$300 million of free resources or non-project aid. In addition the Indians hoped within the next six months or so to mobilize perhaps another \$150 million of non-project aid through bilateral negotiations with individual Consortium countries. Since Mr. Bell had data indicating India's short-term requirements, he undertook to prepare a paper which would shortly be distributed to all the Consortium members.
5. Mr. Wilson said that he had in mind suggesting a meeting of all Consortium members in some suitable form in the week starting April 4 to discuss India's short-term requirements. He hoped that about two weeks later another meeting could be called at which the members would indicate their contributions. In the meanwhile, he wanted to discuss this approach with the U.S. Government. Bank/IDA's own contribution would be the proposed \$50 million credit for industrial imports.

---

1/ To which the IMF agreed on March 23



6. The discussion then turned to the disposition of the Bell reports. Mr. Bell said that the Minister of Finance had told him last week that after suitable amendments, which the GOI left to him to make and which would reflect his recent discussions in India, the GOI would have no objections to the distribution of his mission's report to the Consortium. It had been agreed that a formal exchange of letters between Mr. Woods and the Finance Minister would occur on this point. Mr. Bell expected that the members of his mission would complete the work required by the end of April and, after he had reviewed it, the report could be distributed to the Consortium, probably some time in May. The distribution of the Bell reports would be a preliminary to an eventual later Consortium meeting in the fall which would consider the Fourth Five-Year Plan and its aid requirements (following the Plan's appraisal by the Bank). In preparing for the report's distribution in May, one would have however to take note of the possibility that India may not have acted on the Bell mission's policy proposals by the time the Consortium is convened to consider the Fourth Plan.

Cleared and cc: Mr. Stevenson  
Mr. Bell

cc: Mr. Wilson  
Mr. Katz  
Mr. Votaw  
Delhi office

HPollan/bj

MEETING - Indian Aid  
Requirements - Apr. '66



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IND 66-2

FROM: The Deputy Secretary

March 23, 1966

INDIAN AID REQUIREMENTS

A meeting will be held in the Bank's Board Room, 1818 H Street, N.W., Washington D.C., at 3:00 p.m. on April 5 to discuss India's request for interim aid during 1966/67. A background note for these discussions will be distributed shortly.

Distribution:

Executive Directors for:

|         |                |
|---------|----------------|
| Austria | Italy          |
| Belgium | Japan          |
| Canada  | Netherlands    |
| France  | United Kingdom |
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Embassy of Japan  
Managing Director, IMF

Chairman, India Consortium  
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President  
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Department Heads (Other)  
Resident Representative, India

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March 14, 1966

Alexander Stevenson

India - Lending Program for 1966/67

CONFIDENTIAL

Further to Mr. Votaw's memorandum to Files dated March 11, 1966, Mr. Woods mentioned to me on Friday night that he wanted to reserve his position as to whether Beas would be financed through the Bank or IDA in view of the possibility that claims on the Bank for private fertiliser manufacturing projects may be large.

cc: Mr. Pollan  
New Delhi Office

AS/uz



MAR 14 REC'D

Consort

## 3/19 OFFICE MEMORANDUM

TO: Files

FROM: Alexander Stevenson

SUBJECT: India - Consortium

DATE: March 11, 1966

Mr. Patrick Reid called on me this morning. He said he had instructions from his Government that Canada would like to have a meeting of the consortium countries at an early date after the end of March to be informed about the Indian situation. Such a meeting should be quite low-key with no publicity. It should not be concerned specifically with the problem of debt relief but rather with the whole matter of Indian emergency or interim aid requirements. Canada, he said, was "off the debt roll-over kick". At such a meeting there would be no thought of any pledging but it would be more like a consultative group meeting and would serve the function, necessary in Canadian opinion, of keeping the consortium members in touch with the Indian situation.

The line now taken by Canada is for all intents and purposes the same as that of the U.K. as expressed by Sir Alan Dudley in his recent conversation with Mr. Bell. (See my memorandum to Mr. Wilson, dated March 2, 1966, "India - Debt Relief and Creditor Equity".) - orig - ✓

I told Mr. Reid that I would be discussing these matters with Mr. Woods and would be in touch with him.

cc: Mr. Woods ✓  
Mr. Wilson  
Mr. Hoffman  
Mr. Bell  
Mr. Votaw  
New Delhi Office

AS/uz

Mr. Wilson

March 2, 1966

Alexander Stevenson

India - Debt Relief and Creditor Equity

Here is a paper which Mr. Katz has prepared on the debt relief question. I think you will find it very helpful. Though not confined to the Turkish example, the formula outlined in it is, I believe, entirely consistent with that example. Mr. Katz will stop in Paris on his way to India to pick up more information on the Turkish experience.

As far as I know in the Hague and Paris club, etc. the creditors have not got into the question of trying to equate past and prospective sacrifice. I would hope that in any further Indian debt rescheduling operation they would also look only forward, otherwise the problem can become very complicated and it may be more trouble than it is all worth.

I have just spoken to Mr. Bell in London who has seen Sir Alan Dudley at the latter's request. Sir Alan made two points. The U.K. feels there should be a meeting of the consortium members before the one on the Fourth Plan. They hope that the next (end March) meeting would prepare this. They conceive the problem as an examination of the aid requirements and plans for 1966/67 and Sir Alan said he hoped this would be the context of the next meeting rather than the narrow one of debt rescheduling.

Sir Alan said further that the U.K. takes a serious view of the Indian economic situation and is alarmed about it. (This may be contrasted with the U.S. position as expounded by Mr. Macomber.)

AS/uz attachment

cc: Mr. King  
Mr. Votaw  
Mr. Katz  
New Delhi Office



Financial  
Times  
March 10-66

Ind. Consul

## AID FOR INDIA

# The World Bank Takes Another Look

By Our New Delhi Correspondent

A World Bank mission headed by Mr. Bernard Bell began discussions with the Indian Government here on Tuesday in response to India's request for an early meeting of the Aid India Consortium. The arrival of the Bell Mission has been greeted with a sigh of relief by the Ministry of Finance, which only a month ago seemed to despair of new Western assistance under the auspices of the World Bank, in the context of the controversy on devaluation and Indian economic policy.

### Next Year's Plan

The resumption of the dialogue, which was interrupted in mid-1965, does not ensure an immediate commitment of Western aid on the scale visualised by the Indian planners, but it indicates that the World Bank and India have agreed to take another hard look at the state of the economy and evaluate the aid prospects for next year's plan which coincides with the first year of the Fourth Plan.

The Bell Mission was actually expected to come to Delhi last November, but the Government was not quite prepared to receive it and, moreover, the relations between the Bank and the former Finance Minister, Mr. Krishnamachari, were not exactly cordial. Mr. Krishnamachari resented the Bell Mission's suggestions for devaluation of the rupee and for allowing a greater scope for market forces in the allocation of scarce resources.

Indian Government officials are now hopeful of getting the mission to amend some of its recommendations in the light of the changed conditions and urge the World Bank authorities to re-convene a meeting of the Aid Club to underwrite the foreign exchange resources of the plan for 1966-67 and refinance some of the old debts. The new régime seems to be in a better frame of mind to consider prac-

tical suggestions for improved economic management short of devaluing the rupee—the Government is obviously willing to go a long way to meet the demands of its creditors.

Informed sources say that the new flexibility of approach was emphasised by the Governor of the Reserve Bank of India, who flew out to Washington two weeks ago to pave the way for Mr. Bell's return visit to Delhi. Some of the consortium countries have also been told through diplomatic channels

private participation are being given more openly than before. Criticism of U.S. policy in Vietnam is muted and nominal.

Yet the Bell Mission wants to know what is being done to speed up policy decisions, to restrain the enthusiasm of perspective planners, to free business from needless licensing delays and to increase food output. The World Bank has complained that loans and credits authorised have not always been readily utilised. It has also pointed out that not enough has been done to revive the capital market.

What will be the eventual outcome of the current talks is hard to say now, since the discussions are expected to last about a week. But the Government is a little embarrassed by the disclosure this week of Mr. Thomas Mann's testimony before a Committee of the U.S. House of Representatives in which he is reported to have suggested that Aid Club members are still anxious to see the rupee devalued.

### Discussions on Currency

Mr. Mann, who is Under-Secretary of State for Economic Affairs, has been quoted as saying: "We probably think the Indian currency is over-valued ... discussions have been under way for some time to see how we and India and other donor countries can reach agreement on what needs to be done in this field."

The Government is, however, hopeful that the Bell Mission will not press this point again, but rather accept the compulsion of the present political conditions as a limiting factor and assess the budgetary policy accordingly. In the light of these discussions, the Government is expecting to present Parliament an outline of the Plan for 1966-67 which visualises a foreign exchange component of £375m.



Mr. Thomas C. Mann

that the past should be buried and forgotten and a new chapter of co-operation opened since there was a new régime in Delhi with a new outlook and enthusiasm.

The new climate is exemplified by the crusade launched by the Planning Minister against the critics of the World Bank and foreign aid. He has received cautious support from the Prime Minister, who has spoken at least three times this week in appreciation of assistance from abroad. Controls are now being criticised and pledges of support for foreign



Is Debt  
Commit

Mr. Alexander Stevenson

March 10, 1966

Gregory B. Votaw

INDIA - Debt Rescheduling:  
Paris Club and Other Precedents.

1. Attached for your reference are copies of the following documents:

- (a) The "agreed note" of October 23-26, 1962, governing arrangements with Argentina.
- (b) The "agreed note" dated February 3, 1965, governing arrangements with Brazil.
- (c) The "new model agreement" dated February 6, 1964, governing arrangements with Turkey.
- (d) Minutes dated January 26, 1965, of the working party on Turkey to which is attached a "discussion paper presented by the U.S. Delegation" summarizing the formula also by the U.S. on that occasion.

Other documents sent to us by Mr. Katz under cover of his letter of March 4 describe the various steps in the development of the formula for Turkey and would seem to be of less immediate interest to you. I have left them on his desk.

2. The following elements seem to be part of debt rescheduling formulae:

- (a) Definition of debt to be consolidated by type of credits (commercial suppliers' credits listed in an agreed document ~~are~~ possibly in the case of India all credits which counted towards consortium pledges).
- (b) Further definition of debt to be consolidated as a per cent of principal and/or interest falling due on credits under "a" (for example, 50% of principal payments in the Argentine case, 70% of principal and interest payments for Brazil, and 100% of principal and interest payments for Turkey).
- (c) Further definition of debt to be consolidated in terms of the period during which payments due are to be rescheduled (two years for Argentina/Brazil, five years for Turkey).
- (d) A date by which bilateral arrangements implementing the general formula are to be concluded.
- (e) An indication of the period during which such assistance (for example new credits for the refinancing of payments) is to be made available (calendar years 1963 & 1964 for Argentina, calendar years 1964 & 1965 for Brazil).



- (f) A clause regarding refinements in connection with any debts already consolidated.
- (g) A period over which rescheduling or emergency assistance will be repaid (roughly six years for Argentina, seven years including two years' grace for Brazil, and  $5\frac{1}{2}$  years after five years' grace for Turkey).
- (h) A clause indicating that interest terms would be fixed bilaterally (and, in the Turkish case, that interest would be waived during the grace period resulting from the deferment).
- (i) Various general clauses regarding the debtor's obligation to treat all creditors equitably.
- (j) Various other obligations of the debtor - mainly regarding treatment of other debts and negotiations with creditors not covered by the agreement (including for Argentina an obligation to conclude and implement an agreement with IMF, and for Brazil obligations to relax laws governing foreign private investment and to seek a solution to the problems of maritime transport).

3. A quick reading of the papers suggests that West Germany has had special problems in connection with each refinancing effort. With this in view and considering that a substantial amount of refinancing has already been considered part of Third Plan assistance, it might be useful to learn more about how they would approach the Indian case if an element of rescheduling is to be considered in connection with Fourth Plan aid.

4. Although I have not been able to read the Turkish papers carefully, they seem to contain very little economic data and no evidence of a program commitment from Turkey. The papers contain numerous statistics on debt, forecasts of repayment burden and some discussion of questions regarding the mechanics of rescheduling. The final guidelines or formula seem to have originated in a U.S. working paper; If there is to be a rescheduling exercise for India, I suppose the Bank will be expected to draw up a paper along similar lines.

cc: New Delhi Office

## OFFICE MEMORANDUM

TO: Mr. S. Stanley Katz (on return)

DATE: March 10, 1966

FROM: Gregory B. Votaw *GBV*SUBJECT: INDIA - Debt Rescheduling

1. I talked briefly with Mr. Zagorin on March 8. He said that in his view refinancing and rescheduling are comparable and would be so considered by the U.S. Government. New non-project aid would also be O.K. provided that there is clear evidence that such aid is additional to non-project assistance which would have been available otherwise. The proviso is important and troublesome. It would make it necessary to establish some benchmark or base figure of "normal non-project assistance" in order to evaluate the true effect of debt relief offered in the form of new non-project loans. For example, the proposed \$50 million industrial imports credit of IDA would be considered satisfactory if it were agreed that the normal level of non-project lending was zero; however, if the norm is taken to be the level of industrial imports lending by IDA in 1964 or 1965, the proposed new credit could not be considered as relief with respect to debt service obligations.

cc: New Delhi Office

GBVotaw/pd



*Id - Consort*  
*Free*  
*in Ind. Nat. Com*  
*Pharm**Debt Resched*

## OFFICE MEMORANDUM

TO: Mr. S. Stanley Katz (on return)

DATE: March 10, 1966

FROM: Gregory B. Votaw *GBV**copying our data*  
*Apr 20*SUBJECT: INDIA - Minutes of Meetings of Major  
Creditors for the full Consortium.

1. In your letter of March 4, you raise a question about distribution of detailed minutes describing the meeting of February 17. I would suggest that we stick with the rule that has been followed in the past, namely that these minutes be prepared for internal purposes only and not distributed outside the Bank. At regular meetings of the Consortium, as you know, a formal record of proceedings is agreed to and circulated. We have also kept much more detailed minutes but for our own purposes. If other creditors require a similarly detailed record of such discussions, their representatives at the meetings must prepare it. Needless to say, we have been quite willing to exchange information informally, usually by telephone, to verify each other's notes.

2. Since the IMF is part of our larger family, I am sending a copy of the minutes to Messrs. Finch and Tun Thin.

cc: New Delhi Office

GBVotaw/pd

Mr. J. Burke Knapp

March 9, 1966

Alexander Stevenson

INDIA - 1966/67 Lending Program

Attached for consideration at this afternoon's meeting  
are the following:

- (a) a memorandum on lending prospects to which  
a list of potential projects is attached,
- (b) estimated debt service payments to IBRD by  
loan,
- (c) a forecast of the Bank's net investment in  
India for each of the next five years,
- (d) chart of (c).



Mr. Alexander Stevenson (Through Mr. S.N. McIvor)

March 9, 1966

Gregory Votaw

INDIA - Lending Prospects in 1966/67

1. Attached please find a current listing of lending proposals from India in various stages of preparation. This list was prepared against a background of \$296.4 million not yet committed in loan/credit agreements from total Bank/IDA pledges of \$1,185 million announced for the Third Plan period (April 1, 1961 - March 31, 1966), plus \$23 million for Beas and an additional promise of \$50 million in quick-disbursing funds to help meet emergency conditions in 1966/67.
2. There is a fair chance that most of the proposals listed under A, B and C (totalling nearly \$400 million) could be negotiated and signed before the end of March 1967. Proposals listed under D are less clearly identified, some may come forward during the coming 12 months but clearly not all of them will.
3. Missing from this list are forestry and fishing (soon to be studied by project identification missions organized under the IBRD/FAO Cooperative Program) and the Calcutta Water Supply scheme (for which a WHO-sponsored Master Plan will shortly be completed). However, judging from past experience, it is unlikely that these efforts will yield firm lending projects in less than 12-18 months.
4. When the Fourth Plan appraisal has been completed, we would be able to develop an entirely new lending program -- using primarily IDA funds, emphasizing new departures in such fields as agricultural credit and strengthening earlier activities such as road transport, power, etc. On the Bank side ICICI is also expected to require a further commitment of funds -- but not before 1968; by then we also anticipate other substantial requests from individual private sector industrial companies, which would be met from Bank or IFC funds.

Attachment

LENDING PROSPECTS IN INDIA  
(for the 12 months beginning April 1, 1966)

|                                                                                                                                    | Approximate<br>amount<br>(\$ million) |
|------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
| A. Private industries, subtotal                                                                                                    | <u>74.5</u>                           |
| IISCO                                                                                                                              | 15.5                                  |
| TISCO                                                                                                                              | 30.0 <u>a/</u>                        |
| Birla-Armour fertiliser                                                                                                            | 15.0 <u>b/</u>                        |
| ICI fertiliser                                                                                                                     | 14.0 <u>c/</u>                        |
| B. Projects already appraised (although<br>not necessarily ready for negotiation), subtotal                                        | <u>169.0</u>                          |
| Beas                                                                                                                               | 23.0                                  |
| Railways II                                                                                                                        | 68.0                                  |
| Bangalore water                                                                                                                    | 35.0                                  |
| Haldia port                                                                                                                        | 43.0                                  |
| C. Projects expected to be ready for<br>appraisal before June 30, 1966, subtotal                                                   | <u>154.0</u>                          |
| Industrial imports III                                                                                                             | 50.0                                  |
| Telecommunications III                                                                                                             | 60.0                                  |
| Calcutta port equipment III                                                                                                        | 14.0                                  |
| Goa port                                                                                                                           | 15.0                                  |
| Punjab drainage II                                                                                                                 | 15.0                                  |
| D. Others less clearly identified and<br>unlikely to be ready for appraisal<br>before 1967, subtotal                               | <u>98.0</u>                           |
| Irrigation proposals (e.g. U.P. tube-<br>wells, Andhra Pradesh or Madras<br>groundwater, Sone II or Ukkai<br>(Gujarat) irrigation) | 30.0                                  |
| Electric power (Koyna III or Kothagudem III)                                                                                       | 20.0                                  |
| Iron making study                                                                                                                  | 3.0                                   |
| Hooghly River bridge (in Calcutta)                                                                                                 | 20.0                                  |
| Bombay expressways                                                                                                                 | 25.0                                  |
| <br>A plus B                                                                                                                       | <br>= \$243.5 million                 |
| A plus B plus C                                                                                                                    | = \$397.5 million                     |
| Grand total                                                                                                                        | = \$495.5 million                     |

- 
- a/ Information received March 4 indicates that only \$30 million  
in IBRD financing is now required, not \$55 million formerly reported.
- b/ Highly tentative, IFC loan only.
- c/ Highly tentative, IFC considering combination loan and \$3 million  
equity investment.



INDIA - Estimated Debt Service Payments to IBRD  
April 1, 1966 - March 31, 1967, by Loan

(thousand US dollars)

| <u>Loans</u>             | <u>Principal</u> | <u>Charges</u> | <u>Total</u>  |
|--------------------------|------------------|----------------|---------------|
| Grand Total              | <u>51,053</u>    | <u>30,051</u>  | <u>82,104</u> |
| P.V.C.                   | <u>2,733</u>     | <u>1,489</u>   | <u>4,197</u>  |
| 1950                     | <u>1,225</u>     | <u>224</u>     | <u>1,450</u>  |
| 1953                     | <u>462</u>       | <u>332</u>     | <u>794</u>    |
| 1958                     | <u>1,029</u>     | <u>933</u>     | <u>1,953</u>  |
| ILSCO                    | <u>7,661</u>     | <u>1,390</u>   | <u>9,051</u>  |
| 1952                     | <u>3,804</u>     | <u>325</u>     | <u>4,129</u>  |
| 1956                     | <u>2,757</u>     | <u>255</u>     | <u>3,052</u>  |
| 1961                     | <u>1,060</u>     | <u>810</u>     | <u>1,870</u>  |
| Cata Power               | <u>1,357</u>     | <u>765</u>     | <u>2,122</u>  |
| 1954                     | <u>795</u>       | <u>391</u>     | <u>1,186</u>  |
| 1957                     | <u>562</u>       | <u>374</u>     | <u>936</u>    |
| IOICI                    | <u>7,211</u>     | <u>2,795</u>   | <u>10,006</u> |
| 1955                     | <u>1,213</u>     | <u>192</u>     | <u>1,405</u>  |
| 1959                     | <u>1,342</u>     | <u>297</u>     | <u>1,639</u>  |
| 1960                     | <u>2,536</u>     | <u>688</u>     | <u>3,224</u>  |
| 1962                     | <u>1,135</u>     | <u>830</u>     | <u>1,965</u>  |
| 1963                     | <u>985</u>       | <u>745</u>     | <u>1,730</u>  |
| 1965                     | <u>--</u>        | <u>43</u>      | <u>43</u>     |
| TISCO                    | <u>8,414</u>     | <u>2,521</u>   | <u>10,935</u> |
| 1956                     | <u>6,405</u>     | <u>1,819</u>   | <u>8,284</u>  |
| 1957                     | <u>1,949</u>     | <u>702</u>     | <u>2,651</u>  |
| Railways                 | <u>18,518</u>    | <u>16,161</u>  | <u>34,679</u> |
| 1957                     | <u>7,592</u>     | <u>3,143</u>   | <u>10,735</u> |
| 1958                     | <u>3,905</u>     | <u>4,135</u>   | <u>8,040</u>  |
| 1959                     | <u>2,162</u>     | <u>2,570</u>   | <u>4,732</u>  |
| 1960                     | <u>2,901</u>     | <u>3,582</u>   | <u>6,483</u>  |
| 1961                     | <u>1,958</u>     | <u>2,731</u>   | <u>4,689</u>  |
| Calcutta Port            | <u>2,001</u>     | <u>2,324</u>   | <u>4,325</u>  |
| 1958                     | <u>1,143</u>     | <u>1,360</u>   | <u>2,803</u>  |
| 1961                     | <u>558</u>       | <u>964</u>     | <u>1,522</u>  |
| Madras Port, 1958        | <u>529</u>       | <u>449</u>     | <u>978</u>    |
| Koyna, 1959              | <u>570</u>       | <u>1,041</u>   | <u>1,611</u>  |
| Private Coal, 1961       | <u>2,084</u>     | <u>1,582</u>   | <u>3,666</u>  |
| Power Transmission, 1965 | <u>--</u>        | <u>272</u>     | <u>272</u>    |
| Kothari Dam III, 1965    | <u>--</u>        | <u>262</u>     | <u>262</u>    |

Source: South Asia Department with data supplied by the Treasurer.  
 March 9, 1966

BANK LOANS TO INDIA: NET INVESTMENTS  
(DISBURSEMENTS, NET OF REPAYMENTS)  
INCLUDING PARTICIPATION AND SALES FROM PORTFOLIO

(US \$ million equivalents)

| <u>Year</u>       | <u>Existing Loans<sup>a/</sup></u> | (1)<br><u>Existing loans<br/>plus \$45.5 mil-<br/>lion for IISCO<br/>and IISCO</u> | (2)<br><u>\$23 million<br/>for Beas<br/>plus (1)</u> |
|-------------------|------------------------------------|------------------------------------------------------------------------------------|------------------------------------------------------|
| (As of January 1) |                                    |                                                                                    |                                                      |
| 1960              | 409                                |                                                                                    |                                                      |
| 1961              | 468                                |                                                                                    |                                                      |
| 1962              | 514                                |                                                                                    |                                                      |
| 1963              | 564                                |                                                                                    |                                                      |
| 1964              | 560                                |                                                                                    |                                                      |
| 1965              | 550                                |                                                                                    |                                                      |
| (As of April 1)   |                                    |                                                                                    |                                                      |
| 1966              | 548                                | 548                                                                                | 548                                                  |
| 1967=             | 558                                | 568                                                                                | 575                                                  |
| 1968              | 578                                | 605                                                                                | 620                                                  |
| 1969              | 554                                | 592                                                                                | 615                                                  |
| 1970              | 504                                | 547.5                                                                              | 570.5                                                |
| 1971              | 450                                | 495.5                                                                              | 518.5                                                |

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<sup>a/</sup> Actuals until February 1966, estimates thereafter.



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March 11, 1966

Gregory B. Votaw

INDIA - Lending Program for 1966/67

1. Messrs. G. D. Woods, J. Burke Knapp, Irving S. Friedman, S. R. Cope, Alexander Stevenson and Gregory B. Votaw met on March 9 to discuss Mr. Stevenson's note of March 9 and attached forecasts of future loans/credits, debt service payments to IBRD and net investment. It was agreed that:

- (a) The IISCO, TISCO and Beas proposals would be recommended to the Executive Directors for approval of IBRD loans as soon as the project reports were ready to be presented.
- (b) Fertilizer manufacturing projects should be considered for IFC investment as soon as sponsors were ready to present them; IFC loans to such projects would be considered part of the fulfillment of the Bank's uncommitted "pledge" to the consortium.
- (c) Further preparation of Railways IX, Bangalore Water, Haldia Port and Industrial Exports III proposals should be continued with due deliberate speed, so that IDA credits for these projects could be recommended to the Executive Directors within the next few months, hopefully before June 30, 1966.
- (d) If India were to press for an industrial imports credit of more than \$50 million in the next few months, we would continue to respond that such requests cannot be considered until there is an agreement between the Bank and India on broad economic policy issues.
- (e) Appraisal of other projects listed in the attachment to Mr. Votaw's memorandum of March 9 on "Lending Prospects in 1966/67" should be scheduled just as soon as India is properly prepared to receive the appraisal missions; however, these projects will be developed on the understanding that any recommendation to the Executive Directors would be contingent on such factors as (i) India's attitude towards policy changes recommended by the Bank and (ii) the availability of IDA funds. A review of these factors might properly occur every two to three months and in any case whenever lending proposals (such as those still to be appraised) are closer to the negotiation stage than they are at present.

- (f) For the time being, further Bank lending will be restricted mainly to private sector projects (and Beas), partly with a view to maintaining the Bank's net investment at no more than \$620-625 million. As far as consortium "bookkeeping" is concerned, this may mean a shift from IBRD to IDA of about \$135-140 million in existing "pledges". Such a shift would be accomplished as projects listed in Votaw's memorandum under "B", "C" and "D" (excluding Beas) are recommended for consideration as IDA credits, and obviously need not be announced explicitly in advance.

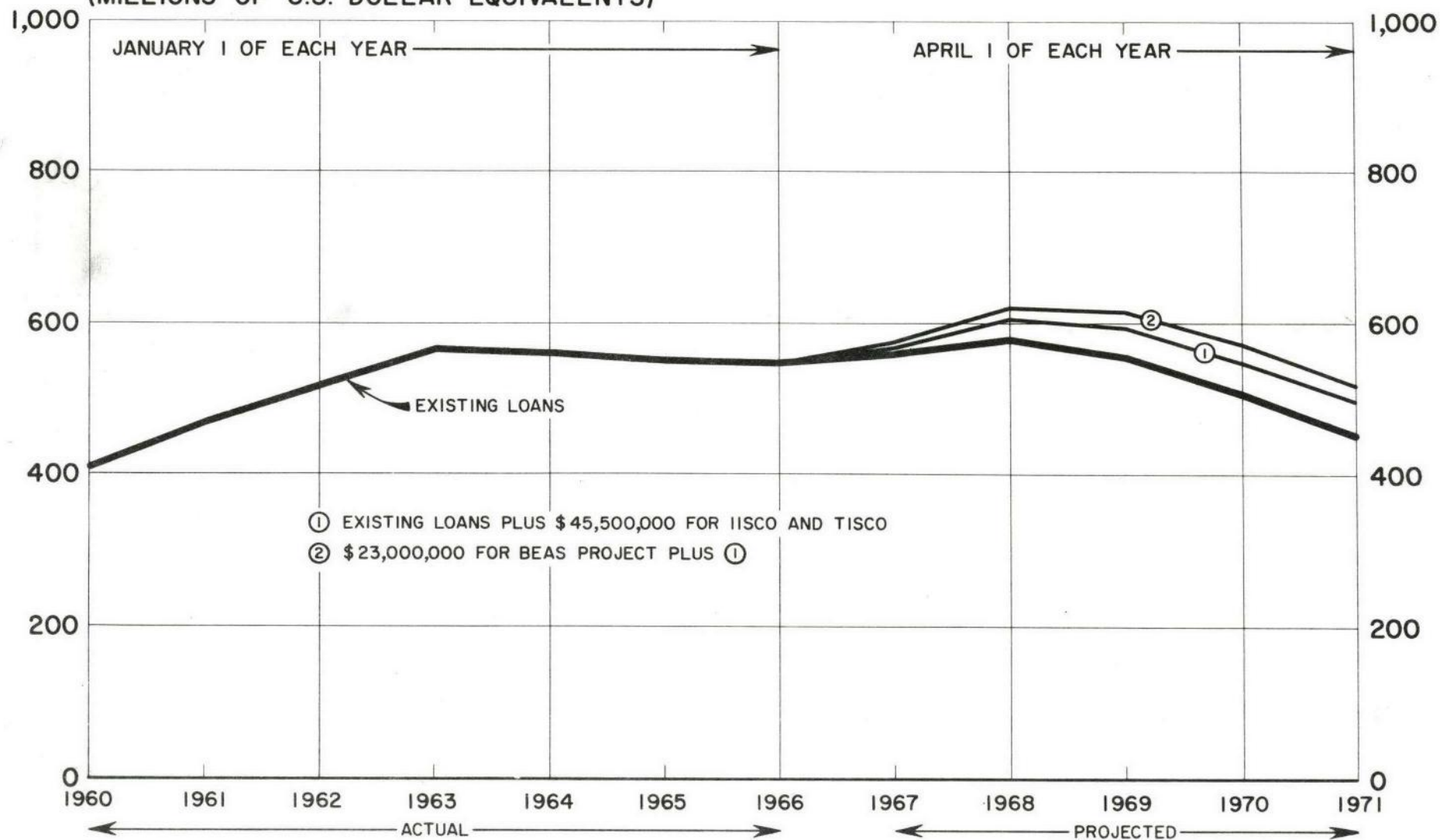
cc: Mr. H. Pollan (with attachments)  
New Delhi Office (with attachments)



# BANK LOANS TO INDIA: NET INVESTMENTS\*

## INCLUDING PARTICIPATIONS AND SALES FROM PORTFOLIO

(MILLIONS OF U.S. DOLLAR EQUIVALENTS)



\* Disbursements net of repayments

Ind. Comm. etc.

Katz (on return)  
file

March 4, 1966

Mr. Gregory B. Votaw  
South Asia Department  
International Bank for  
Reconstruction and Development  
Washington, D.C.

Dear Greg:

I am enclosing a number of papers dealing with the Turkish debt rescheduling as well as the final agreements for the Argentine and Brazilian rescheduling exercises. They were provided to me on a personal and confidential basis and therefore should not be quoted or circulated too widely.

I have not had a chance to more than glance at the Turkish papers, but there is some discussion of relative donor equity. You will note that there is even less uniformity of rescheduling terms and conditions in the Turkish case than in either of the other two mentioned above. This is in part due to the fact that there had been an earlier rollover of 1958/59 debt, and in part to the fact that the Latin American precedents were not referred to until this more permissive formula was evolved.

On another point, the minutes on the Indian meeting of the 17th were not distributed very widely. Should copies go to any of the people who attended the meeting (Messrs. Finch, Zagorin, et al)?

Best regards. Expect to arrive in Delhi Sunday morning.

Sincerely yours,

S. Katz



Mr. George D. Woods

March 3, 1966

J. Burke Knapp

Forthcoming Lending Operations in India

Attached are two inter-related memoranda regarding our forthcoming lending operations in India. Because of the fluid situation which we confront both in India and with regard to IDA resources, I have marked both memoranda as "Tentative". However, I think they could provide a basis for a meeting which you might call with the people to whom I have sent copies.

Attachments

JBKnapp:ism

Mr. George D. Woods

March 3, 1966

J. Burke Knapp

TENTATIVE

Forthcoming Lending Program for India - IDA and Bank

During the past 6-9 months we have been able to get along in India (and Pakistan) just on the basis of processing what we had in the mill, but I think the time has come in India at least when we need to appraise progress and set more definite guide-lines for the next year. In view of the importance of IDA to India - and vice versa - it is necessary at the same time to take at least a preliminary look at the general IDA program for the next fiscal year. This I have done in an accompanying memorandum - both of these marked "Tentative" in view of the uncertainties which hang over both India and IDA.

This memorandum is written on the assumption that we and the Indian Consortium will not really come to grips with the Indian case until late in 1966. Hopefully by this time the Indians will have prepared a new Five-Year Plan, and will have adopted, or indicated their willingness to adopt, a set of economic policies which would make it appropriate to call a Consortium meeting to consider the external financing of their Plan in a systematic way. It is assumed in other words that the coming fiscal year will be an interim year during which we and other lenders will operate on a somewhat improvised basis without any collective pledging exercise.

Another problem of programming our lending activities in India is the way projects wax and wane in terms of their readiness for Bank/IDA action. You know the problems we have had with IISCO and TISCO, as well as Kothagudem Fertiliser. Some other projects have had similar vicissitudes. Even now there are considerable uncertainties both as to what projects can actually be brought to the stage of final negotiation in India during the next few months, and as to the exact amounts to be lent. However, our best guess at this time is that by mid-summer we should be able to complete the following operations which are currently in the mill.

| <u>IDA</u>      | <u>\$ Million - Approximate</u> |
|-----------------|---------------------------------|
| Railways        | 68                              |
| Bangalore water | <u>35</u>                       |
|                 | 103                             |
| <br><u>BANK</u> |                                 |
| TISCO           | 55                              |
| IISCO           | 16                              |
| Haldia port     | 43                              |
| Beas equipment  | <u>23</u>                       |
|                 | 137                             |



March 3, 1966

How do these figures compare with our past Consortium commitments, and with the future availability of funds for India? As pointed out in the attached memorandum on IDA operations, the completion of the two credits listed above would discharge our IDA pledges to the Indian Consortium for the period ending March 31, 1966, and add a further \$13 million for the April-June quarter. The same memorandum concludes that we might have something like \$120 million available for new commitments in India in our fiscal year 1966-1967. On the Bank side, we would still be short by \$97 million of the accumulated unfulfilled Bank pledges to the Consortium through March 31, 1966 (\$211 million).<sup>1/</sup> The amount of Bank money available for India depends on our judgment of the exposure risk (see below).

Parenthetically, almost all the above operations except IISCO and TISCO could be shifted back and forth between the Bank and IDA columns, but the present "mix" comes out about right on the IDA side and still leaves some room for maneuver on the Bank side.

We have two new projects shaping up for early decision, each on the order of \$50-\$60 million:

- (a) the proposed quick-disbursing \$50 million industrial imports loan, which we have said we would be prepared to consider as our contribution to a more general arrangement to give India relief from its amortization payments due in the Indian fiscal year ending March 31, 1967, and
- (b) a \$60 million telecommunications project which we have been thinking about for the IDA side. This would be a follow-up on two previous IDA projects in the telecommunications field.<sup>2/</sup>

Upon consideration, however, I am inclined to reverse the field and do the industrial imports operation on the IDA side while putting the telecommunications project on the Bank side. The previous industrial import operations have been done by IDA and I don't think the Bank ought to get into this business unless it is really necessary. The telecommunications operation would also produce relatively quick disbursements (perhaps \$25 million in the next fiscal year). These disbursements would not fully match repayments to the Bank; however, the fact is that, with or without disbursements on these loans, our total exposure on Bank loans in India will be rising substantially during the next few years.

The attached chart shows how the Bank's exposure, measured by the amount of Bank loans actually disbursed and outstanding (without deduction

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<sup>1/</sup> Note that the \$23 million Beas loan does not count toward Consortium pledges.

<sup>2/</sup> We expect to schedule an appraisal mission on this project as soon as satisfactory progress is made toward implementation of accounting consultants' recommendations. The Government has requested financing of \$9½ million to cover a 2½-year program; however, subject to the results of the appraisal mission, it seems to me that \$60 million on this one project would be enough, at least for this year.



for participations and portfolio sales), has evolved in recent years, and how it would develop in the future on various assumptions. The base line for future years represents the net investment on the basis of presently outstanding loans; we then add successive lines showing the addition of (a) the block of \$137 million listed above, (b) a proposed \$60 million telecommunications loan, and (c) the further \$37 million of loans which would be required to discharge the remaining past Bank pledges.

It is first of all striking to note that our exposure reached a peak three years ago and has since declined slightly to the present level of about \$550 million. However, this decline has already been arrested and, as a result of disbursements on existing loans alone, our net investment is scheduled to increase during the next two years. Clearly this is not a Brazilian situation where we had net repayments coming due over a period of years, and made new loans to produce disbursements which would maintain our net investment. Actually we fully expected our exposure in India to build up in recent years far beyond the present level, but this did not happen because of project difficulties. We now expect to break through these difficulties with the block of \$137 million, and this alone will produce a substantial belated hump in the trend of our net investment in India; this trend would receive a further impulse from disbursements on the proposed telecommunication loan.

As for the remaining \$37 million back-log, it might be argued that we should wash it out on the grounds that India has had ample opportunity to present projects for its utilization and that circumstances (i.e. India's creditworthiness) have now substantially changed. However, such action would be much resented in India, and would almost certainly be criticised by some of our fellow Consortium members. Furthermore, we ourselves want some freedom of maneuver to support further private sector projects in India e.g. fertiliser plants, which would not be suitable for IDA financing.<sup>1/</sup> Further loans of \$37 million would still leave our total exposure in India only a little above \$750 million, and I don't believe that we have at this time a sufficiently clear view of India's eventual creditworthiness to make a distinction between say \$700 and \$750 million. I recommend, therefore, that we acknowledge our undertaking on this back-log, but inform the Indians that we plan to utilize this margin of Banklending primarily for private sector projects. We would still have some IDA funds available for public sector lending during the next fiscal year - around \$70 million if we allocated a total of \$120 million to India and used \$50 million for industrial imports.

I am told that the Indians are likely to have two (somewhat related) reactions to the foregoing program. First, they may ask that much more of the money available to them from IDA and the Bank be provided in the form of industrial import financing. I gather that they have been counting on

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<sup>1/</sup> Incidentally I would consider that straight loans by IFC (or for that matter guarantee operations by the Bank or IFC) should count toward our Consortium pledges.



March 3, 1966

another \$100 million from IDA for this purpose during the coming year, and that therefore, with the talk of \$50 million of industrial import loans on the Bank side, they have been hoping for a total of \$150 million in this form. However, I think we should tell them that this is as far as we would like to go in this field until we have appraised the fourth Five-Year Plan and its financial requirements, and are reasonably satisfied with the economic and financial policies which the Indian Government has adopted - or proposes to adopt - in support of their program. Even then I think we should avoid a disproportionate emphasis on industrial import financing and should reserve a substantial proportion of our IDA funds in India for financing normal IDA investment projects in such fields as agriculture, transportation, etc.

Secondly, the Indians may say, and in this they might be joined by some of the other donor countries, that this program doesn't give India any "extra" assistance (over and above what they had already expected to get) to help them meet their 1966-1967 payments crisis. However, as indicated above, it is quite clear that the Bank is not contributing to this crisis since the Bank alone (not to mention IDA) is planning to make disbursements to India during the next year or two far in excess of the repayments which it will receive.

Attachments

cc: Mr. Wilson  
Mr. Friedman  
Mr. Cope  
Mr. Stevenson  
Mr. Votaw.

*JW*

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

INTERNATIONAL FINANCE  
CORPORATION

# ROUTING SLIP

Date

March 4, 1966

## OFFICE OF THE PRESIDENT

Name

Room No.

~~Mr. Gode~~

651

blue copies

Action

Note and File

Approval

Note and Return

Comment

Prepare Reply

Full Report

Previous Papers

X

Information

Recommendation

Initial

Signature

Remarks

From

J. Burke Knapp





*Ind. Consult.*  
MAR 3 REC'D

*AT the Larre R.*

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

1818 H STREET, N. W.

WASHINGTON 25, D. C.

TELEPHONE EXECUTIVE 3-8360

CABLE ADDRESS-INTBAFRAD

March 2, 1966

Dear Mr. Woods:

During a conversation in your office, on February 8, you mentioned the possibility for the Bank to grant a non-project loan to India, in order to facilitate the repayment of some \$49 million of capital on past Bank loans coming due in the fiscal year 1966-1967. This intention has been confirmed to my Alternate, Mr. Malaplate, by the Vice-President, Mr. G. Wilson, on February 18.

This project raises a few questions of policy, which I believe, should be brought to your attention ahead of a possible Board meeting:

10- I share the view generally held in the Bank that borrowers should be deterred from defaulting on their loans. However, I wonder whether we have to go so far as to grant new loans in order to help countries repaying previous ones. The situation is not really improved, except that the borrower is saved the trouble of defaulting: this makes the precedent the more contagious.

20- A new loan would maintain unchanged the present indebtedness of the borrower at a time when the economic and financial situation of India would make it advisable to reduce the exposure of the Bank in this country. If, admittedly, something has to be done in the present circumstances, a new IDA credit would be more in line with the

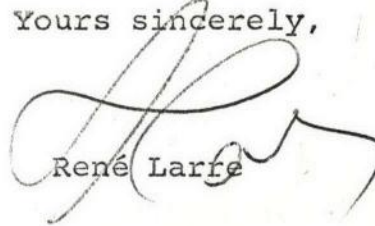
Mr. George D. Woods,  
President,  
International Bank for  
Reconstruction and Development  
Washington, D.C.

.....

needs of the borrower as well as with the normal criteria for IDA/IBRD operations.

30- Finally, program loans for balance of payment purposes are met with reservations by my authorities, above all when they are granted on Bank resources. I would have thought that such unorthodox operations should rather be financed on IDA resources, including the transfer of profits from the Bank.

Yours sincerely,



René Larre



## OFFICE MEMORANDUM

TO: Mr. Wilson

FROM: Alexander Stevenson 

SUBJECT: India - Debt Relief and Creditor Equity

DATE: March 2, 1966

Here is a paper which Mr. Katz has prepared on the debt relief question. I think you will find it very helpful. Though not confined to the Turkish example, the formula outlined in it is, I believe, entirely consistent with that example. Mr. Katz will stop in Paris on his way to India to pick up more information on the Turkish experience.

As far as I know in the Hague and Paris club, etc. the creditors have not got into the question of trying to equate past and prospective sacrifice. I would hope that in any further Indian debt rescheduling operation they would also look only forward, otherwise the problem can become very complicated and it may be more trouble than it is all worth.

I have just spoken to Mr. Bell in London who has seen Sir Alan Dudley at the latter's request. Sir Alan made two points. The U.K. feels there should be a meeting of the consortium members before the one on the Fourth Plan. They hope that the next (end March) meeting would prepare this. They conceive the problem as an examination of the aid requirements and plans for 1966/67 and Sir Alan said he hoped this would be the context of the next meeting rather than the narrow one of debt rescheduling.

Sir Alan said further that the U.K. takes a serious view of the Indian economic situation and is alarmed about it. (This may be contrasted with the U.S. position as expounded by Mr. Macomber.)

AS/uz

attachment

Form No. 75  
(2-60)

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE  
CORPORATION

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

ROUTING SLIP

Date

1 March 66

NAME

ROOM NO.

Mr Stevenson

(Through Mr. McLeod)

cc Darling

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

REMARKS

I think a copy of this should go to Mr. Wilson soonest. I would also recommend that we explore on the staff level any objections U.K., Germany + US may have to a + unbalanced formula for India

From

G. Votaw

India



## OFFICE MEMORANDUM

TO: Mr. Alexander Stevenson (Through Mr. G. Jotaw)

DATE: March 1, 1966

FROM: S. Stanley Katz

SUBJECT: INDIA - Debt Relief and Creditor Equity

1. The following are some random thoughts on the subject of creditor equity. I hope that they will be of some use in illuminating some of the issues. The main aspects of equity, it would seem, involve (a) prospective sacrifice, (b) past sacrifice, and (c) other elements, such as the impact on the creditor's balance of payments and domestic budget. As you will note, the quest for "parity of sacrifice" becomes more manageable if a "Paris Club" approach to debt relief is adopted.

Prospective Sacrifice

2. There is precedent, in the Paris Club, Hague Club and OECD Consortium exercises of the past several years, for creditors to agree on a uniform approach to debt relief. Following this approach, India's creditors might also agree on uniform grace and amortization periods with respect to repayments falling due within a specified period (along the lines of the formulae set out in paragraphs 10 and 11). In that event, the prospective financial sacrifice of the several creditors is by definition equal with respect to these two aspects of the new assistance they are providing. This leaves interest charges which loom large in equity considerations.

3. If creditors also agreed on a single rate of interest on the rescheduled debt, their relative financial sacrifice with respect to interest is nominally equal, although the difference between the interest rates at which creditors can borrow in their domestic money markets and the agreed-upon "standard rate" charged on the debt relief would produce some disparity of sacrifice. It could be adjusted by permitting individual countries to reschedule debt at interest rates equal (or proportionate to) the costs of borrowing in their respective money markets.

4. If creditors preferred to charge interest on the rescheduled/refinanced debt at customary rates, inter-creditor differences of financial sacrifice would be a function of the subsidy element of the customary rates (i.e., the share of the cost of borrowing money that is absorbed by the creditor country). These disparities could be equated by adjustments in the grace and amortization periods provided for the rescheduled debt.

Past Sacrifice

5. The prospective sacrifice does not necessarily take into account the relative past sacrifices of the several creditors with respect to their existing aid to India. The U.S., for example, has extended some long-term credits and, for that reason, has relatively small amounts of principal repayments falling due. The prospective U.S. sacrifice, therefore, appears to be relatively light, while the past sacrifice was considerably heavier.

March 1, 1966

6. On the other hand, donors who in the past have provided short-term credits have made a relatively more modest sacrifice. To the extent that repayments fall due on such credits and are rescheduled, these creditors would appear to be making a proportionally greater prospective sacrifice.

#### Combined Sacrifice

7. The combined past and future elements of these financial sacrifices give a more complete picture of donor parity. They can be joined by considering the entire old and new elements of the credits involved. For example, rescheduling a repayment for 10 years on a debt that is already 30 years old, stretches it to 40 years -- quite liberal by any definition. On the other hand, a similar rescheduling of a 10-year old credit merely brings it into the range of what can legitimately be called development aid. Relative burden could then be compared by a discounting of aid flows.

#### Other Considerations

8. Jean Baneth's recent memorandum to you covers the balance of payments question in some detail. Essentially, it appears that:

- (a) rescheduling (i.e. adjusting maturity schedules of existing debt instruments) frees foreign exchange which India can use on a global basis, and is a "negative receipt" in the creditor's balance of payments accounts;
- (b) refinancing (i.e., extending a new loan to cover repayment of the old one) gives India foreign exchange with one hand and takes it back with the other, in the process freeing exchange which India can use on a global basis, (with a similar effect on the donors' payments accounts);
- (c) new non-project aid is a variant of refinancing to the extent that it is not tied to a creditor, or, if tied, where India could substitute the tied credit for existing free foreign exchange purchases in the same country and then use the freed resources globally. (The balance of payments effect depends on the factors Jean Baneth outlines.)

#### Comments

9. A Paris Club approach to debt relief (for which there is ample historical precedent) has much to commend it. A formula would simplify the quest for relative creditor equity and would significantly narrow disparities of sacrifice arising from interest rate differences (as compared with each donor setting its own grace period, amortization period as well as interest rates), particularly if the past pattern of relative donor sacrifice is taken as a parameter. Greater equity could be achieved if the full (existing and extended) maturities of the debts in question were computed and compared, but this becomes a fairly major operation, and the results would probably not be worth the effort.

10. A Paris Club type formula for India would involve consideration of the following elements:



March 1, 1966

- 7
- (a) The creditor countries to be involved. Presumably all consortium members would be expected to participate in a debt relief exercise. It appears that some parallel relief from East bloc countries would also be expected.
  - (b) The proportion of maturing debts to be rescheduled/refinanced. If debt relief is deemed to be necessary, there is not much economic justification for limiting relief to, say, 70 percent of the repayments falling due. Less than 100 percent coverage may be necessary for practical reasons (e.g., for repayment of commercial debts) or in order to maintain some discipline or pressure (but there would seem to be more direct ways of achieving these ends).
  - (c) Treatment of interest. Past clubs have not refinanced interest payments, but Canada (at the February 17 meeting) indicated a willingness to, in effect, do so. Inclusion of interest would about double the magnitude of relief.
  - (d) The relief period. Although India asked for relief from debt repayments in 1966/67, it may ultimately be necessary to consider relief in the context of repayments falling due during the entire Fourth Plan period. This raises the further question of whether relief should be considered on the basis of one-year or two-year tranches, or whether action should focus on total Fourth Plan debt repayments.
  - (e) Grace and amortization periods. It would probably be most beneficial for the Fourth Plan if repayments on refinanced debts were to start after 1970/71, and the longer the period over which such repayments were spread the better. Repayment of refinanced debt over the subsequent ten years (1972-1981) is not out of line with the Turkish pattern.
  - (f) Policy and program action by India. Debt relief would no doubt be contingent on India's undertaking specified reforms and changes in policies and programs that are considered impediments to development. On the financial side, IMF consultations would be the source of recommendations that could be adopted by India. Over a broader economic area, the Bell Mission Reports and the expected appraisal of the Fourth Plan would serve the same purpose. A part of the Indian quid pro quo might also be the granting of commensurate debt relief by India's East bloc creditors.

cc - Mr. King  
Deleer Office

CROSS REFERENCE SHEET

COMMUNICATION: Memorandum

DATED: March 2, 1966

TO: Mr. Wilson

FROM: Mr. Stevenson

FILED UNDER: INDIA - Indebtedness

SUMMARY: India - Debt Relief and Creditor Equity



CROSS REFERENCE SHEET

COMMUNICATION: Memorandum CONFIDENTIAL

DATED: March 1, 1966

TO: Files

FROM: Mr. Katz

FILED UNDER: INDIA - Indebtedness

SUMMARY: INDIA - Informal Meeting on External Debt.

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

CONFIDENTIAL

OFFICE MEMORANDUM

TO: Files

DATE: March 1, 1966

FROM: S. Stanley Katz

SUBJECT: INDIA - Informal Meeting on External Debt

1. An informal meeting was held in the Bank at 3:00 p.m. on Thursday, February 17, to discuss the issue of Indian external debt relief. Mr. Geoffrey Wilson was in the chair; Messrs. A. Stevenson, B.R. Bell, G. Votaw, S. Katz, and Sir John Crawford (consultant) were also present from the Bank. The meeting was attended by representatives of the United States (Messrs. W. Macomber, B. Zagorin, C.E. Houston, S. Sober and H. Rees), the United Kingdom (Mr. R. Radford), Germany (Dr. O. Donner), Canada (Mr. P. Reid), and Japan (Messrs. M. Matsukawa and H. Ukawa). The IMF was represented by Mr. C.D. Finch.
2. A background note (appended), prepared by the Bank on the basis of information provided by the Government of India, was circulated prior to the meeting. The note indicated the nature and magnitude of India's prospective external payments and import licensing difficulties, particularly those arising from the additional foreign exchange costs of the drought and the net increase in external payments to the IMF and to consortium creditors in 1966/67.
3. The Chairman pointed out that in the normal course of events, Indian debt relief would be considered in the consortium framework and in connection with the Fourth Five Year Plan. The issue was being raised at this time because (a) the Government of India, in conjunction with a request for \$200 million of assistance from the IMF, has asked the Bank to take the lead in attempting to arrange relief from debt service payments due to consortium members in 1966/67; (b) the Fourth Plan is not likely to be ready until after July; and (c) the Indian outlook is becoming increasingly alarming. The meeting was limited to the principal creditors and consortium founders; if they are disposed to do something about debt relief the remaining consortium members will be brought into the picture.
4. Mr. Wilson outlined the Indian foreign exchange and import licensing picture for 1966/67 in the following terms: Leaving aside the interruption of U.S. non-project aid last fall and the recent, limited resumption, since the emergency situation is independent of these two events, India faces extra balance of payments strain. The drought is expected to cost some \$200 million in foreign exchange. Extra shipping costs on PL 480 food imports (about \$90-\$110 million) are the largest single component of the latter amount. In addition, a payment to the Fund of \$125 million is due in 1966/67, compared



with a drawing of \$125 million last year, and debt servicing in 1966/67 is some \$50 million more than in 1965/66. On the credit side, India hopes to get about \$200 million of assistance from the IMF, and Indian reserves have increased by about \$75 million between July and the end of 1965. This latter amount is not more than the usual seasonal build-up and could be regarded, in any case, as earmarked for repayments to the IMF. Even including this doubtful increase in reserves, the gap that would remain is about \$225 million. If at all possible, import policies for 1966/67 should be decided by April 1, so that licenses can be issued shortly thereafter for the full year. Import policies and levels, however, will depend on decisions on the debt relief question.

5. Mr. Wilson stated that the Bank believes that the Indian situation is serious and that the need for immediate assistance is urgent. The Bank is prepared, as part of a more general arrangement, to make a quick-disbursing loan of \$50 million (the amount due on principal in 1966/67) for maintenance imports, with repayment starting after the Fourth Plan period. It is hoped that the other creditors represented could provide India with commensurate relief by rescheduling, by refinancing or by providing new non-project aid equal at least to principal repayments due during the year. Turning to the question of the Bank's future program, the Chairman informed the meeting that Mr. Bell would be returning to India shortly to resume the Bank's discussion of economic policies with Indian Government representatives and that the consortium should be in a position to meet again in the fall, after the Fourth Plan had been appraised by the Bank.

6. The Chairman called on Mr. Finch, the IMF representative, to comment on the estimated foreign exchange costs of the drought. Mr. Finch stated that in the Fund's judgement, the added foreign exchange costs of the present emergency would be at least \$200 million. The Fund would probably provide India with assistance of some \$150-\$187.5 million (the latter figure representing 25 percent of the new quota) as a type of compensatory assistance. Mr. Finch said that the Fund's Management expected to inform the GOI of its position informally by the end of the following week but that formal Board decision would probably be taken only toward the end of March. Mr. Finch stated that Fund assistance might be reduced if the drought emergency proved to cost less than \$200 million or if the U.S. and India were successful in mobilizing other aid (e.g., shipping) to meet drought-imposed costs. Mr. Bell observed that such a reduction would mean that any additional drought emergency aid secured would not provide a net addition to Indian resources.

7. All representatives agreed that the Indian situation was serious and that some type and amount of interim assistance was urgent. There was difference of opinion as to how much of such relief was needed and how it could best be provided, and as to the desirability of considering debt rescheduling as an interim arrangement removed from the larger balance of payments picture for 1966/67. The U.S. position, as stated by Mr. Macomber, was that (a) India will need interim aid in the next several months in order to plan an import program and that the U.S. has just made a \$100 million non-project loan for this reason; (b) such interim aid is not necessarily the basis for India to undertake major economic policy reforms; (c) the



resumption of the dialogue between the Bank and the GOI is urgent; (d) while some interim aid can be given without elaborate economic data, there is no evidence that more emergency aid is required, and more information on future requirements, planned import policies and East bloc debts is needed before much further aid can be provided; and (e) a general debt rollover is not the appropriate way to provide emergency aid and should be considered only as part of a longer-term program accompanied by significant economic policy changes and by comparable action by other creditors. Mr. Macomber said that information was also needed on how much foreign exchange is being diverted to military purchases; why import cuts have exceeded the shortfall in consortium assistance; and how the new U.S. \$100 million non-project loan -- which was not expected when the GOI stated its emergency aid requirements, and which is three times the amount of principal repayable to the U.S. in 1966/67 -- will affect the exchange picture. AID does not have an alternative figure for the cost of the emergency but does not believe that the GOI estimate has been very well documented. The lack of specific information brings into question the shipping and other emergency costs included in the Indian estimate. Emergency aid being sought from 23 countries, for example, would reduce the shipping costs to be covered by India. Mr. Macomber saw some "psychological" advantage in continuing a "blood transfusion" type of assistance such as the \$50 million U.S. loan for fertilizer in December and the more recent (February 17) \$100 million non-project loan. In this connection, however, the Chairman pointed out that the \$150 million of non-project aid was still less than the level of \$240 million announced by the U.S. in April 1965 for commitment during 1966/67 and was in any case intended for purposes other than the emergency costs under consideration.

8. In response to a query by Dr. Donner, Mr. Macomber indicated that the U.S. emergency PL 480 foodgrain is considered additive to "normal" consortium aid, and he hoped that other consortium members would consider their emergency aid in the same way.

9. Mr. Bell pointed out that while additional information would be very helpful, there cannot be much quarrel with the bleak picture for the 1966/67 import program and exchange position revealed by information already in hand. What cannot be fully appreciated is the impact of continued shortages of maintenance imports on Indian production, exports and employment. There is, in fact, evidence that the \$200 million emergency figure is modest. Sir John Crawford noted that the 88 million tons of foodgrain produced in 1964/65 was consistent with the long term trend of agricultural production in India and 4 or 5 million tons of PL 480 foodgrains still had to be imported during that year. Recent data point to a foodgrain shortage of some 20-30 million tons in 1965/66 (not counting PL 480 shipments), considerably more than official estimates (10-15 million tons). Loss of soil moisture, depletion of reservoir levels, famine-induced slaughtering of work animals and consumption of seeds, all a consequence of the present food crisis, suggest that the 1966/67 crop will also be well below the long-term trend.



10. Mr. Reid stated that Canada believes that the Indian economic situation is critical and that emergency assistance from the Fund and from India's creditors is required. Canada is accordingly prepared to give immediate, sympathetic consideration to rescheduling debt due between now and the end of the next fiscal year. Although it is doubtful that both principal and interest can be rescheduled, Canada is prepared to make arrangements that would produce the same effects.

11. No conclusions as to the U.K. position could as yet be stated, according to Mr. Radford, since the U.K. had expected to consider rescheduling as part of the Fourth Plan assessment, perhaps in terms of a ceiling on total obligations. Mr. Radford agreed that the figures had been put together a bit hastily and that there had not been time for a proper evaluation of India's needs. The U.K. hoped that the remaining consortium members would be brought into the picture at the next stage. Mr. Radford offered the following principles concerning the Indian request: (a) debt relief is a form of aid, and it should be justified by the same types of information and documentation; (b) each consortium member should take care of its own debt burden on a comparable basis (i.e., "a parity of sacrifice"); (c) measures and methods of debt relief should be as uniform as possible; and (d) relief terms should be as soft as possible. Of the alternative means of handling debt relief, the U.K. prefers refinancing. Mr. Radford indicated that subsidiary issues involved in debt rescheduling were (i) the potential benefit to the East bloc (ii) the exclusion of commercial credits unless they had previously been counted as part of consortium assistance, and (iii) the possible repercussions on other large debtor countries.

12. The representative from Japan expressed sympathy for the Indian problem but said that his Government could reach no conclusions without more detailed information. He questioned whether Pakistan was not facing a similar emergency. West Pakistan has suffered from the drought, Mr. Stevenson replied, but far less severely than India, and conditions in the two countries were quite different. It should be possible to deal with Pakistan in the usual consortium context. The emergency in India, however, affects the licensing of maintenance imports, which in turn affect future economic performance.

13. Dr. Donner stated that it was difficult for his Government to reach specific conclusions regarding the need for debt relief until better factual information is available. Bonn is of the opinion that the IMF should be the first line of defense; consideration of debt then becomes less urgent. Germany hopes that the Indians will get some relief from the Eastern bloc as well and believes that the emergency might provide a means of overcoming resistance to needed policy changes. Dr. Donner thought that Germany would be willing to participate in a debt relief exercise if the other consortium members were so disposed. Germany's preferred approach would be new financing for maintenance imports. Whatever is done should be equitable and should include the smaller consortium members.

March 1, 1966

14. The Indians, it was pointed out, have alleged that East bloc aid arrangements do not impose debt servicing problems since repayment is in additional Indian exports. Mr. Bell noted an element of truth in this explanation, but said that some of these exports could also be sold in other markets or used in the domestic economy. In response to an earlier question, Mr. Bell pointed out that, while debt relief would ease India's budget position, this would not necessarily facilitate repayments of debts to the East bloc.

15. Mr. Wilson felt that specific action on the debt relief question would be possible only when Mr. Bell had gathered and transmitted more detailed information on the Indian economic situation, the amount of foreign exchange allocated for military purposes, the question of debt relief from the East bloc, the effects of the new U.S. \$100 million loan on the import program, and the possible size and content of the import program if more aid for maintenance imports is not forthcoming. Resumption of the meeting was scheduled for the week of March 20, when such information should be in hand. The members present were asked to consider the possibility of reconvening on March 2, to review any further thinking or developments on the debt question and to examine the relative equity of the alternative methods of providing debt relief.

Attachment.

Cleared with and cc: Mr. G.M. Wilson  
Mr. A. Stevenson  
Mr. B.R. Bell  
Mr. G. Votaw

cc: New Delhi Office  
Mr. John Crawford  
Miss Mary Copeland

MR DEMUTH  
MR FRIEDMAN  
MR KAMARCK  
MR. B. KING



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FROM: G.M. Wilson

February 17, 1966

INDIAN DEBT

Attached is a background note for our discussions on the Indian debt problem this afternoon at 3 o'clock in the Board Room.

Distribution:

Executive Directors for:

Canada  
Germany  
Japan  
United Kingdom  
United States

Director, South Asia Department  
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INDIAN REQUEST FOR DEFERMENT OF 1966/67 DEBT SERVICE PAYMENTS

Background Note

1. The Government of India, in the first week of February, simultaneously with its request to the IMF, asked that the Bank take the lead in attempting to arrange relief for India from the debt service payments due to Consortium Members in the Indian 1966/67 fiscal year. Specifically, the Government of India asked for assistance to the extent of \$200 million from the IMF. There are \$125 million of payments due from India to the IMF between March and July 1966 (\$75 million in March and \$50 million in July). The request to the Bank was for relief with respect to both principal and interest payments. The Indian authorities calculate that in fiscal 1966/67 foreign currency payments on debt will total \$317 million, including \$181 million on account of principal and \$136 million on account of interest. These estimates are set forth, by creditor, in Table I attached. They exclude debt service payments due to the East Bloc, so-called "Rupee Payments", which are handled via bilateral trade.
2. The Government of India representatives who presented these requests to the IMF and the Bank in Washington were not in a position at the time of their visit to present comprehensive and detailed data with respect to the balance of payments outlook for the coming fiscal year. They outlined the situation in broad terms and undertook to supply additional information as quickly as possible.
3. In general terms, the two requests were presented on the basis of the extraordinary foreign exchange costs imposed by the severe current drought, super-imposed on an already strained balance of payments and tight reserve position. The Indian authorities at no point suggested that they would not be in a position to meet the 1966/67 debt service obligations or would consider default on any of these obligations. Rather they made clear that without the requested relief the licensing of so-called maintenance imports would continue to be severely restricted (as it has been throughout the fiscal year 1965/66), and would need to be cut even below the level of 1965/66. They indicated, although they did not attempt to quantify, that the impact on the Indian economy would in this event be severely damaging. Industrial production would undoubtedly decline sharply, dismissals of workers would occur, prices would rise, government revenues would fall and exports would be affected. This would be in the context of a food shortage which seems destined to become increasingly acute throughout at least the next year despite heavy shipments of PL 480 grains from the United States.
4. The Indian authorities also indicated that the impact of the reduced licensing of maintenance imports in 1965/66 had not yet been



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seriously felt, because imports of maintenance goods had continued to flow in on the basis of licensing in earlier periods and because stocks were being drawn down. The continuous decline in industrial production in recent months reflected, they believed, some attempt on the part of producers to husband remaining stocks, the effect of shortages of hydro-electric power resulting from drought conditions and, in the case of the textile industry, decline in market demand. They indicated also, however, that they expected that major effects would begin to be felt in March, since stocks of certain essential production materials were believed to be down to the 4 to 6 weeks level, with no significant replenishment in prospect because of the restricted import licensing in 1965/66.

5. The information at hand does not permit construction of a prospective foreign exchange budget or balance of payments for the year 1966/67. In rough outline, however, the situation may be indicated by the following facts. First, virtually all India's imports of equipment and materials designed for the expansion of capacity are financed by project credits. Maintenance imports are financed out of non-project aid plus the amount of free foreign exchange earnings left after payments on debt, defense imports, inescapable payments on invisible account and miscellaneous government expenses plus or minus changes in foreign exchange reserves. The category "maintenance imports" as used here includes what the Indian authorities refer to as bulk commodity imports, especially food (or freight payments on PL 480 food shipments), petroleum and fertilizers. It also includes all other imports of production materials, spare and replacement parts for machinery and equipment, and components for use in manufacturing or assembly operations in India. The data available suggest that allocations of foreign exchange for imports of the entire category of maintenance goods may in 1965/66 have been cut significantly below the levels of the immediately preceding years. If food and fertilizer are excluded, the remainder of the category appears to have been cut severely. (It should be noted that even in 1964/65 imports of maintenance goods were by no means adequate to permit operation of existing facilities at full capacity.)

6. The Indian authorities estimate that the drought will impose an extra foreign exchange cost of approximately \$200 million in 1966/67. The largest components of this total are freight payments for extra PL 480 shipments, abnormally high rice purchases, additional purchases of raw jute and reduced exports of oilseeds and several other agricultural commodities. In addition, on the payment side, debt service obligations, aside from those to the IMF, may be as much as \$50 million higher in 1966/67 than in the current 1965/66 year. Furthermore, \$125 million is due to be paid to the IMF in the period March 1, 1966 to March 1, 1967 whereas there were net drawings of \$125 million from the IMF in the corresponding 1965/66 period. On the receipt side, aside from the drought effects already cited, no appreciable change in export earnings is anticipated. However, unutilized commitments of non-project aid are now much smaller than those which were available a year ago. Although a substantial unutilized or undisbursed aid commitment remains, only a small part of this is non-project aid.

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7. It seems clear that India's balance of payments needs immediate relief, especially since the April-September period immediately ahead is normally a period in which there is an adverse swing in the balance of payments which is usually redressed by a swing in the opposite direction in the last half of the fiscal year. The Government of India has for the past seven months been considering shifts in policy and program. Renewed discussion of these with the Bank and early resumption of the formulation of policy and program for the Fourth Plan period is contemplated. The representatives of the Government of India pointed out, however, that a new Finance Minister and a new Prime Minister have just taken office. The Government consequently is not in a position to make quick decisions with respect to the major issues of policy and program. The representatives of the Government of India consequently have asked for relief of their immediately prospective situation in advance of any major policy or program decisions. In effect, the Government of India has asked for limited emergency assistance which will see India through this interim period of 1966/67. The decision before us is how much assistance of this kind India needs and in what form it should be given.

B.R. Bell  
I.B.R.D.  
February 16, 1966



TABLE I: INDIA'S DEBT REPAYMENT OBLIGATIONS, 1966/67<sup>/a</sup>

(\$ million)

| <u>Creditor</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------|------------------|-----------------|--------------|
| IBRD/IDA        | 49.6             | 36.7            | 86.3         |
| UK              | 33.0             | 22.1            | 55.1         |
| W.Germany       | 27.0             | 25.0            | 52.0         |
| USA             | 33.3             | 24.7            | 57.9         |
| Japan           | 16.5             | 14.2            | 30.7         |
| Canada          | <u>5.0</u>       | <u>3.1</u>      | <u>8.1</u>   |
| Subtotal        | 164.2            | 125.7           | 290.0        |
| France          | 4.5              | 3.2             | 7.7          |
| Italy           | 2.5              | 1.8             | 4.3          |
| Netherlands     | -                | 0.8             | 0.8          |
| Austria         | 1.0              | 0.7             | 1.7          |
| Belgium         | 0.7              | 0.4             | 1.1          |
| Switzerland     | 1.1              | 1.2             | 2.3          |
| Kuwait          | <u>6.7</u>       | <u>1.9</u>      | <u>8.6</u>   |
| Subtotal        | 16.5             | 10.0            | 26.5         |
| Unidentified    | <u>0.1</u>       | <u>0.4</u>      | <u>0.5</u>   |
| Grand Total     | 180.8            | 136.2           | 317.0        |

Details may not add to totals due to rounding.

<sup>/a</sup> Excludes all "rupee payment" obligations to East Bloc.

Source: Government of India

Mr. Alexander Stevenson

February 25, 1966

Benjamin B. King

India - debt rescheduling

At a meeting yesterday with Messrs. Katz and Baneth on your memorandum of February 23, we came to the conclusion that we ought to explore a little more what question people are interested in before we look for an answer.

I think there are two parts, one soluble and one insoluble. If you agree, I (or someone) would propose to go to Messrs. Radford, Reid, Donner and Zagorin with a note in substantially the attached form and try to smoke out what they mean (if they know).

My own view is that, when it comes to the equity of burden-sharing, we are in a highly charged political arena: DAC may be the place for that sort of thing.

BBK:mhh  
Attachment

cc: Messrs. Wilson ✓  
Kamarck  
Kalmanoff  
Katz  
Baneth  
Votaw



### Note

At the meeting on February 17 on the relief of Indian external debt, reference was made to the relative equity of the alternative methods of providing debt relief.

There are many aspects to the concept of equity and the staff of the Bank would like guidance as to what the representatives of the creditor countries envisaged.

It is possible to break the question of equity into stages. First, if a given payment due in 1966/7, say \$1 million, is postponed and replaced by a schedule of later repayments of interest and principal, the present worth of these repayments can be calculated and the net "sacrifice" so determined. Except for the question of the discount rate, this is a simple and non-controversial exercise.

Having quantified the sacrifice in this way for each creditor according to the type of relief envisaged, a second question then may be posed: are the sacrifices then in some sense "fair"? At this point, many factors could be taken into account, such as the effect on the balance of payments, the effect on the budget, the degree to which aid is tied, the burden of aid worldwide and so forth. There does not appear to be any technique, which would quantify the burden in any meaningful way, largely because different weights would be given to these elements by different people. In essence, the judgment is a value judgment. If there is any proposal for overcoming these obstacles, the staff would be glad to consider it.

DRAFT  
JBKnapp:sjj

February 28, 1966

TENTATIVE

MEMORANDUM

*For meeting on  
March 1, 3:30 PM*

TO: Mr. George D. Woods  
FROM: J. Burke Knapp  
SUBJECT: Forthcoming Lending Program for India - IDA and Bank

During the past 6-9 months we have been able to get along in India (and Pakistan) just on the basis of processing what we had in the mill, but I think the time has come in India at least when we need to appraise progress and set more definite targets for the next year.

In view of the importance of IDA to India - and vice versa - it is necessary at the same time to take at least a preliminary look at the IDA program for the next fiscal year. This I have done in an accompanying memorandum - both of these marked "Tentative" in view of the uncertainties which hang over both India and IDA.

One of the serious problems of programming our lending activities in India (perhaps more than elsewhere during the last year or two) is the way projects wax and wane in terms of their readiness for Bank/IDA action. You know the problems we have had with IISCO and TISCO, as well as Kothagudem Fertilizer. Some other projects have had equal vicissitudes. Even now there are considerable uncertainties as to what projects can actually be brought to the stage of final negotiation in India during the next few months. However, our best guess at this time is that we should be able to complete the following operations by around June 30.



| <u>IDA</u>           | <u>\$ Million - Approximate</u> |
|----------------------|---------------------------------|
| Railways             | 68                              |
| Bangalore water      | <u>35</u>                       |
|                      | 103                             |
| <br><u>BANK</u>      |                                 |
| TISCO                | 55                              |
| IISCO                | 16                              |
| Haldia port          | 43                              |
| Punjab flood control | 15                              |
| Beas equipment       | <u>23</u>                       |
|                      | 152                             |

How do these figures compare with our past Consortium commitments?

As pointed out in the attached memorandum on IDA operations, the completion of the two credits listed above would discharge our IDA pledges to the Indian Consortium for the period ending March 31, 1966, and add a further \$13 million for the April - June quarter. On the Bank side, we would still be short by \$82 million of the accumulated unfulfilled Bank pledges to the Consortium through March 31, 1966 (\$211 million).<sup>1/</sup> I return to this subject below.

Parenthetically, almost all the above operations except IISCO and TISCO could be shifted back and forth between the Bank and IDA columns, but the present "mix" comes out about right on the IDA side and still leaves good room for maneuver on the Bank side.

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<sup>1/</sup> Note that the \$23 million Beas loan does not count toward Consortium pledges.

Looking ahead to the next fiscal year, we have already said that on the Bank side we would limit the amount of new loans to the amount of repayments being received, i.e. about \$50 million. On the IDA side, as set forth in the attached memorandum on the forthcoming IDA program, we might have something like \$120 million available. We also have two new projects shaping up for early decision, each on the order of \$50-\$60 million - i.e. (a) a proposed \$50 million industrial imports loan, which we have been thinking of doing on the Bank side because it would be quickly disbursed and could be presented as an off-set against the repayments becoming due to the Bank in the next fiscal year and (b) a \$50-\$60 million telecommunications project which we have been thinking about for the IDA side since it would be a follow-up on two previous IDA projects in the telecommunications field.<sup>1/</sup>

Upon consideration, however, I am inclined to reverse the field here and do the industrial imports operation on the IDA side while putting the telecommunications project on the Bank side. The previous industrial import operations have been done by IDA and I would be reluctant to get the Bank into this business unless it is necessary. Also the telecommunications operation would produce relatively quick disbursements (perhaps \$25 million in the next fiscal year), although these would not match repayments so neatly. But the most important point is that, on the facts, with or without disbursements on these loans, our total exposure on Bank loans in India will be on its way up next year and in the following years.

The attached chart shows how the Bank's exposure, measured by the amount of Bank loans actually disbursed and outstanding (without deduction

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<sup>1/</sup> We are about to send out an appraisal mission on this project and we have been told that a loan of up to \$100 million might be justified; however, it seems to me that \$50-\$60 million on this one project would be enough.



for participations and portfolio sales), has evolved in recent years, and how it would develop in the future on various assumptions. The base line for future years represents the exposure on the basis of presently outstanding loans; we then add successive lines showing the addition of (a) the block of \$152 million listed above, (b) a proposed \$60 million telecommunications loan, and (c) further loans to discharge the remaining \$82 million of past Bank pledges.

It is first of all striking to note that our exposure has been stabilized at around \$550 million during the last two years and would vary little during the next three years even if we made no new Bank loans at all. Clearly this is not a Brazilian situation where we had net repayments coming due over a period of years and made new loans to produce disbursements which would maintain our exposure. Actually we fully expected our exposure in India to build up in recent years, but this failed to happen because of project difficulties. We now expect to break through these difficulties with the block of \$152 million, and this alone will produce a substantial belated hump in the trend of our exposure, which would be raised somewhat further by the proposed telecommunication loan.

As for the remaining \$82 million back-log, we might well be justified in washing it out on the grounds that India had had ample opportunity to present projects for its utilization and that circumstances (i.e. India's creditworthiness) had now substantially changed. Such action would of course be much resented in India and might be criticized by some of our fellow Consortium members. Furthermore, we ourselves want some freedom of maneuver to support further private sector projects in India e.g. fertilizer plants, ICICI, etc.<sup>1/</sup>, which would not be suitable for IDA financing. Even loans

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<sup>1/</sup> Incidentally I would consider that straight loans by IFC (or for that matter guarantee operations by the Bank or IFC) should count toward our Consortium pledges.

of the full \$82 million would leave our total exposure in India below \$800 million. I would recommend, therefore, that we acknowledge some degree of obligation on this back-log, but inform the Indians that we plan henceforth to reserve this margin of lending for private sector projects.

We would still have some IDA funds available for public sector lending during the next fiscal year - around \$70 million if we allocated a total of \$120 million to India and used \$50 million for industrial imports. The Indians will undoubtedly press us to put more into the financing of industrial imports, but I would resist this and seek additional IDA projects in such fields as agriculture and transportation.



*Indian Debt folder*

## OFFICE MEMORANDUM

TO: Mr. Geoffrey M. Wilson *GMW*

DATE: February 25, 1966

FROM: B.R. Bell *BRB*SUBJECT: IMF Meeting on Indian Request for \$200 million Drawing, February 21, 1966*Mr. Knapp to see.*

In Attendance: Mr. Pierre-Paul Schweitzer  
 Mr. Frank Southard  
 Mr. William Dale, United States  
 Mr. Andre van Campenhout, Austria, Belgium  
 Mr. Douglas Wass, United Kingdom  
 Mr. Rene Larre, France  
 Mr. Patrick Reid, Canada  
 Mr. Gengo Suzuki, Japan  
 Mr. Horst Ungerer, Germany  
 Mr. Henk Vandewalk, Netherlands  
 Mr. Tun Thin and other IMF staff members  
 Mr. B.R. Bell, IBRD

Summary

No action was taken or agreed on. This was a preliminary discussion in which the directors expressed their governments' preliminary views on the action which the IMF should take in response to the Indian request. The management and all the directors present indicated that they favored permitting a drawing by India, but the absence of enthusiasm on the part of all the directors was notable. The amounts suggested ranged from \$125 million to \$187.5 million. The repayment periods suggested varied from 1 year to 3 to 5 years. The lack of enthusiasm stemmed from the unanimous agreement that a drawing unaccompanied by an agreed program of remedial action was outside the bounds of "normal" Fund action, and that such a program was essential at the earliest possible date. The consensus was that the Fund's policy integrity should be preserved by clear public indication that the action taken by the Fund was an unusual one, justified solely by the drought emergency situation. This indication, it was argued, should be emphasized by selection of an unusual amount (rather than a whole tranche of \$187.5 million) and by provision for repayment in an unusually short period (perhaps 2 years). The short repayment period was conceived also as a means of exerting pressure on India to develop a program of action which could be agreed with the Fund. My guess is that there will eventually be agreement on an amount of \$150 million to \$175 million to be repaid in 2 years, although I believe the Management will continue to strive for the \$187.5 figure.

Individual Positions and Points made in Discussion

1. Mr. Schweitzer opened the discussion by stating that there was no possibility at this time of a "normal program" which would involve commitments on the part of the GOI. There was, however, a case for "emergency action",

justified by the special foreign exchange costs imposed on India by the drought. He suggested that a drawing be approved in the amount of \$187.5 million, equal to a single tranche under India's enlarged \$750 million quota. He asked for an indication of the preliminary reaction of the governments' representatives.

2. The US representative stated that it was the US view that it was "preferable to limit the drawing to \$125 million at this time", this amount to be repaid in 3 to 5 years.

3. The United Kingdom representative said that tentatively the UK regarded a tranche of \$187.5 million as the upper limit, that the amount of \$125 million was not advisable because it would appear to be simply a rolling over of India's immediate debt to the Fund, and that \$150 million might be about right, or less, if the costs of the drought turned out to be less than \$200 million. The UK, he said, thought 3 to 5 years for re-purchase was too long a period, that it ought to be shorter to emphasize that the drawing was approved solely in response to an unusual emergency, and that 1 year or at most 18 months was long enough.

4. The representative of Austria and Belgium emphasized that it was difficult to find a way to take the requested action in line with Fund policy. He preferred simply a postponement of the repayment of \$125 million, but might be persuaded to approve \$150 million. He also favored repayment in a short period in order to put pressure on the GOI to produce a program of action. He would in fact favor, as a condition to the drawing, a commitment from the GOI with respect to the time at which it would enter into discussions of a program with the IMF.

5. The Canadian representative indicated that Canada's position was much like that of the UK in their distaste for a drawing unaccompanied by a program, but that they would favor the amount of \$187.5 million repayable in a period of less than 3 years in order to stress the emergency nature of the action.

6. The Japanese representatives said that Japan's position was not yet clear, that they were willing to go along with the other countries, but had some very basic doubts. He made other extended comments the purport of which escaped me.

7. The French representative said that the French Government felt that the closer they could stick to \$125 million of refinancing the better.

8. The Netherlands representative said that they would like any action taken at this time clearly to contemplate an early Indian program of action. He also expressed doubts regarding the Indian estimates of the drought costs.

9. The German representative suggested a repayment period not exceeding 18 months, a willingness to go as high as a single tranche, but with a lesser amount if the costs of the drought should be lower than now estimated by the GOI.



10. In discussion following the initial statements by each director, questions were asked with regard to the staff estimates of the costs of the drought. Tun Thin indicated that the staff estimate was \$208 million, including \$108 million on account of additional freight costs on PL 480 shipments, \$40 million for purchases of raw jute, \$30 million for purchases of rice and \$30 million representing the loss of minor agricultural exports.

11. In the discussion the consensus was (a) that an Indian program of action was needed at the earliest possible moment, (b) that although a special emergency arrangement was needed at this time, the amount and repayment period should be severely limited in order to keep pressure on the Government of India to come up with a remedial program and (c) that if and when a satisfactory GOI program was agreed upon new arrangements could be made between the Fund and the GOI.

12. Mr. Schweitzer concluded the discussion by making the following points:

- (a) that of course he was worried about an exchange transaction which did not mean Fund standards
- (b) that only emergency financing was contemplated and this in response to a situation over which the GOI had no control
- (c) that he hoped that the Fund would be involved at a later date with an Indian program which would include action on liberalization of imports, the exchange rate, etc., and that he had every reason to be confident that future relations with India would be constructive.
- (d) that he had some hesitation about applying too much pressure at this time, because the Indians claimed that they needed the appearance of an independent decision on which no outside pressure had been exerted.
- (e) that he did not believe they should restrict the drawing to \$125 million if the emergency need was greater, although he did agree that the upper limit should be one tranche,
- (f) that he favored allowing more than 1 year for repayment
- (g) that "he had worked on them as much as possible for one afternoon" and that the discussion would be resumed at a later date after more information had been received from India.

CC:Messrs Woods, Stevenson

Indian debt.

## OFFICE MEMORANDUM

TO: Mr. Wilson  
FROM: Alexander Stevenson  
SUBJECT: Indian Debt

DATE: February 24, 1966

Following my conversation with you this morning I informed the participants in the February 17 meeting (or their offices) that the meeting suggested for March 2 to discuss how the Indian debt problem might be tackled would not be held. Mr. Macomber said he was "pleased" and Mr. Finch said he thought the decision wise.

cc: Mr. Bell  
Mr. Kamarck  
Mr. Votaw

AS/uz



Miss D. Hedley

February 23, 1966

S. Stanley Katz

INDIA - External Debt Reports

1. I am transmitting the reports listed below along with a copy of the transmittal memorandum dated February 16, 1966 from Mr. K.S. Sundara Rajan.

I. Form 'G'

- (1) Exim Bank Credit No. 2231 for \$3.340 million to Messrs. Herdillia Chemicals Ltd., dated December 16, 1965.
- (2) USA (AID) Fertiliser Commodity Loan 1966 for \$50 million dated January 4, 1966.
- (3) UK-India non-project Loan 1965 for £4 million dated December 20, 1965.

II. Form 'D'

- (1) Third Polish Credit dated January 25, 1965.
- (2) Second Czech credit.

Copies of Loan Agreements.

- i) UK-India non-project Loan 1965 for £4 million dated December 20, 1965.
- ii) Fourth Credit between Government of India and the Austrian Federal Government for \$4 million dated November 12, 1965.
- iii) Additional Dutch Credit Agreement of £6,500,000 dated December 16, 1965.
- iv) US (AID) Fertiliser Commodity Loan 1966 No. 386-H-152 for \$50 million dated January 4, 1966.

2. Could you please confirm Mr. Sundara Rajan's conclusion that all Forms C and D for loans signed up to December 31, 1965 have been sent to the Bank? An updating of the list of outstanding debt reports would be most useful so that I could raise this matter during my forthcoming visit to India. (I will be departing about March 3.)

Attachment.

cc: Mr. G. Votaw  
New Delhi Office

Mr. I.S. Friedman

February 23, 1966

Alexander Stevenson

INDIA - Debt Rescheduling

1. As you know, the Government of India has requested consideration of emergency debt relief for the Indian fiscal year 1966/67 in conjunction with further assistance from the IMF. An informal meeting of the major Indian creditors was held on February 17 to consider this question.

2. During the meeting, questions were raised as to the alternatives available for providing debt relief, particularly with respect to securing an equitable sharing of the burden among creditors, i.e., "a parity of sacrifice".

3. This subject is to be discussed in a meeting of major consortium members on March 2, and Mr. Wilson suggested that a Bank paper would be helpful.

4. The principal approaches to providing debt relief would seem to be (a) refinancing of principal repayments, (b) rescheduling of maturing amounts of principal, and (c) extension of new non-project loans equivalent to amounts being repaid. The possibility of relief from interest payments is not precluded and should be part of an examination of equity.

5. Some, but by no means all, of the considerations which enter into calculations of relative creditor equity are:

- (a) terms and conditions of the new relief granted;
- (b) terms and conditions of the existing loans/credits which are to be extended;
- (c) impact on creditor budgets;
- (d) impact on creditor balance of payments;
- (e) the effects (and possibilities) of tying the relief to creditor-country sales;
- (f) the real resource transfers.

6. A second question was raised with respect to consortium creditor equity vis-a-vis the Eastern bloc (which has provided credits repayable in exports). How commensurate relief from such repayments could be arranged is also of interest to the consortium members.

7. The question to be discussed at the forthcoming <sup>meeting</sup> ~~one~~ is a general methodological one. I know that the Economic Department has been studying these questions. It would therefore be most helpful if the Economic Department would draft the paper which Mr. Wilson has requested. This Department will be glad to help but our staff resources are rather depleted at the moment, and two of our economists will be off to Delhi with the Bell Mission very shortly. Could I have your reaction soonest since time is short.

cc: Mr. Bell, Mr. Mespoulous-Neuville



DRAFT  
AStevenson/uz  
February 21, 1966

No statements should be volunteered to the press about recent discussions on India. If press representatives ask either about these or about the question of debt rescheduling, they should be told that the Bank as the leader of the Indian consortium and as a major creditor and provider of aid for Indian development is constantly in touch with the Government of India and other interested parties on significant features of the Indian economic and financial situation. India is in a very difficult position just now for reasons that are well known (drought, restriction of aid, etc.) and it would be natural that at such a time there should be discussions about these matters.

If someone raises the question of a consortium meeting, the answer should be that there are no firm plans for a meeting and that India's revised draft of a Fourth Five-Year Plan is not expected to be available for study until July. As always, however, the normal consultation goes on among those parties interested in Indian development.

Cleared with and cc to: Messrs. Bell  
Graves  
Votaw

Files

February 21, 1966

G. B. Votaw

INDIA - Payments on Debt: Japanese Request for Information

1. Messrs. <sup>M</sup>Katsukawa and Ukawa came from the Japanese Embassy on February 18 to see Mr. Stevenson. Mr. Bell joined us toward the end of the meeting.

2. The Japanese representatives were looking for additional information on India's current balance of payments problem. The questions they posed can be summarized as follows:

- (a) It is said that this year's drought is costing the Indian economy \$200 million in foreign exchange. Japan would like a breakdown of this total. More particularly, how much of the \$200 million is for ocean freight on how many tons of PL 480 supplies? How many tons of rice are to be purchased, and what is the expected procurement price? How were export losses calculated? How are "extra" jute imports distinguished from the normal import requirements of the jute industry?
- (b) Does the Indian estimate of maintenance import requirements take into account the shortfall in project aid and project implementation, which means that there is less industrial capacity in India than was originally planned? Does this shortfall in capacity reduce or increase the maintenance import requirements estimated for 1966/67?
- (c) Could a summary of import licenses issued in each of the last few years be provided? Such a summary would show the extent to which the Indian Government has already reduced the issuance of licenses (i.e. in 1965/66 compared to 1964/65) and might enable Japan to analyse the lag between the issuance of licenses (or the failure to issue such licenses) and the trend in physical imports.
- (d) It is said that Indian ports can handle a maximum of one million tons of grain each month. Working at that rate, could these same ports handle the volume of maintenance imports for which the Government of India has requested consortium assistance?
- (e) Mr. Bell's "Background Note" mentioned that stocks of certain production materials had been drawn down to the four-to-six weeks' level. The Japanese are wondering whether this means four-to-six weeks from today or from the start of the new fiscal year on April 1, 1966. Also, how long after licenses are issued would goods be expected to reach Indian ports?
- (f) What relative priority does the Government give to drought relief on the one hand and industrial maintenance imports on the other?
- (g) A \$75 million increase in reserves has been noted and \$100 million of new U.S. aid has just been announced. How do these sums affect the estimated shortfall of \$450-500 million?



- (h) When will additional data on the Indian situation be available to Japanese authorities and other members of the consortium?

3. We explained that additional information was expected only after Mr. Bell reached New Delhi early next month and would be distributed to the Japanese Government and other major creditors as soon as meaningful figures could be assembled - probably not before the second half of March. We also explained that the March 2 meeting was solely for the purpose of discussing alternative methods of handling the Indian debt repayment problem - whether on an interim basis for 1966/67 or, later in the year, in the context of consortium aid for the Indian Fourth Plan.

4. Speaking quite informally, the Japanese noted a number of problems on their side. The annual aid budget would be expected to cover aid in the form of a rollover of debt payments or new lending commitments to India. If a rollover were agreed to, this would almost certainly cut into the availability of new aid for India. The Japanese aid bill does not specify how much aid will go to each potential recipient, but the Government generally gives Congress a notional breakdown before the bill is passed and does not like to deviate widely from that breakdown after the bill is passed. This year there is special pressure on the foreign aid budget, because it is the first year for implementation of the Korean Treaty. After Korea, Formosa and other near neighbours of Japan must be given priority; in this context, India seems quite distant. Many politicians are cool to the idea of aid to India because they believe Japan is already importing more from India than India buys from Japan. Furthermore, non-project aid is not at all popular with Japanese authorities. Finally, there is a danger that a rollover is likely to create a negative impression and prejudice the chances of any future aid.

5. The Japanese representatives stated repeatedly that they must have additional factual information to present to Tokyo before they could expect a meaningful response from the Japanese Government. Japan will be particularly interested in seeing evidence of self-help and sacrifice on the Indian side. Our response was limited to rather general comments about such figures as we now have, the IMF analysis of the estimated cost of the current drought, a general review of the different definitions India gives to the concept of "maintenance imports", and the observation that \$600 million in reserves could be considered adequate for India today, whereas \$450 million (especially if based partly on substantial drawings from the Fund) would appear to be dangerously low. We promised to share with Japan, as with other creditors, any information emerging from the Bell Mission.

*Godman*

cc: Mr. B. R. Bell, Mr. S. Katz, New Delhi Office



## OFFICE MEMORANDUM

TO: Files

FROM: Alexander Stevenson *AS*

SUBJECT: Indian Debt

DATE: February 21, 1966

Following the meeting of February 17, 1966 with representatives from Canada, Germany, Japan, United Kingdom, and United States on the above subject, Mr. Wilson saw the representatives (i.e. Messrs. Liefstinck, van Campenhout, Malaplate, Haushofer, and Gianani) of the other members of the Indian consortium and gave them an account of the meeting together with copies of the papers. In view of the emergency situation described in the papers the Government of India had asked the major creditors for relief from debt payments due in 1966/67. He hoped that if the major creditors were prepared to consider appropriate relief, the others would also be prepared to take similar action. He told them further that the Bank would not be prepared to consider rescheduling of either principal or interest on its loans, but would be prepared to make a long-term loan of \$50 million (approximately the amount of repayments due to the Bank in 1966/67) with a five-year grace period, which would be quickly disbursed and would be similar to the industrial imports credits made by IDA in 1964 and 1965.

He said further that the fourth Five-Year Plan would not be ready until July. It would then have to be appraised and one could therefore not visualize a consortium meeting before the fourth quarter of 1966, by which time he would hope that the Government of India would have taken the economic policy decisions urged on them by the Bank.

In describing the 17 February meeting he said he thought there was general acceptance around the table that emergency aid was probably needed, although the individual countries' positions had varied somewhat. The U.S. had taken the position that with the recently announced loans of \$50 million and \$100 million for fertilizers and non-project aid respectively, and with the assistance expected from the Fund, India probably had enough to see her through. Other countries had appeared inclined to accept the need for emergency aid, but there was some reluctance to relate it to debt payments. All felt that before reaching a decision they would have to know more about the Indian import program and the probable consequences of India's not getting the additional emergency assistance for which she was asking. They also wished to know (a) whether India's present payments difficulty was in any way related to increased military expenditures abroad and (b) what the Government of India was going to do about the payments due on East bloc credits in 1966/67. Mr. Bell (who would be going to India immediately after the budget, February 28) would endeavor to get the information required and when he had done so, Mr. Wilson said, he would convene a meeting of the consortium members.

cc: Mr. Wilson, Mr. Bell, Mr. Votaw  
Cleared with Mr. Wilson

AS/uz



J. d. C. 11.?

February 18, 1966

Dear Mr. White:

This is just to acknowledge receipt of your monographs on Japanese and German aid which came today. I shall read them with great interest and hope to have a chance of discussing these matters with you sometime again before too long.

Yours sincerely,

Alexander Stevenson  
Director  
South Asia Department

Mr. John White  
Research Officer  
Overseas Development  
Institute Ltd.  
160 Piccadilly  
London W. 1, England

AS/uz  
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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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FROM: G. M. Wilson

February 17, 1966

INDIAN DEBT

Reference is made to Table I attached to the "Background Note" distributed earlier today. The Government of India has cabled slightly revised estimates of India's debt repayment obligations to five principal creditors; these are reproduced in Table Ib attached hereto. As the summary (Table Ia) indicates, the revised data involve minor adjustments in the individual country estimates but do not significantly alter the total.

Distribution:

Executive Directors for:

Canada  
Germany  
Japan  
United Kingdom  
United States

Director, South Asia Department  
Managing Director, IMF

For information:

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TABLE Ia: INDIA'S DEBT REPAYMENT OBLIGATIONS 1966/67  
SUMMARY FOR FIVE ORIGINAL MEMBERS OF THE  
CONSORTIUM AND BANK/IDA (REVISED)

(\$ million)

| <u>Creditor</u>      | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|------------------|-----------------|--------------|
| IBRD/IDA             | 49.6             | 36.7            | 86.3         |
| U. K.                | 33.0             | 23.1            | 56.1         |
| W. Germany           | 25.6             | 23.5            | 49.1         |
| U. S. A.             | 34.2             | 27.2            | 61.4         |
| Japan                | 16.5             | 13.9            | 30.4         |
| Canada               | <u>5.1</u>       | <u>2.5</u>      | <u>7.6</u>   |
| TOTAL, six creditors | <u>164.0</u>     | <u>126.9</u>    | <u>290.9</u> |

Source: Government of India (cable received February 16, 1966)

TABLE Ib: INDIA'S DEBT SERVICE OBLIGATIONS DURING 1966/67

(Revised, for Five Original Members of the Consortium)

(In millions of dollars)

| <u>Country</u>        | <u>April-September 1966</u> |                 | <u>October 1966-March 1967</u> |                 |
|-----------------------|-----------------------------|-----------------|--------------------------------|-----------------|
|                       | <u>Principal</u>            | <u>Interest</u> | <u>Principal</u>               | <u>Interest</u> |
| U. K.                 | 21.53                       | 11.47           | 11.51                          | 11.57           |
| Germany               | 14.93                       | 11.21           | 10.69                          | 12.31           |
| U. S. A., subtotal    | <u>16.96</u>                | <u>13.33</u>    | <u>17.20</u>                   | <u>13.91</u>    |
| A.I.D.                | -                           | 4.28            | -                              | 4.89            |
| Exim.                 | 14.92                       | 8.61            | 15.16                          | 8.62            |
| Commercial banks      | 2.04                        | 0.44            | 2.04                           | 0.40            |
| Japan, subtotal       | <u>5.96</u>                 | <u>6.82</u>     | <u>10.54</u>                   | <u>7.10</u>     |
| Yen credit            | 3.44                        | 5.71            | 8.02                           | 6.07            |
| Kiriburu and textiles | 2.52                        | 1.11            | 2.52                           | 1.03            |
| Canada, subtotal      | <u>0.36</u>                 | <u>0.86</u>     | <u>4.71</u>                    | <u>1.60</u>     |
| Wheat loan            | -                           | -               | 4.35                           | 0.23            |
| EGIC                  | 0.36                        | 0.86            | 0.36                           | 1.24            |
| Development loan      | -                           | -               | -                              | 0.13            |

Source: Government of India (cable received February 16, 1966)



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FROM: G.M. Wilson

February 17, 1966

INDIAN DEBT

Attached is a background note for our discussions on the Indian debt problem this afternoon at 3 o'clock in the Board Room.

Distribution:

Executive Directors for:

Canada  
Germany  
Japan  
United Kingdom  
United States

Director, South Asia Department  
Managing Director, IMF

For information:

President  
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INDIAN REQUEST FOR DEFERMENT OF 1966/67 DEBT SERVICE PAYMENTS

Background Note

1. The Government of India, in the first week of February, simultaneously with its request to the IMF, asked that the Bank take the lead in attempting to arrange relief for India from the debt service payments due to Consortium Members in the Indian 1966/67 fiscal year. Specifically, the Government of India asked for assistance to the extent of \$200 million from the IMF. There are \$125 million of payments due from India to the IMF between March and July 1966 (\$75 million in March and \$50 million in July). The request to the Bank was for relief with respect to both principal and interest payments. The Indian authorities calculate that in fiscal 1966/67 foreign currency payments on debt will total \$317 million, including \$181 million on account of principal and \$136 million on account of interest. These estimates are set forth, by creditor, in Table I attached. They exclude debt service payments due to the East Bloc, so-called "Rupee Payments", which are handled via bilateral trade.
2. The Government of India representatives who presented these requests to the IMF and the Bank in Washington were not in a position at the time of their visit to present comprehensive and detailed data with respect to the balance of payments outlook for the coming fiscal year. They outlined the situation in broad terms and undertook to supply additional information as quickly as possible.
3. In general terms, the two requests were presented on the basis of the extraordinary foreign exchange costs imposed by the severe current drought, super-imposed on an already strained balance of payments and tight reserve position. The Indian authorities at no point suggested that they would not be in a position to meet the 1966/67 debt service obligations or would consider default on any of these obligations. Rather they made clear that without the requested relief the licensing of so-called maintenance imports would continue to be severely restricted (as it has been throughout the fiscal year 1965/66), and would need to be cut even below the level of 1965/66. They indicated, although they did not attempt to quantify, that the impact on the Indian economy would in this event be severely damaging. Industrial production would undoubtedly decline sharply, dismissals of workers would occur, prices would rise, government revenues would fall and exports would be affected. This would be in the context of a food shortage which seems destined to become increasingly acute throughout at least the next year despite heavy shipments of PL 480 grains from the United States.
4. The Indian authorities also indicated that the impact of the reduced licensing of maintenance imports in 1965/66 had not yet been



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seriously felt, because imports of maintenance goods had continued to flow in on the basis of licensing in earlier periods and because stocks were being drawn down. The continuous decline in industrial production in recent months reflected, they believed, some attempt on the part of producers to husband remaining stocks, the effect of shortages of hydro-electric power resulting from drought conditions and, in the case of the textile industry, decline in market demand. They indicated also, however, that they expected that major effects would begin to be felt in March, since stocks of certain essential production materials were believed to be down to the 4 to 6 weeks level, with no significant replenishment in prospect because of the restricted import licensing in 1965/66.

5. The information at hand does not permit construction of a prospective foreign exchange budget or balance of payments for the year 1966/67. In rough outline, however, the situation may be indicated by the following facts. First, virtually all India's imports of equipment and materials designed for the expansion of capacity are financed by project credits. Maintenance imports are financed out of non-project aid plus the amount of free foreign exchange earnings left after payments on debt, defense imports, inescapable payments on invisible account and miscellaneous government expenses plus or minus changes in foreign exchange reserves. The category "maintenance imports" as used here includes what the Indian authorities refer to as bulk commodity imports, especially food (or freight payments on PL 480 food shipments), petroleum and fertilizers. It also includes all other imports of production materials, spare and replacement parts for machinery and equipment, and components for use in manufacturing or assembly operations in India. The data available suggest that allocations of foreign exchange for imports of the entire category of maintenance goods may in 1965/66 have been cut significantly below the levels of the immediately preceding years. If food and fertilizer are excluded, the remainder of the category appears to have been cut severely. (It should be noted that even in 1964/65 imports of maintenance goods were by no means adequate to permit operation of existing facilities at full capacity.)

6. The Indian authorities estimate that the drought will impose an extra foreign exchange cost of approximately \$200 million in 1966/67. The largest components of this total are freight payments for extra PL 480 shipments, abnormally high rice purchases, additional purchases of raw jute and reduced exports of oilseeds and several other agricultural commodities. In addition, on the payment side, debt service obligations, aside from those to the IMF, may be as much as \$50 million higher in 1966/67 than in the current 1965/66 year. Furthermore, \$125 million is due to be paid to the IMF in the period March 1, 1966 to March 1, 1967 whereas there were net drawings of \$125 million from the IMF in the corresponding 1965/66 period. On the receipt side, aside from the drought effects already cited, no appreciable change in export earnings is anticipated. However, unutilized commitments of non-project aid are now much smaller than those which were available a year ago. Although a substantial unutilized or undisbursed aid commitment remains, only a small part of this is non-project aid.

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7. It seems clear that India's balance of payments needs immediate relief, especially since the April-September period immediately ahead is normally a period in which there is an adverse swing in the balance of payments which is usually redressed by a swing in the opposite direction in the last half of the fiscal year. The Government of India has for the past seven months been considering shifts in policy and program. Renewed discussion of these with the Bank and early resumption of the formulation of policy and program for the Fourth Plan period is contemplated. The representatives of the Government of India pointed out, however, that a new Finance Minister and a new Prime Minister have just taken office. The Government consequently is not in a position to make quick decisions with respect to the major issues of policy and program. The representatives of the Government of India consequently have asked for relief of their immediately prospective situation in advance of any major policy or program decisions. In effect, the Government of India has asked for limited emergency assistance which will see India through this interim period of 1966/67. The decision before us is how much assistance of this kind India needs and in what form it should be given.

B.R. Bell  
I.B.R.D.  
February 16, 1966



TABLE I: INDIA'S DEBT REPAYMENT OBLIGATIONS, 1966/67<sup>/a</sup>

(\$ million)

| <u>Creditor</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------|------------------|-----------------|--------------|
| IBRD/IDA        | 49.6             | 36.7            | 86.3         |
| UK              | 33.0             | 22.1            | 55.1         |
| W. Germany      | 27.0             | 25.0            | 52.0         |
| USA             | 33.3             | 24.7            | 57.9         |
| Japan           | 16.5             | 14.2            | 30.7         |
| Canada          | <u>5.0</u>       | <u>3.1</u>      | <u>8.1</u>   |
| Subtotal        | 164.2            | 125.7           | 290.0        |
| France          | 4.5              | 3.2             | 7.7          |
| Italy           | 2.5              | 1.8             | 4.3          |
| Netherlands     | -                | 0.8             | 0.8          |
| Austria         | 1.0              | 0.7             | 1.7          |
| Belgium         | 0.7              | 0.4             | 1.1          |
| Switzerland     | 1.1              | 1.2             | 2.3          |
| Kuwait          | <u>6.7</u>       | <u>1.9</u>      | <u>8.6</u>   |
| Subtotal        | 16.5             | 10.0            | 26.5         |
| Unidentified    | <u>0.1</u>       | <u>0.4</u>      | <u>0.5</u>   |
| Grand Total     | 180.8            | 136.2           | 317.0        |

Details may not add to totals due to rounding.

<sup>/a</sup> Excludes all "rupee payment" obligations to East Bloc.

Source: Government of India

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FROM: G. M. Wilson

February 16, 1966

INDIAN DEBT

Attached is a background note for our discussions on the Indian debt problem, February 17, 1966, at 3 p.m. in Room 946.

Distribution:

Executive Directors for:

Canada  
Germany  
Japan  
United Kingdom  
United States

Director, South Asia Department  
Managing Director, IMF

For information:

President  
President's Council



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INDIAN REQUEST FOR DEFERMENT OF 1966/67 DEBT SERVICE PAYMENTS

Background Note

1. The Government of India, in the first week of February, simultaneously with its request to the IMF, asked that the Bank take the lead in attempting to arrange relief for India from the debt service payments due to Consortium Members in the Indian 1966/67 fiscal year. Specifically, the Government of India asked for assistance to the extent of \$200 million from the IMF. There are \$125 million of payments due from India to the IMF between March and July 1966 (\$75 million in March and \$50 million in July). The request to the Bank was for relief with respect to both principal and interest payments. The Indian authorities calculate that in fiscal 1966/67 foreign currency payments on debt will total \$317 million, including \$181 million on account of principal and \$136 million on account of interest. These estimates are set forth, by creditor, in Table I attached. They exclude debt service payments due to the East Bloc, so-called "Rupee Payments", which are handled via bilateral trade.
2. The Government of India representatives who presented these requests to the IMF and the Bank in Washington were not in a position at the time of their visit to present comprehensive and detailed data with respect to the balance of payments outlook for the coming fiscal year. They outlined the situation in broad terms and undertook to supply additional information as quickly as possible.
3. In general terms, the two requests were presented on the basis of the extraordinary foreign exchange costs imposed by the severe current drought, super-imposed on an already strained balance of payments and tight reserve position. The Indian authorities at no point suggested that they would not be in a position to meet the 1966/67 debt service obligations or would consider default on any of these obligations. Rather they made clear that without the requested relief the licensing of so-called maintenance imports would continue to be severely restricted (as it has been throughout the fiscal year 1965/66), and would need to be cut even below the level of 1965/66. They indicated, although they did not attempt to quantify, that the impact on the Indian economy would in this event be severely damaging. Industrial production would undoubtedly decline sharply, dismissals of workers would occur, prices would rise, government revenues would fall and exports would be affected. This would be in the context of a food shortage which seems destined to become increasingly acute throughout at least the next year despite heavy shipments of PL 480 grains from the United States.
4. The Indian authorities also indicated that the impact of the reduced licensing of maintenance imports in 1965/66 had not yet been



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7 seriously felt, because imports of maintenance goods had continued to flow in on the basis of licensing in earlier periods and because stocks were being drawn down. The continuous decline in industrial production in recent months reflected, they believed, some attempt on the part of producers to husband remaining stocks, the effect of shortages of hydro-electric power resulting from drought conditions and, in the case of the textile industry, decline in market demand. They indicated also, however, that they expected that major effects would begin to be felt in March, since stocks of certain essential production materials were believed to be down to the 4 to 6 weeks level, with no significant replenishment in prospect because of the restricted import licensing in 1965/66.

5. The information at hand does not permit construction of a prospective foreign exchange budget or balance of payments for the year 1966/67. In rough outline, however, the situation may be indicated by the following facts. First, virtually all India's imports of equipment and materials designed for the expansion of capacity are financed by project credits. Maintenance imports are financed out of non-project aid plus the amount of free foreign exchange earnings left after payments on debt, defense imports, inescapable payments on invisible account and miscellaneous government expenses plus or minus changes in foreign exchange reserves. The category "maintenance imports" as used here includes what the Indian authorities refer to as bulk commodity imports, especially food (or freight payments on PL 480 food shipments), petroleum and fertilizers. It also includes all other imports of production materials, spare and replacement parts for machinery and equipment, and components for use in manufacturing or assembly operations in India. The data available suggest that allocations of foreign exchange for imports of the entire category of maintenance goods may in 1965/66 have been cut approximately 30 percent or perhaps \$300 to \$400 million below the levels of the immediately preceding years. If food and fertilizer are excluded, the remainder of the category may have been cut by almost 50 percent. (It should be noted that even in 1964/65 imports of maintenance goods were by no means adequate to permit operation of existing facilities at full capacity.)

6. The Indian authorities estimate that the drought will impose an extra foreign exchange cost of approximately \$200 million in 1966/67. The largest components of this total are freight payments for extra PL 480 shipments, abnormally high rice purchases, additional purchases of raw jute and reduced exports of oilseeds and several other agricultural commodities. In addition, on the payment side, debt service obligations, aside from those to the IMF, will be approximately \$50 million higher in 1966/67 than in the current 1965/66 year. Furthermore, \$125 million is due to be paid to the IMF in the period March 1, 1966 to March 1, 1967 whereas there were net drawings of \$125 million from the IMF in the corresponding 1965/66 period. On the receipt side, aside from the drought effects already cited, no appreciable change in export earnings is anticipated. However, unutilized commitments of non-project aid are now much smaller than those which were available a year ago. Although a substantial unutilized or undisbursed aid commitment remains, only a small part of this is non-project aid.



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7. It seems clear that India's balance of payments needs immediate relief, especially since the April-September period immediately ahead is normally a period in which there is an adverse swing in the balance of payments which is usually redressed by a swing in the opposite direction in the last half of the fiscal year. The Government of India has for the past seven months been considering shifts in policy and program. Renewed discussion of these with the Bank and early resumption of the formulation of policy and program for the Fourth Plan period is contemplated. The representatives of the Government of India pointed out, however, that a new Finance Minister and a new Prime Minister have just taken office. The Government consequently is not in a position to make quick decisions with respect to the major issues of policy and program. The representatives of the Government of India consequently have asked for relief of their immediately prospective situation in advance of any major policy or program decisions. In effect, the Government of India has asked for limited emergency assistance which will see India through this interim period of 1966/67. The decision before us is how much assistance of this kind India needs and in what form it should be given.

B.R. Bell  
I.B.R.D.  
February 16, 1966

TABLE I: INDIA'S DEBT REPAYMENT OBLIGATIONS, 1966/67<sup>/a</sup>

(\$ million)

| <u>Creditor</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------|------------------|-----------------|--------------|
| IBRD/IDA        | 49.6             | 36.7            | 86.3         |
| UK              | 33.0             | 22.1            | 55.1         |
| W. Germany      | 27.0             | 25.0            | 52.0         |
| USA             | 33.3             | 24.7            | 57.9         |
| Japan           | 16.5             | 14.2            | 30.7         |
| Canada          | <u>5.0</u>       | <u>3.1</u>      | <u>8.1</u>   |
| Subtotal        | 164.2            | 125.7           | 290.0        |
| France          | 4.5              | 3.2             | 7.7          |
| Italy           | 2.5              | 1.8             | 4.3          |
| Netherlands     | -                | 0.8             | 0.8          |
| Austria         | 1.0              | 0.7             | 1.7          |
| Belgium         | 0.7              | 0.4             | 1.1          |
| Switzerland     | 1.1              | 1.2             | 2.3          |
| Kuwait          | <u>6.7</u>       | <u>1.9</u>      | <u>8.6</u>   |
| Subtotal        | 16.5             | 10.0            | 26.5         |
| Unidentified    | <u>0.1</u>       | <u>0.4</u>      | <u>0.5</u>   |
| Grand Total     | 180.8            | 136.2           | 317.0        |

Details may not add to totals due to rounding.

/a Excludes all "rupee payment" obligations to East Bloc.

Source: Government of India



Mr. J. Burke Knapp

February 16, 1966

Alexander Stevenson

INDIA - Lending Program (through June 1966)

1. On the basis of present information, the following proposals are the only ones which could be ready for presentation to the Executive Directors before June 30, 1966. You will note that the listing and the estimated amounts differ somewhat from the report "Use of Bank/IDA Pledges" dated February 4, 1966; there will probably again be marginal changes in some of the amounts before agreements are signed.

| <u>Project</u>          | <u>Approximate amount</u><br><u>(\$ million)</u> |              |
|-------------------------|--------------------------------------------------|--------------|
|                         | <u>IBRD</u>                                      | <u>IDA</u>   |
| Beas equipment          | 23.0                                             | -            |
| Railways                | -                                                | 68.0         |
| IISCO                   | 16.0                                             | -            |
| Bangalore water         | -                                                | 35.0         |
| Haldia port             | 43.0                                             | -            |
| Punjab flood control II | 15.0                                             | -            |
| TISCO                   | 55.0                                             | -            |
| Telecommunications III  | 94.0                                             | -            |
|                         | <u>246.0</u>                                     | <u>103.0</u> |

2. It is not at all certain that every one of these proposals can be firmed up this fiscal year. For example, there are still a number of serious policy issues to be resolved with respect to Haldia, and Mr. Pantanali reports that the Calcutta Port Commissioners and Government are still reviewing plans for that project in an effort to reduce foreign exchange requirements. In the case of Bangalore, financial covenants may give difficulty. The Punjab scheme has been included, since the technical assistance issue has been resolved, but revised data on the Punjab-project have been delayed in India.

3. Before any of these lending proposals are put before the Executive Directors, we propose to circulate a report on the current Indian economic situation. The last such report was sent to the Board in May, 1964. Arrangements are now being made to have Messrs. Katz and Pantanali prepare such a report under the general supervision of Mr. Bell and with assistance from other members of Bell's team.

4. If these proposals are all approved, lending from both Bank and IDA would slightly exceed amounts announced through the consortium for commitment in the Third Plan period (i.e. before March 31, 1966). From the Bank \$515.0 million was indicated for the five-year Plan period, and \$211.4 million of that total still remains to be committed (including \$5.9 million cancelled from Loan No. 292-IN when it became clear that private collieries did not need the funds). The \$23 million for Beas equipment is,



of course, not counted under the consortium. Only \$85 million remains to be committed from IDA. But even if Bangalore requires a full \$35 million - and anything above \$25 million is uncertain - we would not be going as far beyond the amount already announced through the consortium as has been customary in recent years for the April/June quarter.

X 5. The Telecommunications III proposal has not been given much attention previously - for example, it has not appeared in the Monthly Operational Summary. The India program has had so many slow starters in past reports that I now prefer to begin listing prospects only when they are well advanced toward appraisal. P&T has proven to be an efficient, progressive and cooperative borrower. The proposed expansion is of undoubted priority and cannot be divided easily into smaller pieces. The required \$94 million would disburse relatively quickly, i.e. within 30 months. We may well have to make a decision whether or not to send an appraisal mission within a few weeks, since word is expected shortly on the implementation of accounting reforms - an issue which India knows it must resolve before we can consider further lending to P&T.

6. You may be surprised to find three hardy perennials missing from this list of projects considered likely to ripen before June 30: (a) Koyna III is still being reconsidered by Government; if resubmitted it would probably include a substantial portion of locally manufactured equipment and would therefore have to be reappraised. (b) Kothagudem Fertiliser may be dropped by Allied Chemicals or expanded into a much larger unit. If the project goes forward, new local partners may have to be found and it is unlikely that many loose ends can be tied up quickly. (c) Calcutta III cannot be appraised until some of the major issues affecting Haldia have been dealt with (e.g., such questions as accounting, procurement and management).

X 7. There is no provision above for the suggested \$50 million industrial imports loan. A decision regarding that proposal depends on arrangements for debt rescheduling, which are still far from settled. In any case, as I understand it, this would be a new commitment over and above amounts previously indicated to India.

8. As soon as possible we should give the Ministry of Finance some indication regarding the prospects for a third industrial imports credit. Government representatives have expressed hope that, at least in 1966, such lending will continue. By April or May, industries participating in the earlier credits will need some indication from Government of the likely level of licensing in 1966/67. To delay informing industry will risk further reduction (or interruption) of industrial production. On two or three occasions when the subject has been broached informally by the Indians, we have responded that a third credit can only be considered as part of Fourth Plan assistance, after effective action on issues raised in the Bell report, and if the prospects for IDA replenishment are favorable. We still consider the industrial imports project a most effective form of aid to India in present circumstances, but find it hard to contemplate a third \$90-100 million credit without some resolution of issues connected with the present system of exchange and import controls and a more certain outlook for IDA. If a third credit cannot be considered this year, the sooner we inform India, the better.



9. All of the projects mentioned above (and several other proposals that are not yet anywhere near ready for appraisal) are an inheritance - some going back many years. We expect to reconsider the entire lending program to India after the Fourth Plan has been appraised and the replenishment of IDA is assured. New departures in such fields as agricultural credit and highway transport may then be appropriate; provision would also be made for further assistance to ICICI and private sector industries. However, it would be premature to discuss these possibilities in any detail at the present time.

cc: New Delhi Office

S. Stanley Katz

Paris Club and Related Creditor-Group Arrangement

1. The "Paris Club", which met initially in 1956 to consider the rescheduling of Argentina's debt, set the general approach to debt rescheduling exercises for Brazil (the "Hague Club", 1961), Chile (an expanded "Paris Club", 1965) and Turkey (OECD Consortium, 1965). Although initially envisaged as a one-time operation designed to restore the particular debtor country's external financial position, subsequent Club meetings have been (or are expected to be) necessary for further rescheduling operations.
2. Joint creditor agreements to reschedule have invariably been contingent on specific policy undertakings by the recipient. Since rescheduling has most often been a consequence of too much supplier credit, debtor undertakings have usually involved agreement on a ceiling for new short-term external indebtedness (coupled with sound domestic fiscal policies).
3. The individual Clubs embrace the principal (and sometimes the minor) creditors of the country in question. Some countries belong to all four creditor groups. Meetings have generally been informal and are limited mainly to creditors. Interested observers are permitted to attend on occasion. The debtor country usually makes its case to the assembled creditors at some stage in the proceedings.
4. The Club members generally agree on an overall "formula" or approach to rescheduling to which individual member countries are expected to adhere. Thus far, rescheduling has been limited to principal repayments on medium term debt, both public and private. Interest obligations have not been rescheduled by any of the various Clubs.
5. Rescheduling formulas employed so far have involved variations in:
  - (a) the selection of participating creditors (in some cases, only the big 5 or 6 participate and smaller debts to smaller creditors are paid as originally scheduled);
  - (b) the period within which maturing debts are to be rescheduled;
  - (c) the grace period allowed before repayment of rescheduled debt payments is to commence; and
  - (d) the number of years over which the postponed principal payments are to be repaid.



6. The "formula" elements have been adjusted to take account of the prospective debt servicing pattern facing the creditor. In the case of the three Latin American countries, rescheduling was initially directed to a short-term hump in payments arising from excessive reliance on supplier credits. In the case of Turkey a short-term liquidity squeeze was accompanied by a longer period of maturing debt beyond Turkey's servicing capacity.

7. Negotiations of specific rescheduling agreements is left to be carried out bilaterally by the individual creditor and the debtor countries. The alternatives are (a) refinancing of maturing principal payments by the extension of equivalent new credits or (b) rescheduling of principal payments by amendment of existing debt instruments. The former has been favored.

8. The countries involved in the majority of cases are the U.K., West Germany, France and Italy. The Netherlands, the U.S., Belgium, Denmark, Canada, Switzerland, Spain, Sweden, Norway and Japan are also members of one or more creditor groups.

9. The creditor groups have generally acted to consolidate debts falling due within a two-year period, although the period was limited to one year in the 1965 Argentine rescheduling and was 1½ years for Brazil (in 1961) and three years for the 1965 Turkey rescheduling.

10. The portion of principal eligible for refinancing has ranged from 20 percent to 100 percent of total medium-term debts maturing during the agreed-upon period. Presently, 60-70 percent seems to represent the acceptable range: 70 percent was used for the 1965 Chile rescheduling; for Turkey (1965) 100 percent of government loans and 60 percent of commercial credits were rescheduled.

11. Grace periods have ranged from 1 to 6 years (with Turkey receiving 5-6 years and Chile receiving 3 years of grace). Repayments have been scheduled over periods up to 10 years, with 5-7 years most frequent.

12. In the Latin American cases, the immediate problem (as seen at the time) was a short-term liquidity squeeze. Debt rescheduling was viewed as a way of getting the country through the tight exchange period. The squeeze was usually a product of excessive use of supplier credits. India's problems are more like Turkey's -- a continuing and growing burden of principal repayments -- although Turkey was also faced with a large volume of short-term credits that could be beneficially postponed. India's exchange problems do not arise from this type of short-term debt structure and resort to debt rescheduling can be questioned on these grounds.

13. If it is concluded that there is genuine need for relieving the pressures on India's exchange positions by debt rescheduling, should consideration be given to expanding the focus beyond one year?

February 16, 1966

14. Past negotiation of particular rescheduling agreements have been left to the individual creditors and the debtor country involved. These were based on a "formula" agreed upon in advance. Hence, a preliminary reading of Indian creditors' attitudes would be necessary to determine if a "formula" could be agreed upon.

15. Previous rescheduling operations have generally involved a policy package approach, with the debtor country undertaking to limit short-term indebtedness and to follow sound financial policies. Parallel commitments by India would seem most appropriately a function of IMF relationships with India. Broader economic policy prescriptions would, similarly, seem most appropriately tied to the Consortium; I believe this was the intention when, in previous discussions, we proposed that any debt rescheduling be taken up in the context of overall policies and aid requirements for the Fourth Plan period.

cc: Mr. B.R. Bell  
New Delhi Office

Cleared with and cc: Mr. G. Votaw

SSKatz/GVotaw/wh



India  
Mr. Høkedal

Room 1109

Cutting from Norges Handels og Sjøfartstidende, February 15, 1966

MUST INDIA DEVALUATE ?

From our own Correspondent

London, February 15. The World Bank\* has recommended the devaluation of the Indian rupee. This recommendation was made in a communication to the Indian Government last November, the contents of which were never made public but gradually leaked out. It has given rise to a heated debate in India.

Many people believe that devaluation will invalidate all calculations, encourage inflation and spread rapidly to neighboring countries such as Pakistan and Ceylon. Others incline to the opinion that a devaluation of the rupee is necessary in any case, and that it is better to take this step willingly rather than as an enforced measure.

The World Bank\* has apparently pledged additional assistance in the amount of US\$500 million to soften the immediate effects of a devaluation, and both the Bank and the American Government have apparently announced that no further help will be given until India has made drastic changes in its economic policy, including the devaluation of the rupee.

\*T.N. Presumably the IMF is intended.

TRANSLATION SECTION

366/66

Translated From: Norwegian: 3/1/66 By: JB:jn

Kussell  
605

AID INDIA CLUB - Movement 2d and 3d quarters 1965

| Number according<br>to previous<br>prospects. | Supplying firm,<br>authorization no.,<br>description of supply<br>& Indian recipient.                                   | Commitments from April 1, 1965 |                                                   |                                                      | Disbursements             |                           |
|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|--------------------------------|---------------------------------------------------|------------------------------------------------------|---------------------------|---------------------------|
|                                               |                                                                                                                         | Total value<br>of supply<br>\$ | Value of supply<br>less quota in<br>rupees.<br>\$ | Quota of credit<br>pledged net of<br>advances.<br>\$ | 2nd quarter<br>1965<br>\$ | 3rd quarter<br>1965<br>\$ |
| 1                                             | PROMOTER (and other<br>associates) V/543719<br>Materials for an aluminum<br>plant to Madras Alluminium<br>Ltd.          |                                |                                                   |                                                      | 313.800                   | 68.638                    |
| 2                                             | SNAM - V/648613<br>Oil drilling in Uttar<br>Pradesh for Oil and<br>Natural Gas Commission                               |                                |                                                   |                                                      | 262.477                   | 124.000                   |
| 7                                             | SNAM - V/542019<br>System of oil and gas<br>pipelines in the Guyarat<br>district for Oil and Natural<br>Gas Commission. |                                |                                                   |                                                      | 424.301                   | 67.882                    |
|                                               | SNAM - V/542793<br>Drilling wells in Punjat for<br>Oil and Natural Gas<br>Commission.                                   |                                |                                                   |                                                      | 211.355                   | 213.390                   |
| 14                                            | SNAM - V/544411<br>Oil pipeline in Assam for<br>Indian Refineries.                                                      |                                |                                                   |                                                      | 1,179.408                 | 278.217                   |



|    |                                                                                                   |                  |                  |                  |         |         |
|----|---------------------------------------------------------------------------------------------------|------------------|------------------|------------------|---------|---------|
| 17 | ITALVISCOSA EASTERN TRADING<br>V/144001 - Plant to produce<br>Lilion to Gujarat Polyamides        | 6,671.052<br>(1) | 6,671.052<br>(1) | 5,670.394<br>(1) | ---     | ---     |
| 20 | OLIVETTI - V/145522<br>Plant to manufacture teleprinters<br>to Hindustan Teleprinters Ltd.        |                  |                  |                  | 323.297 | 503.694 |
| 22 | BREDA FUCINE - V/144191<br>Rock drills, core tests etc.<br>for Oil and Natural Gas<br>Commission. |                  |                  |                  | ---     | ---     |
| 23 | BREDA FUCINE - V/145607<br>Steel materials for cement<br>plant to Associated Cement<br>Companies. |                  |                  |                  | 284.248 | 257.726 |
| 24 | SNAM - V/143818 -<br>Drilling wells in Cambay for<br>Oil and Natural Gas Commission.              |                  |                  |                  | ---     | ---     |
| 25 | ILMA - V/146742<br>wool-washing plants for the<br>Raymond Woollen Mills Ltd.,<br>Bombay.          |                  |                  |                  | ---     | ---     |
| 26 | SELENIA - I/553719<br>New radar for the Government<br>Meteorological Department of<br>India.      |                  |                  |                  | ---     | ---     |

\* (1) Amounts corrected from previous indications following changes in authorizations.

|                                          |                                                                                                                                        |                                                                        |                |                                          |           |           |
|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|----------------|------------------------------------------|-----------|-----------|
| 27                                       | CERETTI & TANFANI - V/142858<br>Three traveling cranes for<br>Associated Cement Companies.                                             | 309.462<br>(1)                                                         | 309.462<br>(1) | 293.988<br>(1)                           | ---       | ---       |
| 28                                       | DAIMINE - V/144186<br>2500 tons steel pipes for<br>Oil & Natural Gas Commission<br>of New Delhi under contract<br>September 26, 1964.  |                                                                        |                |                                          | ---       | ---       |
| 29                                       | NUOVO PIGNONE - V/445100<br>Petroleum processing plant<br>for Oil and Natural Gas<br>Commission under contract of<br>December 15, 1964 |                                                                        |                |                                          | ---       | ---       |
| 30                                       | Ing. L. TAGLIAFERRI & C.<br>V/445169 - An electric furnace<br>for cast iron to The Sandur<br>Manganese and Iron Ores                   |                                                                        |                |                                          | ---       | ---       |
| 31                                       | FIAT S.p.A - V/446924<br>Series and parts of autovehicles<br>(1100) for Premier Automobiles<br>of Bombay.                              |                                                                        |                |                                          | ---       | ---       |
| 32                                       | Commodities 1st quarter 1965                                                                                                           | (1) 493.366                                                            | (1) 493.366    | (1) 444.294                              | not shown | not shown |
| 33                                       | " 2nd "                                                                                                                                | 2,954.118                                                              | 2936.437       | 2,642.793                                | " "       | " "       |
| 34                                       | " 3rd "                                                                                                                                | 1,024.131                                                              | 1024.131       | 921.718                                  | " "       | " "       |
| Commitments as of<br>September 30, 1965. |                                                                                                                                        | Total amount<br>Amount less<br>quotas in rupees.<br>Amount of pledges. |                | \$78,110,909<br>58,359,645<br>53,299,052 |           |           |

2,998.886 1,506.547

\*(1) Amounts corrected from previous indications following changes in authorizations.



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DRAFT

February 14, 1966

Dear Mr. Minister:

I return to the subject of our brief conversations in Rome last November and here in Washington in December. You will recall that I expressed my readiness and desire to assist in bringing about the expansion of fertilizer production and use which, as you so clearly recognize, India urgently needs. I am now taking an initiative in this matter as indicated by the attached Aide-Memoire of February , 1966 to your Government on the subject "India's Fertilizer Needs." I write to you and through you to your colleagues in the Government of India on a difficult aspect of the matter treated within the Aide-Memoire. Needless to say, I trust the Government of India will endorse and associate itself with the course of action which we in the Bank plan to follow. I believe it could make a significant contribution to the solution of India's food problems which we all so much desire. I intend to put all my energies and the capabilities of my staff into the effort.

I fear that unless India can dramatically increase its food production, it faces the danger not only of a halt in its economic progress, but of a catastrophe the final consequences of which are unpredictable. I believe this danger demands extraordinary efforts on the part of the Government of India and its well-wishers throughout the world to mobilize all possible financial and physical resources--as well as technical and

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managerial talent--in the effort to ensure that the necessary increases in food output are achieved. In the area of fertilizer production and distribution the magnitude of the hydro-carbon feedstock requirements so clearly exceeds the prospective domestic Indian supply and the need for speed is so great that every effort should be made to enlist the financial and technical capabilities of the foreign companies experienced in this field and in a position to use the natural gas resources of the Persian Gulf area for Indian purposes.

I am aware of the action recently taken by the GOI giving fertilizer producing companies the right for a limited period freely to determine and handle the pricing and distribution of their products. I believe that these steps will promote fertilizer consumption and will make production and distribution more efficient; they will also make investment in this area somewhat more attractive to private investors, both foreign and domestic. In my judgment, however, these steps alone will not attract the massive amounts of foreign capital and technical experience which are needed if the job is to be done.

Most foreign companies investing in fertilizer facilities in India will want Indian partners. In many instances it will be the Government of India directly or a public sector company which will be the partner, simply because sufficient private Indian capital is not available. With relatively minor exceptions, however, I do not believe the desirable potential foreign investors will be prepared to participate as minority partners.



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In my considered judgment, India will need to be prepared to accept a minority position for the Indian partner in fertilizer companies, leaving the controlling position to the foreign investors.

I appreciate that the present GOI policy in this area reflects a view strongly held in some quarters with respect to the appropriate relationship of Government and private partners in joint enterprises, and also that the issue may have political overtones. Nevertheless, I trust that in view of the necessity for decisive action to increase food production, the policy will be modified with respect to fertilizers. One possibility, where necessary to attract capital, would be to have autonomous public sector companies serve as the minority partners of foreigners in fertilizer enterprises. I am told this may be permissible even under existing policy.

In the case of the facilities proposed to be established in the Persian Gulf area, I doubt that Indian capital participation will be necessary. Even if foreign exchange was available, participation probably would not be possible because of existing contractual arrangements.

Paragraph 6 of the attached Aide-Memoire is intended to convey that through Bank/IDA loans or credits, through IFC financial participation and through our advisory services and "good offices," we in the World Bank Group would strive for terms and conditions which would be reasonable from the standpoints of both India and the large foreign investors.

I look forward to your response to this letter.

Sincerely,

George D. Woods

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DRAFT

February 14, 1966

AIDE MEMOIRE

To: Government of India  
From: International Bank for Reconstruction and Development  
Subject: India's Fertilizer Needs

1. The Bank, in the face of the clear need for increased food production in the developing world and in recognition of the key role of fertilizer, is launching an effort to bring about a massive increase in fertilizer production and use in developing countries. The Bank is especially concerned about the prospect of increasing food shortage in India and therefore wishes to assist in bringing about the great increase in fertilizer production and use in India which is so urgently needed and which the Government of India so much desires.

2. The Bank welcomes the emphasis which the Government of India is now placing upon the effort to accelerate the growth of food production in India. It shares the Government's view that this effort must rely principally upon the adoption of an improved farm technology designed to increase yields, including the use of higher yielding plant varieties, larger quantities of fertilizer, more effective and extensive plant protection measures and increased and more effectively applied irrigation water. The Bank concurs also in the Government's judgment that, given adequate supplies of the



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necessary physical inputs, incentive prices and adequate farm credit, India's farmers will respond and that the enormous increase in food output required can be achieved.

3. The Bank believes that at the outset it can most effectively help India by assisting in bringing about the required increase in fertilizer production and use. This is a task which requires immediate and unremitting effort. Looking ahead only a short distance, it is apparent that India's production of food grains must in little more than 10 years double the record 1964/65 output of 87 million tons. Achievement of this increase in output will require the use of roughly 5 million tons of nitrogen additional to the approximate 500,000 tons used in 1964/65, plus smaller but importantly increased amounts of the other fertilizer elements. The urgency of this very large increase is emphasized when it is realized that facilities started this year will not begin to ameliorate the situation until 1969 at the earliest. India's existing nitrogen fertilizer production capacity is approximately 400,000 tons per year. Another 400,000 tons of capacity is now under construction. Projects with an aggregate capacity of somewhat more than one million tons per year are reported to be at various stages of consideration, investigation and negotiation. The Bank group has been asked to assist in financing three of these projects with an aggregate capacity of perhaps 400,000 tons. It is clear, however, that even if all the currently projected plants should materialize, which is doubtful, India's nitrogen production capacity will fall far short of the requirements which can be foreseen in the not distant future.

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- 3 -

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## WBG ARCHIVES

4. The Bank also believes that, given the magnitude of India's nitrogen fertilizer requirements, domestic Indian supplies of naphtha or other suitable hydro-carbons will not be adequate in quantity to provide all of the feedstock materials needed. Thus, to meet India's requirements, other means will be needed besides fully integrated Indian plants operating on the basis of naphtha produced in Indian refineries or other domestic feedstock materials. The most promising alternatives rest on the base of the availability in the Persian Gulf area of abundant, low-cost supplies of natural gas. They include first, the production of ammonia on a very large and highly economic scale in the Persian Gulf area and the shipment of this ammonia to India for conversion there into solid fertilizers, second, the shipment of natural gas in liquified form on an economic basis in specially designed vessels from this area for use in Indian plants, and third, the import of solid fertilizers produced in large integrated plants in the Persian Gulf area. The first two of these possibilities seem to offer attractive opportunities for India to obtain fertilizer on an advantageous basis. Particularly with integrated or closely coordinated operation of the geographically separated stages of production, highly efficient and low-cost production and distribution of the fertilizer product should be possible. It is probable that both the total and the foreign exchange costs to India of obtaining fertilizers by either of these means would compare favorably with those involved in fully integrated production in India.
5. The Bank, recognizing the facts outlined in paragraphs 3 and 4 above, is taking two steps. First, it is announcing that the Bank Group will give priority consideration to requests for assistance in financing the



establishment of production facilities designed to increase the world supply of fertilizer for India and other developing countries. Second, it is planning to take the initiative in exploring with interested and experienced companies and with governments in the Persian Gulf area the possibility of utilizing, by one or another of the means mentioned in paragraph 4, the low-cost natural gas available in that area to meet the needs of India and other developing countries of the region for greatly increased supplies of fertilizer. The Bank will keep the Government of India fully informed of these discussions as they proceed and hopes that that Government will cooperate in them by making relevant information available and by other appropriate means.

6. The Bank hopes and expects that out of these efforts there will emerge concrete proposals which may receive the support of India, other interested governments, private investors and the World Bank Group. When proposals take tangible form, the Bank would be prepared, subject to the wishes of the governments and other parties involved, to lend its good offices, to provide technical and financial assistance, and in other appropriate ways to help in the consummation of projects and arrangements designed to help in meeting effectively and economically some portion of the fertilizer needs of India and other countries.

7. The Bank would be pleased to receive from the Government of India at this time an indication of its interest in and its willingness to cooperate in these explorations.

CROSS REFERENCE SHEET

COMMUNICATION: Memorandum

DATED: February 10, 1966

TO: Mr. Stevenson

FROM: Mr. Votaw

FILED UNDER: INDIA - General Negotiations

SUMMARY: RE INDIA - lending program.



N

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

INTERNATIONAL FINANCE  
CORPORATION

February 10, 1966

Mr. Woods:

This is part of the "famine relief" effort in which the U.S. has been pushing other nations to contribute. So far I understand that besides Austria's \$1.0 million Canada has offered \$15 million, U.K. £ 7.5 million (of which £ 6 million are re-allocation of consortium aid), Sweden \$1.4 million and smaller contributions from the Netherlands and Yugoslavia. Other potential contributors like Australia, Germany and Japan had not been heard from as of about a week ago.

A. Stevenson



Ind Consortium

Mr. Othmar Haushofer

February 10, 1966

George D. Woods (Signed) George D. Woods

Austria's Aid to India

I was very glad to learn through your note of February 3 of the Austrian Government's decision to make a grant of \$1 million to India, outside of Austria's Consortium pledge, for the purchase of milk powder, pesticides and potassium nitrate. I very much appreciated this statesmanlike gesture at a time when India is facing crucial problems in feeding her people due to crop failures resulting from the recent calamitous drought.

W 4 HPollan/bj

cc: Mr. Knapp  
Mr. Wilson  
Mr. Cope  
Mr. Stevenson  
Delhi Office



## OFFICE MEMORANDUM

TO: Mr. Geoffrey M. Wilson

FROM: Francis R. Poore *FRP*

SUBJECT: Estimate of Semi-monthly Loan Service Payments  
from India during their Fiscal Year 1966-67

DATE: February 9, 1966

Please find attached an estimate of semi-monthly payments of principal and charges during the period from April 1, 1966 to March 31, 1967 under all the loans made in India. The estimate is based on loan disbursements up to January 31, 1966 and includes payments due the participants in the Bank loans.

Attachment

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

ESTIMATE OF LOAN SERVICE PAYMENTS DUE FROM INDIA FROM  
APRIL 1, 1966 TO MARCH 31, 1967

(In millions of U.S. dollars)

|      | Payment Date | Principal | Charges | Total |
|------|--------------|-----------|---------|-------|
| 1966 | April 1      | 1.9       | .7      | 2.6   |
|      | April 15     | 5.7       | 1.9     | 7.6   |
|      | May 1        | 1.5       | .9      | 2.4   |
|      | May 15       | 1.3       | 1.2     | 2.5   |
|      | June 1       | 3.6       | 1.5     | 5.1   |
|      | July 1       | 4.3       | 1.7     | 6.0   |
|      | July 15      | 4.6       | 5.4     | 10.0  |
|      | August 1     | .5        | .9      | 1.4   |
|      | August 15    | 1.0       | 1.3     | 2.3   |
|      | September 1  | -         | -       | -     |
|      | September 15 | -         | -       | -     |
|      | October 1    | 1.9       | .7      | 2.6   |
|      | October 15   | 6.1       | 1.8     | 7.9   |
|      | November 1   | 1.6       | .8      | 2.4   |
|      | November 15  | 1.3       | 1.7     | 3.0   |
|      | December 1   | 3.8       | 1.4     | 5.2   |
| 1967 | January 1    | 4.5       | 1.6     | 6.1   |
|      | January 15   | 4.8       | 5.2     | 10.0  |
|      | February 1   | 1.6       | .9      | 2.5   |
|      | February 15  | 1.0       | 1.3     | 2.3   |
|      | March 1      | -         | -       | -     |
|      | March 15     | -         | -       | -     |
|      | TOTAL        | 51.0      | 30.9    | 81.9  |

Note: The amounts shown above include amounts due third parties and are based on disbursements as at January 31, 1966.

Treasurer's Department  
Finance Division  
February 9, 1966



DECLASSIFIED

AUG 27 2013

WBG ARCHIVES

February 9, 1966

Files

Alexander Stevenson

India - Debt Rescheduling

CONFIDENTIAL

After his discussion with Mr. Bhattacharia on February 7, Mr. Wilson informed Mr. Gaud and Mr. Linder and the Executive Directors for the U.K., Germany, Japan, and Canada that - citing the emergency situation created by the drought, the stoppage of U.S. aid, etc. - Mr. Bhattacharia had broached the question of rescheduling of Indian debt payment due to these countries in the Indian fiscal year 1966/67. He had further asked whether the Bank would take the lead in arranging such an operation, and for advice generally on how to proceed. The Government of India would be getting in touch with the representatives of the above mentioned countries either in Delhi or in their respective capitals on this matter. Mr. Wilson went on to say that the Bank would like to know (a) if the countries would be prepared to participate in such an operation and if they would want the Bank to take the lead, and (b) what form of postponement the respective countries might be prepared to consider. The Fund had been consulted on the question of who should handle such a rescheduling operation and had said it was a matter for the Bank.

Mr. Wilson said that the Bank itself would not, as they knew, be prepared to reschedule its debt, but would, as part of a general exercise, be prepared to make a loan approximating the amount of amortization due to it in 1966/67 (roughly \$50 million) for industrial imports on the lines of the two IDA credits already made for this purpose. Such a loan would have a grace period of five years so that no amortization would fall due in the period of the Fourth Plan.

The Executive Directors said they would relay Mr. Wilson's questions to their respective countries and would be in touch with him in due course. Mr. Wilson emphasized the need for speed.

cc: Mr. Wilson ✓  
Mr. Bell  
Mr. Votaw

AS/us

Cleared with Mr. Wilson

FORM NO. 75  
(2-60)

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE  
CORPORATION

INTERNATIONAL DEVELOPMENT  
ASSOCIATION

ROUTING SLIP

Date

Feb. 8/66

NAME

ROOM NO.

Mr. Geoffrey Wilson

1220

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

REMARKS

Notes on the data handed over this morning.

From

Gregory Votaw



MEMORANDUM

Subject: INDIA - Debt Service 1966/67

1. Bank estimates of Indian debt service are based on periodic reports submitted by the GOI. The GOI has not provided complete data on all debt servicing; our estimates are therefore incomplete. These deficiencies have been referred to the GOI with requests that they be corrected on several occasions. We are still awaiting the missing data. Estimates of the missing numbers could be wide of the mark since the magnitudes depend ultimately on physical progress of aid-financed activities, resultant aid drawings, and consequent interest and principal payments obligations. We know little about these several stages.
2. Our estimates of debt servicing to the consortium members for 1966/67 based on the incomplete data submitted periodically by the GOI is \$264.1 million, of which \$145.1 million is principal and \$118.9 million is interest. The total servicing estimate handed over by Dr. Patel is \$317.0 million, of which \$180.8 million is principal and \$136.2 million is interest.
3. Differences between the two estimates are small in the case of loans/credits from the Bank/IDA, the U.K., the U.S.A., and Canada, and are probably due to more current estimates of disbursements of loans currently being drawn and consequent differences in repayment and interest obligations.
4. The revised estimate is \$52.9 million higher than the preliminary version, of which \$35.7 million is principal and \$17.3 million is interest. Major differences involve W. Germany: + \$11.3 million; Japan: + \$20.5 million; and "Other West European Countries": + \$26.0 million.
5. In each of these cases the Bank has information indicating additional debt for which estimated servicing has not been reported to the Bank by the GOI and which is therefore not included in Bank servicing estimates. It may be that some unreported debt represents private bank credit about which we have no information. Known debt for which servicing estimates are missing from our estimates includes (\$ million):

|                        |      |
|------------------------|------|
| W. Germany             | 38.8 |
| Japan                  | 36.8 |
| Netherlands            | 5.9  |
| Rourkela credit (pvt)  | 7.1  |
| Swiss consortium (pvt) | 4.3  |
6. It is likely, therefore, that the latest GOI estimates of 1966/67 servicing are more accurate than the estimates provided to the Bank as part of regular debt reporting.
7. Additional 1966/67 debt servicing which might be considered in the proposed exercise amounts to approximately \$40.7 million due to the U.S.S.R., Poland, Czechoslovakia and Yugoslavia (as reported in GOI Memorandum for 1965 Consortium).

MEMORANDUM

Subject: INIDA - Debt Service 1966/67

1. Bank estimates of Indian debt service are based on periodic reports submitted by the GOI. The GOI has not provided complete data on all debt servicing. Bank estimates are therefore incomplete. These deficiencies have been referred to the GOI with requests that they be corrected on several occasions. We are still awaiting the missing data.
2. Bank incomplete estimates of debt servicing to consortium members for 1966/67 is \$264.1 million, of which \$145.1 million is principal and \$118.9 million is interest. Corresponding GOI estimates are \$317.0 million, of which \$180.8 million is principal and \$136.2 million is interest.
3. Differences between the Bank and the GOI are small in the case of loans/credits from the Bank/IDA, the U.K., the U.S.A., and Canada, and are probably due to divergent estimates of disbursements of loans being drawn and consequent differences in repayment and interest obligations.
4. The total GOI excess over Bank estimates is \$52.9 million, of which \$35.7 million is principal and \$17.3 million is interest. Major differences, with GOI estimates higher in each case, involve W. Germany: +\$11.3 million; Japan: +\$20.5 million; and "Other West European Countries": +\$26.0 million.
5. In each of these cases the Bank has information indicating additional debt for which estimated servicing has not been reported to the Bank by the GOI and which is therefore not included in Bank servicing estimates. Debt for which servicing estimates are missing from Bank estimates includes (\$ million):

|                       |      |
|-----------------------|------|
| W. Germany            | 38.8 |
| Japan                 | 36.8 |
| Netherlands           | 5.9  |
| Bourkela credit (pvt) | 7.1  |
| Swiss consortium      | 4.3  |

6. It is likely, therefore, that GOI estimates of 1966/67 servicing are the more accurate.
7. Additional 1966/67 debt servicing which might be considered in the proposed exercise amounts to approximately \$40.7 million due to the U.S.S.R., Poland, Czechoslovakia and Yugoslavia (as reported in GOI Memorandum for 1965 Consortium).

South Asia Dept/33K  
February 8, 1966



INDIA'S DEBT REPAYMENT OBLIGATIONS, 1966/67

(\$ million)

| <u>Creditor</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------|------------------|-----------------|--------------|
| IBRD/IDA        | 49.6             | 36.7            | 86.3         |
| U.K.            | 33.0             | 22.1            | 55.1         |
| W. Germany      | 27.0             | 25.0            | 52.0         |
| U.S.A.          | 33.3             | 24.7            | 57.9         |
| Japan           | 16.5             | 14.2            | 30.7         |
| Canada          | <u>5.0</u>       | <u>3.1</u>      | <u>8.1</u>   |
| Subtotal        | 164.2            | 125.7           | 290.0        |
| Other W. Europe | <u>16.6</u>      | <u>10.4</u>     | <u>27.0</u>  |
| Grand Total     | 180.8            | 136.2           | 317.0        |

Details may not add to totals due to rounding.

MEMORANDUM

Subject: INDIA - Debt Service 1966/67

1. Bank estimates of Indian debt service are based on periodic reports submitted by the GOI. The GOI has not provided complete data on all debt servicing. Bank estimates are therefore incomplete. These deficiencies have been referred to the GOI with requests that they be corrected on several occasions. We are still awaiting the missing data.

2. Bank incomplete estimates of debt servicing to consortium members for 1966/67 is \$264.1 million, of which \$145.1 million is principal and \$118.9 million is interest. Corresponding GOI estimates are \$317.0 million, of which \$180.8 million is principal and \$136.2 million is interest.

3. Differences between the Bank and the GOI are small in the case of loans/credits from the Bank/IDA, the U.K., the U.S.A., and Canada, and are probably due to divergent estimates of disbursements of loans being drawn and consequent differences in repayment and interest obligations.

4. The total GOI excess over Bank estimates is \$52.9 million, of which \$35.7 million is principal and \$17.3 million is interest. Major differences, with GOI estimates higher in each case, involve W. Germany: +\$11.3 million; Japan: +\$20.5 million; and "Other West European Countries": +\$26.0 million.

5. In each of these cases the Bank has information indicating additional debt for which estimated servicing has not been reported to the Bank by the GOI and which is therefore not included in Bank servicing estimates. Debt for which servicing estimates are missing from Bank estimates includes (\$ million):

|                       |      |
|-----------------------|------|
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| Rourkela credit (pvt) | 7.1  |
| Swiss consortium      | 4.3  |

6. It is likely, therefore, that GOI estimates of 1966/67 servicing are the more accurate.

7. Additional 1966/67 debt servicing which might be considered in the proposed exercise amounts to approximately \$40.7 million due to the U.S.S.R., Poland, Czechoslovakia and Yugoslavia (as reported in GOI Memorandum for 1965 Consortium).

South Asia Dept/SSK  
February 8, 1966



INDIA'S DEBT REPAYMENT OBLIGATIONS, 1966/67

(\$ million)

| <u>Creditor</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------|------------------|-----------------|--------------|
| IBRD/IDA        | 49.6             | 36.7            | 86.3         |
| U.K.            | 33.0             | 22.1            | 55.1         |
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| U.S.A.          | 33.3             | 24.7            | 57.9         |
| Japan           | 16.5             | 14.2            | 30.7         |
| Canada          | <u>5.0</u>       | <u>3.1</u>      | <u>8.1</u>   |
| Subtotal        | 164.2            | 125.7           | 290.0        |
| Other W. Europe | <u>16.6</u>      | <u>10.4</u>     | <u>27.0</u>  |
| Grand Total     | 180.8            | 136.2           | 317.0        |

Details may not add to totals due to rounding.

## OFFICE MEMORANDUM

TO: Mr. Geoffrey M. Wilson

FROM: Robert W. Cavanaugh

SUBJECT: Estimate of Loan Service Payments from India  
during their Fiscal Year 1966 - 67

DATE: February 8, 1966

Attached is an estimate of principal and charges due under the Bank loans in India during the period from April 1, 1966 to March 31, 1967, based on disbursements as at January 31, 1966.

The amounts shown include the payments due to the participants in the Bank loans.

*RWC*

Enclosure:



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

ESTIMATE OF LOAN SERVICE PAYMENTS DUE FROM INDIA FROM  
APRIL 1, 1966 TO MARCH 31, 1967

(In millions of U.S. dollars)

| Loan No.                     | Principal   | Charges     | Total       |
|------------------------------|-------------|-------------|-------------|
| <b>I Government:</b>         |             |             |             |
| 23                           | 1.2         | .2          | 1.4         |
| 72                           | .5          | .3          | .8          |
| 167                          | 2.0         | .8          | 2.8         |
| 168                          | 1.6         | .7          | 2.3         |
| 169                          | .9          | .4          | 1.3         |
| 170                          | 3.0         | 1.2         | 4.2         |
| 203                          | 1.0         | .9          | 1.9         |
| 207                          | 3.9         | 4.1         | 8.0         |
| 223                          | .6          | 1.0         | 1.6         |
| 233                          | 2.2         | 2.6         | 4.8         |
| 262                          | 2.9         | 3.5         | 6.4         |
| 292                          | 2.1         | 1.6         | 3.7         |
| 298                          | 2.0         | 2.7         | 4.7         |
| 416                          | -           | .3          | .3          |
| 417                          | -           | .3          | .3          |
| <b>Total-<br/>Government</b> | <b>23.9</b> | <b>20.6</b> | <b>44.5</b> |
| <b>II Others:</b>            |             |             |             |
| 307                          | 1.1         | .8          | 1.9         |
| 71                           | 3.8         | .3          | 4.1         |
| 159                          | 2.8         | .3          | 3.1         |
| 146                          | 6.5         | 1.8         | 8.3         |
| 182                          | 1.9         | .7          | 2.6         |
| 106                          | .8          | .4          | 1.2         |
| 164                          | .6          | .4          | 1.0         |
| 109                          | 1.2         | .2          | 1.4         |
| 232                          | 1.3         | .3          | 1.6         |
| 269                          | 2.5         | .7          | 3.2         |
| 312                          | 1.1         | .8          | 1.9         |
| 340                          | 1.0         | .7          | 1.7         |
| 414                          | -           | .1          | .1          |
| 198                          | 1.4         | 1.4         | 2.8         |
| 294                          | .6          | .9          | 1.5         |
| 199                          | .5          | .5          | 1.0         |
| <b>Total-Others</b>          | <b>27.1</b> | <b>10.3</b> | <b>37.4</b> |
| <b>GRAND TOTALS</b>          | <b>51.0</b> | <b>30.9</b> | <b>81.9</b> |

Note: The amounts shown above include amounts due third parties and are based on disbursements as at January 31, 1966.

Treasurer's Department  
Finance Division  
February 8, 1966

## OFFICE MEMORANDUM

TO: Miss ~~Ursula~~ Zieschang

DATE: February 4, 1966

FROM: G. MacKenzie *gmc*

SUBJECT:

Mr. Subarmanin, secretary to the Indian Ambassador, told me the proper form of address for the new Prime Minister was:

Her Excellency  
Mrs. Indira Gandhi  
Prime Minister of India  
New Delhi

Salutation:

Excellency  
or  
My dear Mrs. Prime Minister;

Mr. Subarmanin said they would not address her as Madam. In most cases we do not use courtesy titles such as Mr. but in this case it would be a discourtesy not to use the title Mrs.

This is for the secretaries in your department. I do not think it needs general distribution for the Secretaries' Guide.

GMcK/aw

c.c. Miss H. Fleming

c.c. Miss Linahan/Miss Schmitt



# ROUTING SLIP

Date

Feb. 4, 1966

## OFFICE OF THE PRESIDENT

Name

Room No.

Mr. Knapp for information

Mr. Wilson for information

Mr. Cope for information

Mr. Stevenson

Action

Approval

Comment

Full Report

Information

Initial

Note and File

Note and Return

Prepare Reply

Previous Papers

Recommendation

Signature

### Remarks

Mr. Stevenson:

Please let me have an appropriate  
acknowledgment to send to Mr. Haushofer.

G. D. Woods

Please draft "Thank you" note

From

FEB 4 REC'D

## OFFICE MEMORANDUM

TO: Mr. George D. Woods

DATE: February 3, 1966

FROM: Othmar Haushofer

SUBJECT: Austria's Aid to India

I am pleased to inform you that the Austrian Government is prepared to make a grant of \$ 1 million to India for the purchase of milk powder, pesticides and potassium nitrate. This amount also includes the cost of freight for those goods.

I would like to point out that this grant comes in addition to Austria's pledge in the Indian Consortium.





*Mr. Tolahashi*  
*Mr. Mitchell*  
*Ind Cons*  
*Ind gen*  
*cc 100 St*

Mr. S. Alderfeld and Mr. Martin M. Rosen

February 2, 1966

Alexander Stevenson

Use of 90% of India's IDA Subscription

1. As you know, we have a strong interest in bringing about the use of India's 90% subscription to IDA, amounting to the equivalent of \$36.3 million. At the ninth meeting of the Indian Consortium in Paris in March 1964, Mr. Escott Reid reached an understanding with the then Secretary in the Ministry of Finance (L.K. Jha) that India would be willing to release part of her 90% subscription for contracts awarded to Indian bidders on the basis of international competitive bidding. Mr. Krishna Moorthi, who was at that meeting, indicated at that time that he would furnish IDA with a list of qualified contractors and a catalogue of equipment available from Indian manufacturers.

2. This list was received only recently, after some prompting by us, and I am enclosing a copy of it for your information. I believe this list is equally relevant to the use in our lending of India's 9% subscription to the Bank, totaling \$72.0 million equivalent. (From that portion \$21.6 million were available to the Bank on a convertible basis and have been fully disbursed; a further \$1.7 million was disbursed in rupees as of December 31, 1965.)

3. So far, two transactions involving the use of the 90% subscription to IDA were suggested to India, both early in 1965 and related to credits to Pakistan. India did not reply to that suggestion.

HPollan/bj

cc (with enclosure):

Mr. Armstrong  
Mr. Ballantine  
Mr. Baum  
Mr. Evans  
Mr. Picasagli  
Delhi Office  
IDA Subscription File

## OFFICE MEMORANDUM

TO: Mr. Geoffrey M. Wilson

DATE: February 1, 1966

FROM: Alexander Stevenson

SUBJECT: Implications of Prospective Changes in the United States Agricultural Program for the Indian and Pakistan Consortia

1. You asked for some comments on the effect that the changes being discussed in the P.L. 480 program might have on Consortia affairs. I attach a memorandum on each country which I think you will find of interest.
2. I understand the United States administration is considering a bill at the present time, the effect of which would be to discontinue P.L. 480 sales for local currency and sell instead for dollars repayable over thirty years after a grace period of ten years. Interest would be charged, I understand, though I do not know at what rate. Clearly, if this proposal is adopted it would have an immediate adverse effect on the balance of payments of India and Pakistan so far as interest payments are concerned and it would add to the foreign debt burden. The other main effect, so far as the Consortia are concerned, would depend on whether food sales payable in dollars were included in the Consortia pledges or not. In the past, P.L. 480 has been considered as outside the pledge and so has not been taken into account in the matching formulae used by the United States in determining the size of its Consortium aid. If it were to be included in the pledge, and a matching formula remained, the United States' share could be very large and might be politically embarrassing.
3. All this, however, depends of course on the way in which the United States' thinking develops.

*Mr. Kuyper**Mr. Friedman**This, and the two memoranda below, are interesting.*

Attachments (2)

AStevenson/SNMcIvor:ptv

cc: Mr. Mason  
Mr. Votaw*GWH**4/2*



## OFFICE MEMORANDUM

TO: Mr. S. Noel McIvor (Through G. Votaw)

DATE: January 26, 1966

FROM: S. Stanley Katz

SUBJECT: INDIA - Implication of Prospective Changes in the U.S.  
Agricultural Program for the Indian Consortium

1. Changes in the U.S. agricultural commodity aid program are, as indicated in office memorandum EC/O/66-1 of December 28, 1965 on this subject, still under consideration at the highest levels. The dominant theme seems to be that in the near future, U.S. agricultural aid will likely be shifted to a long-term dollar-repayable loan basis (in contrast to present local currency sales under Title I of U.S. PL-480) and will be tied to developing country efforts toward achieving agricultural self-sufficiency. Grants of commodities to meet famines and similar unexpected crises (presently Title II of PL-480) and for distribution by voluntary relief organizations (Title III) are expected to continue. The review of U.S. agricultural commodity aid is in part motivated by the progressive depletion of U.S. agricultural surpluses. Future food aid may, in fact, have to be obtained from U.S. domestic or foreign markets and, unlike present funding arrangements, would involve the disbursement of funds appropriated by the Congress for foreign aid.

2. Given the preliminary state of discussions within the U.S. Executive Branch, the implications of this new aid departure for the Indian consortium can be seen only in broad outline. With this caveat, however, it is possible to identify a number of points at which prospective changes in U.S. agricultural aid and the concerns of the India consortium meet.

Foreign Exchange Burden

3. India has recently initiated a fairly sweeping domestic agricultural program that is intended to double the rate of food production in the next five years (from about 2½ percent to about 5 percent a year) and is designed to make India self-sufficient in foodgrains by 1970/71.

4. Between now and 1970/71, however, a continuing (albeit diminishing) food-gap is expected that will have to be filled by imported commodities. Even if the 1970/71 production objective is reached, unexpected food-grain shortages due to unfavorable monsoons and crop failure cannot be ruled out and would also have to be met by imports. The significant difference between past and future food deficits so far as the consortium is concerned, is that imported foodgrains may in the future add to India's foreign exchange obligations and external debt servicing burden. A secondary difference is that such indebtedness would have been incurred to maintain consumption rather than for long-term development.

5. If, for example, India had to import on a dollar-repayable loan basis 1-1½ million tons of cereals a year during the next five years, some \$300-\$400 million would be added to India's external debt. Requirements may, in fact, run higher, since in the best four or five agricultural years of the past 15 years, Indian cereal imports averaged 1½ million tons a year. (This compares with average annual cereal imports of over 3 million during 1957-1961, of over 5 million tons in 1962/63, and of some 6.3 million tons in 1964.) If India's agricultural performance falls short of intentions by 1970/71 and thereafter, there would be an even greater increase in external debt incurred to finance commodity imports.

6. India may be able to secure some additional wheat from Canada and Austria, and some rice from Burma. Since 1960, however, the U.S. has supplied about one-half of all India's rice imports and about nine-tenths of all wheat imported by India. Foodgrain from alternative sources could not be expected to reduce materially India's continued reliance on supplies from the U.S. India's foreign exchange position would benefit from such aid only if it were granted or financed on easier terms than similar U.S. commodity aid.

#### Development Priorities

7. The Indian long-term objective is presumed to remain transforming India into a modern industrial state. Putting a dollar price on agricultural imports will have a negative short-term effect on the achievement of this objective since a dollar's worth of imported wheat will in the future displace an equivalent amount of imported capital equipment. Since imports then become an "either/or" proposition, Indian short-run development strategy, along with investment priorities and related efforts may have to be shifted even further from industrialization to agriculture in order to save on foodgrain imports.

8. The agricultural aid departure being considered by the U.S. is thus likely to provide a substantial incentive for increasing domestic food production and for decreasing reliance on foreign food supplies. It may be expected, therefore, that India will reach a greater degree of food self-sufficiency within a shorter period of time as a result of the anticipated need to pay for food imports in dollars than would otherwise have been the case.

#### Agricultural Performance

9. Relating commodity aid to Indian self-help performance in agriculture implies a high degree of indigenous control over the outcome of domestic programs. Aside from the annual monsoons, the volume of external aid for fertilizers and fertilizer plants, tubewell and irrigation equipment, farm machinery, insecticides, etc. during the next few years will have important bearing on India's agricultural performance. It remains to be seen how rigorously the U.S. could apply self-help criteria in the event that inadequate aid for agricultural inputs turns out to be a primary cause of disappointing agricultural performance. The consortium's interest is again in possible Indian use of hard currency borrowing capacity for agricultural imports.



Fiscal Impact

10. The sale of PL-480 commodities in Indian markets has in the past served to relieve pressures on food prices and has channeled effective demand from the private to the public sector for developmental purposes. It is estimated that some 5-8 percent of central budget receipts during the past several years accrued from such PL-480 transactions. A possible drying-up of this revenue source is, therefore, of some interest to the consortium.

Consortium Contributions

11. Of no less interest to the consortium is the possibility that the expenditure of funds appropriated by the Congress to AID (instead of to the U.S. Commodity Credit Corporation) for procuring agricultural products may prompt AID to count such aid as part of the U.S. pledge to India if and when one is offered within the consortium framework. In that case, India's aid requirements would be redefined to include previously excluded food needs and the resource gap facing the consortium would be correspondingly higher. If the U.S. were to include food aid as part of its consortium pledge and insisted on a "matching formula", a shift of aid burden to other consortium members would be a consequence.

cc: Mr. C. Martin  
Mr. B. Bell  
New Delhi Office

SSKatz/wh

## OFFICE MEMORANDUM

TO: Mr. S. Noel McIvor

DATE: January 26, 1966

FROM: C.J. Martin

SUBJECT: Current Status and Future of U.S. Agricultural  
Commodity Aid under P.L. 480 Program: Pakistan

1. The changes in the P.L. 480 program mentioned in the paper EC/O/66-1 are still conjectural. The paper suggests that food aid might be sold for dollars on concessional terms instead of for local currency, might be tied to efforts to raise indigenous food production in recipient countries, or might be provided only if higher proportions of funds lent were invested in agriculture. These opinions were elaborated in a note of a meeting held between representatives of the Bank and of the U.S. Department of Agriculture. From these discussions it would seem that U.S. shipments under P.L. 480 would continue in the future, at least at the rate of \$2,000 million per annum, that greater emphasis would be placed on sales for dollars, and that attempts would be made to link food aid to improved indigenous food output. I gather that it is unlikely changes will be made quickly.

2. P.L. 480 is used by Pakistan to alleviate famine, to increase food consumption, and also to obtain counterpart funds for development purposes. In the Second Plan period (1960-65) the rate of absorption was some \$575 million. P.L. 480 counterpart funds financed about ten percent of total development expenses including the rural Works Program and Indus Basin. It was estimated by the Planning Commission that for the Third Five-Year Plan (1965-70) absorption would be \$672 million and would finance about six percent of the estimated development expenditure during the Third Plan. But the Bank Mission in April, 1965 thought that in the face of a target increase in domestic agricultural production of five percent per annum, to postulate also an increase in the absorption of P.L. 480 implied a substantial increase in either per capita domestic food consumption or in exports of agricultural products, or both. The Bank estimates assumed P.L. 480 counterpart at \$50 million less than the Planning Commission estimates. If food aid were sold for dollars and Pakistan continued to import under P.L. 480, there would be a long term increase in the debt burden. If it decided against importation, Pakistan would have to transfer more domestic resources to development or accept a smaller development program.

3. Pakistan is increasing its resources devoted to agriculture. Production has been rising and is planned to rise further in the Third Five-Year Plan. Much of the present development expenditure arising from P.L. 480 counterpart funds is devoted to agriculture and water development and the rural works program. Unless there were a series of bad harvests it is unlikely that P.L. 480 imports would be needed on a large scale for famine relief for areas affected by floods and similar calamities (Title II of P.L. 480), although some may be needed to improve the level of consumption.



Already the good harvests last year have resulted in a reduction in the need for P.L. 480 wheat and counterpart funds may become scarcer over the Third Plan period.

4. A major problem would arise if P.L. 480 were amalgamated into general consortium aid since ~~then~~ in 1964-65 the U.S. pledge would have been equivalent to sixty percent of total pledges as against the fifty percent of consortium pledges generally accepted. Such an amalgamation is considered most unlikely.

5. Assuming that food aid remains outside consortium pledges, the worst that might befall Pakistan from a change in P.L. 480 operations would be a long term increase in the debt burden should food aid be sold for dollars. Pakistan is increasing agricultural production and the Third Five-Year Plan has a target rate of growth of five percent per annum. It could be that P.L. 480 absorption will become smaller for this reason. The proposals outlined in paragraph 1 are therefore unlikely to have any serious effect on Pakistan in the near future should present conditions continue.

cc: Mr. Katz  
Mr. McDiarmid

CJMartin:dp

9.1d Com. 11

Mr. S. Noel McIvor (Through G. Votaw)

January 26, 1966

S. Stanley Katz

INDIA - Implication of Prospective Changes in the U.S.  
Agricultural Program for the Indian Consortium

1. Changes in the U.S. agricultural commodity aid program are, as indicated in office memorandum EC/O/66-1 of December 28, 1965 on this subject, still under consideration at the highest levels. The dominant theme seems to be that in the near future, U.S. agricultural aid will likely be shifted to a long-term dollar-repayable loan basis (in contrast to present local currency sales under Title I of U.S. PL-480) and will be tied to developing country efforts toward achieving agricultural self-sufficiency. Grants of commodities to meet famines and similar unexpected crises (presently Title II of PL-480) and for distribution by voluntary relief organizations (Title III) are expected to continue. The review of U.S. agricultural commodity aid is in part motivated by the progressive depletion of U.S. agricultural surpluses. Future food aid may, in fact, have to be obtained from U.S. domestic or foreign markets and, unlike present funding arrangements, would involve the disbursement of funds appropriated by the Congress for foreign aid.

2. Given the preliminary state of discussions within the U.S. Executive Branch, the implications of this new aid departure for the Indian consortium can be seen only in broad outline. With this caveat, however, it is possible to identify a number of points at which prospective changes in U.S. agricultural aid and the concerns of the India consortium meet.

Foreign Exchange Burden

3. India has recently initiated a fairly sweeping domestic agricultural program that is intended to double the rate of food production in the next five years (from about 2½ percent to about 5 percent a year) and is designed to make India self-sufficient in foodgrains by 1970/71.

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5. If, for example, India had to import on a dollar-repayable loan basis 1-1½ million tons of cereals a year during the next five years, some \$300-\$400 million would be added to India's external debt. Requirements may, in fact, run higher, since in the best four or five agricultural years of the past 15 years, Indian cereal imports averaged 1½ million tons a year. (This compares with average annual cereal imports of over 3 million during 1957-1961, of over 5 million tons in 1962/63, and of some 6.3 million tons in 1964.) If India's agricultural performance falls short of intentions by 1970/71 and thereafter, there would be an even greater increase in external debt incurred to finance commodity imports.

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8. The agricultural aid departure being considered by the U.S. is thus likely to provide a substantial incentive for increasing domestic food production and for decreasing reliance on foreign food supplies. It may be expected, therefore, that India will reach a greater degree of food self-sufficiency within a shorter period of time as a result of the anticipated need to pay for food imports in dollars than would otherwise have been the case.

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January 26, 1966

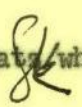
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10. The sale of PL-480 commodities in Indian markets has in the past served to relieve pressures on food prices and has channeled effective demand from the private to the public sector for developmental purposes. It is estimated that some 5-8 percent of central budget receipts during the past several years accrued from such PL-480 transactions. A possible drying-up of this revenue source is, therefore, of some interest to the consortium.

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cc: Mr. C. Martin  
Mr. B. Bell  
New Delhi Office

SSKata/wh  




## OFFICE MEMORANDUM

TO: Mr. Votaw

DATE: January 25, 1966

FROM: Alexander Stevenson *AS*SUBJECT: India - British Assistance

I attach a note which Mr. Radford gave me yesterday describing the British assistance offered in connection with the Indian food situation. He underlined that this was an interim contribution and that the precise use to which the £ 7.5 million would be put was still being discussed. I gather that the Indian Government is particularly interested in (d) industrial equipment and supplies, and that they are anxious not to allocate the remaining £ 3.5 million firmly until they see what other offers of assistance are available. Mr. Radford remarked also that the U.S. had noted in particular that only £ 1.5 million of the aid was in addition to the £ 30 million aid pledge under the consortium. He said that while this was true, the £ 6 million which would be for Durgapur extension would not have been used for the present time.

AS/uz

attachment

\* This type of administrative decision by Dept of Econ. Affairs is one reason industrial production is so stalled for materials; too many things are held up pending someone else's decision, which in turn is dependent on the thing which was held up first.

Recd from Mr. Redford  
24 Jan. 1966

January 24, 1966

### Indian Food Situation

#### British assistance offered

As a first and interim contribution, Britain has offered to make available to India an interest-free loan of £7.5 million to help with immediate measures to relieve the famine situation. This includes £6 million from the British aid pledge of £30 million to India for the year 1965-1966.

This interim contribution, which is parallel to the U.S. interim commitment of  $1\frac{1}{2}$  million tons of wheat, is tentatively earmarked for the following purposes:

- (a) Up to £1 million to meet the non-rupee costs incurred by India in shipping wheat and other food supplies from Canada, Australia and other Commonwealth territories.
- (b) Up to £1 million for purchase of British port handling equipment.
- (c) Perhaps £1.5 million for fertilisers, pesticides and egg powder.
- (d) The balance to finance British industrial equipment and supplies needed to maintain essential Indian industrial production.

The precise allocation of the loan is under discussion with the Indian authorities and will be settled as requirements become clear, e.g. following the report by the Mission studying port facilities.



## OFFICE MEMORANDUM

TO: Mr. A. Stevenson (Through S. Noel McIvor and  
Gregory Votaw)

DATE: January 10, 1966

FROM: S. Stanley Katz

SUBJECT: INDIA - Consortium

1. The following are some random thoughts on the above subject. These, hopefully, do not go over the same ground covered by Mr. McDiarmid's memorandum of January 3, 1966 to Mr. Stevenson. Needless to say, there are any number of people here who know more about the Bank's position on these matters than I.

Changing Role of the India Consortium

2. The role and responsibility of the India consortium have evolved considerably since the 1958-1960 meetings, which were of necessity rather narrowly focussed on India's immediate exchange crisis. The urgency of that problem preempted the possibility of great multilateral concern with broader questions of India's development strategy and prospects, and the external assistance component thereof.

3. The consortium's focus was broadened with the introduction of the Third Plan, and more basic development issues were examined in somewhat greater detail. The dilemma facing the Bank, however, was how to urge India into policy and program changes without providing would-be donors with an excuse for holding back on aid which was essential if India was to make progress toward development.

4. More recently, as evidence of shortcomings in Indian development planning, strategy, program design and implementation, etc. has multiplied, the Bank, at the request of the consortium, has been urged to make even more penetrating reviews of the credibility of the Indian effort. The Bell Mission, although intended to serve another purpose, reflected this general uneasiness with respect to Indian past and prospective development performance.

5. This shift in responsibility seems still in process. However, any meaningful follow-up of this intensive review requires that aid donors reach a consensus on what policies need to be revised and back up recommended changes in Indian policies with changes in their own aid programs (withholding, increasing, or mixing the blend, as the recommended revisions of Indian policy demand). Until the recent U.S. use of aid as a lever for extracting added priority and resources for agriculture, donors have shown little disposition to use aid as a tool for pushing desired program changes.

Record of the Consortium

6. Most significantly (from India's viewpoint), the consortium succeeded in putting forward aid equivalent to stated requirements. It is not likely that an equal volume could have been secured on a bilateral basis, particularly given the matching formula invoked by the U.S. and the international spotlight that followed consortium proceedings.



7. The same is true of the softening of aid terms and conditions. The position taken by the consortium on these issues served to strengthen the hands of officials inclined to improving aid terms and again provided the format for open comparisons among creditors.
8. Perspective pledging has also facilitated Indian planning to the extent that the amount of aid available was set fairly early in the programming process. On the other hand, there is a danger that a conventional aid level will be taken as a Plan parameter, with program size and content designed around it. There is perhaps a middle ground, e.g., with the donors endorsing in advance a five-year aid planning figure and with pledging on a one- or two-year "rolling" basis.
9. From the donors' viewpoint, the consortium aided the formulating of their annual aid programs by indicating in advance the potential drawing by their largest single debtor. By the same token, the consortium framework induced additional donors to link their aid efforts with the charter members, and helped to spread the burden of aid to India over a greater number of creditors.
10. The consortium can probe deeper and recommend stronger changes in Indian development policies, programs, etc. than an individual donor country, since its international character suppresses problems of national sensitivities and sovereignty. As indicated earlier in this memorandum, there seems to have been a growing interest in the consortium's exercise of this role during the last year or two.
11. A corollary shortcoming of the consortium, however, has been its inability to "coordinate" aid in terms of using pledges as leverage for bringing about necessary revisions in Indian programs. The problem is, first, to provide an analysis sufficiently profound to uncover basic Plan shortcomings; second, to reach agreement among member countries as to alternative policies etc. to be proposed as substitutes; and third, to tailor donor aid programs to promote the desired revisions.
12. Allegedly, consortia may give rise to pressures for premature commitments in order to fulfill previous pledges. The issue may arise as well for any country in which a certain level of aid is intended within a specified period, quite apart from the consortium framework of "pledging". Similarly, a new organization (such as IDA) may in its early years be subject to pressures to commit funds quickly, in order to "confirm" the need for which it was established. However, there is no evidence in the Indian record to support the charge that, because of pledges announced in advance by the consortium, commitments were made for projects before they were otherwise ripe for financing.
13. The time and effort required to service the Indian consortium may grow, particularly if a more active role is to be taken in Plan appraisal and policy formation. The burden of work would be no lighter in any event, even if there were no consortium, since the Bank would perform its usual type of detailed review and each donor would have to perform an essentially duplicating appraisal to safeguard its own substantial lending operations on the subcontinent.



Distinction Between Consortia and Consultative Groups

14. The distinction between these two aid-coordinating arrangements seems to be more one of degree than of substance. Consultative groups are in fact viewed by some of the developing countries, perhaps wrongly, as a first step in the direction of the more coveted financial consortium.

15. The principal practical difference between these two stops on the aid coordinating continuum is that, thus far, consortia have been arranged for countries presumed to have fairly comprehensive development programs, credible development plans and policies, and adequate implementing and administrative capacities. These aggregates in the three cases in question (India, Pakistan and Turkey) have yielded a total resource gap to be filled, so that intended development efforts could be mounted on a macro-economic basis. The main focus of the consortia has thus been on the total resource gap, and efforts have been directed to meeting it.

16. Consultative groups, on the other hand, have so far been convened for countries at a somewhat earlier stage of development planning, where macro estimates were less reliable and where prospective aid donors in any event chose to limit their focus to particular projects, sectors or programs.

17. Either or both arrangements are suitable for coordinating aid from several donors for particular projects or for a total resource gap; for appraising recipient development policies, programs, performance and prospects; and for endeavoring to influence the development effort.

cc: O.J. McDiarmid  
Delhi Office

SSKatz/wh