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INDIA CONSORTIUM

I ORIGIN

The consortium for India first met in August 1958. It came together to deal with something of an emergency. India was about mid-way in her Second Five-Year Development Plan and was in imminent danger of running out of foreign exchange with the main development projects only partly completed. The Plan had been started in a flush of enthusiasm, after the substantial fulfillment of the rather modest objectives of the First Plan, and with apparently ample reserves in the form of the Sterling balances. But the cost of the new Plan proved to have been considerably underestimated and the reserves began to melt away.

By 1958 mid-way in the Plan, and after severe curtailments of the projects contained in it to the central "core," the gap in the Indian balance of payments had reached serious dimensions, in spite of considerably greater foreign aid than was originally anticipated. By July 1958 the deficit in the balance of payments was running at $10 million a week and on August 8, 1958 Indian foreign exchange reserves stood at $647 million, including $247 million in gold. It was feared that unless immediate remedial steps were taken, India's foreign exchange reserves would be wiped out by the end of 1958. Furthermore, it was estimated that the uncovered foreign exchange gap for the last three years of the Second Plan, even after taking into account curtailments effected in the Plan, would be $1,317 million.

The estimate was that this gap could be further reduced to about $930 million through import cuts and increased exports together with additional drawings on the reserves. There was not much more the Indian

Government could do to reduce this gap any further. There was no reason to expect a significant increase in the estimated export proceeds and there was no room for further adjustments in the Plan that would reduce the prospective import bill.

Something had to be done quickly. Either foreign expenditures had to be drastically cut, thus starving industry of raw materials and leaving resources tied up in incompleted projects, with severe damage to the Plan and the economy, or large new resources had to be made available from outside. As a major lender to India the IBRD - which up to 1958 was contributing to the financing of the Second Plan at an average rate of approximately $100 million a year - accepted the task of consulting with countries interested in giving development assistance to India with a view to finding among them enough additional aid to permit the central core of the Plan to be carried out.

On July 17, 1958, Mr. Eugene Black, the President of the IBRD, called on Mr. Dillon, the United States Under Secretary of State for Economic Affairs, to discuss the Indian economic situation and to obtain the views of the U. S. Government on it. In the course of the meeting, Mr. Black informed Mr. Dillon that the World Bank was contemplating assembling a meeting of countries that offer aid to India for informal exploratory consultations on the Indian financial and economic situation and on what remedial measures might be taken during the remainder of India's Second Five-Year Plan. Mr. Dillon endorsed this idea enthusiastically and welcomed the Bank's initiative in the matter.

Following up on this idea, Mr. Black met with the Executive Directors for Germany, Japan and the United Kingdom and discussed the proposed meeting on India's foreign exchange situation with them. A copy of the memorandum containing the major outlines of this proposal was handed to each of the Directors to be forwarded to their Governments. It was understood that the Bank did not expect the representatives of the various Governments to come to the meeting armed with authority to enter into any formal commitments to aid India. However, as Mr. Black pointed out to the Directors, the Bank hoped that the representatives would be knowledgeable about the Indian problem, and what the countries they represented might be willing to do, in a cooperative effort, to resolve the problem; and that on returning home they would be able to interpret the views put forward at the meeting in an authoritative way and make appropriate recommendations.

The proposed meeting was held at the IBRD headquarters in Washington, D. C. on August 25, 26 and 27, 1958 under the chairmanship of the Bank. The countries that participated in the meeting were Canada, The Federal Republic of Germany, Japan, the United Kingdom and the United States. These were the non-communist countries that had already committed themselves one way or the other to helping India finance her Second Five-Year Development Plan besides being countries in which India had placed most of her orders for projects under the Plan. Canada had been providing aid on a grant basis to India under the Colombo Plan. In the spring of 1958 The Federal Republic of Germany had postponed export claims against India amounting to about $160 million which were due during the remainder of the Second Plan. Japan had, in February 1958, extended its first credit to India to the tune of $50 million in yens to assist the Second Plan. The United Kingdom had been extending development aid to India under the Export Guarantees Act while the United States and the IBRD were India's biggest source of development finance.

The International Monetary Fund was invited to join the discussions but it was reluctant to do so because its resources are not normally available for the financing of capital investment. However, it sent an observer to the meeting. India did not participate in the meeting but designated a senior official who was available to the meeting for consultation.

The meeting had before it for discussion a report on the economic position and prospects of India prepared by the Staff of the IBRD on the basis of information supplied by the Government of India.1/ The report gave account of the foreign exchange deficit that was confronting India during the last three years of the Second Five-Year Plan.

The representatives at the meeting reached a close identity of views on the Indian economic situation, on the size of the problem and on the appropriate ways and means of dealing with it. There was a sympathetic understanding of the task which India had undertaken in the Second Five-Year Plan, and a desire to help her complete it successfully in its modified form, on the assumption that the Government of India would adhere to sound economic policies and would make every effort to keep the foreign exchange deficit within the limits estimated in the Bank's Staff report.

Although the representatives at the meeting were not asked to make formal commitments on behalf of their Governments, their statements indicated that India could expect additional aid of about $350 million during the critical period from October 1, 1958 to March 31, 1959. The form in which this aid was to be made available was to be the subject of bilateral negotiations between the authorities concerned and the

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1/ A precursor to this Report was the McKittric Report of 1956 which was the first major mission to India.

Indian Government. The meeting also reviewed India's foreign exchange requirements during the final two years of the Second Plan ending on March 31, 1961, but no comparable or definite conclusions were arrived at for that period since most of the delegates were unable to indicate with any degree of certainty their Governments' intentions regarding additional aid beyond March 1959.

On India's part, her representative gave the delegates assurance that she would pursue sound economic and financial policies. Specifically he assured them that his Government would increase its efforts to mobilize large internal resources while maintaining internal financial stability, to promote agricultural development, especially in food production, to develop exports, both in new and existing lines, to encourage private investment, and to improve planning organization and procedures, so that development programs and projects will be based upon realistic estimates of cost and of the resources available for the purpose.

There was a general feeling among the participants that the meeting had been helpful in reaching a common understanding of the Indian problem and in exchanging views on prospective action. Although they met to deal with an emergency, the participants in the meeting recognized that it was not a one-shot affair; there was a tacit realization that the scale of investment needed to sustain an adequate development program in a large, poor country such as India was far greater than she could be expected to provide from her own resources for some years to come. Acting on this premise, Mr. Black, the chairman of the meeting, stated his intention to arrange for further consultations among the countries and institutions that participated in the meeting. As an aid to such consultations it was considered that there should be available for guidance periodic reports by the Bank Staff on the economic situation in India and the progress of the development program there.

The President of the IBRD assembled another meeting of the representatives of the authorities that give development aid to India on March 16 and 17, 1959. Like the first meeting, this one also dealt with India's foreign exchange situation. Although there had been no fundamental change in the Indian situation in the period between the two meetings, the atmosphere of crisis which overhung the Indian economy during the first meeting had largely blown away. This was in part due to the outcome of the 1958 meeting on India's foreign exchange situation, with its promise of fresh aid and assurance that the foreign exchange gap during the remainder of the Second Plan would be bridged.

The 1959 meeting reviewed developments in the Indian economy since the first meeting and noted the improvement in India's foreign exchange position and in her internal monetary situation. The delegates discussed an economic report prepared by the Bank Staff, which was in substantial agreement with the Indian Government's forecast of a deficit of $305 million in 1959-60 and $336 million in 1960-61. The meeting was primarily concerned with finding funds to bridge India's balance of payments gap for the 1959-60 fiscal year. Mr. Black, chairman of the meeting, recommended $300 million as a reasonable estimate of India's aid requirement for this period and asked the delegates for an indication of what aid their Governments would be willing to extend to India. The delegates indicated a total of $175 million (excluding U. S. aid which was pledged at a later date) as the amount of external assistance that India could expect for the next fiscal year.

At the end of the second meeting the delegates agreed that further meetings should be held. During the interval between this meeting and the third one, the President of the IBRD, prompted by the terms of a resolution introduced into the U. S. Senate by the then Senator John F. Kennedy and Senator John Sherman Cooper, sent three well-known bankers to India and Pakistan to study the economic conditions in the two countries and acquaint themselves with the current and planned development programs there. The bankers were Mr. Herman Abs, Chairman of the Deutsche Bank of Frankfurt, Germany, Sir Oliver Franks, Chairman of Lloyds Bank Ltd., London, and Mr. Allan Sproul, formerly of New York Federal Reserve Bank.

The three bankers were sent to India and Pakistan in February 1960 as independent private individuals and were not given any terms of reference or instructions either by the World Bank or by their home Governments. Their mission is frequently referred to as the mission of the "Three Wise Men." The President of the World Bank was convinced that such a mission by three prominent and reputable members of the business and financial communities of the industrially developed countries would help to achieve a wider understanding of the problems confronting the less developed countries. Every effort was therefore made to give wide publicity to this mission and subsequently to its report.

During their six-week visit the "Three Wise Men" had extensive opportunities to observe the economic conditions and problems of India and Pakistan and to discuss with their leaders the issues involved in carrying out economic development programs. At the end of their visit the bankers made the following recommendations, among others:

a. The development problems of India and Pakistan, owing to their low per capita income, will take an extended period of time. The policy implication of this is that if foreign development assistance were made available to these countries entirely in the form of long-term loans on normal commercial terms the eventual debt service liabilities would impose an unbearable burden on the balance of payments. Hence a major proportion of any development assistance extended to these countries would have to be in the form of grants or Government-to-Government loans on liberal terms.

b. There should be adequate coordination of the policies of the aid-giving Governments with respect to the scale, form and terms of aid. This would eliminate the waste of resources and effort and make possible the granting of aid not tied to the exports of a particular country.

c. The Government of countries seeking aid should create conditions which attract foreign private investment which is an important source of investment finance.

d. Aid-giving countries should try as far as possible to give India and Pakistan advance assurance of aid to enable them to plan realistically.

When the representatives of the authorities assisting India assembled for the third time in September 1960, they had two major purposes for meeting. One was to review the progress of the assistance already given to India and to consider what further assistance was needed for the final year of the Second Five-Year Plan which was due to end in March 1961. The other purpose of the meeting was to consider in a preliminary fashion the amount and nature of external assistance which India might require for the Third Five-Year Plan which was due to be launched in April 1961.

The inclusion in the agenda of the meeting of a consideration of long-term external assistance to India during the Third Five-Year Plan marked an important stage in the progressive development of the meeting from an ad hoc gathering mainly concerned with bailing India out of a foreign exchange crisis, to a consortium taking a broader view of India's problems and committed to aiding her long-range economic development. While the first two meetings were merely concerned with emergency aid to rescue the Second Plan, the third and subsequent meetings went beyond the consideration of immediate aid to India. They looked ahead beyond the stop-gap and short-term measures needed for each fiscal year and concerned themselves with the mobilization of external assistance for India's economic development. It is of symbolic importance that the minutes of the fourth meeting referred to the gathering, for the first officially, as a consortium meeting.[1/]

Of particular relevance here is the Report of the Hoffman Mission to India in March 1960. This Report was the first comprehensive review of the Third Five-Year Plan by the Bank and helped the consortium take a long view of India's problems and needs. The Bank made this Report available not only to the Government of India but also to friendly governments for use as a background paper in discussions regarding cooperation in the economic development of India.

1/ Since the fourth meeting, the meeting of the group has come to be called officially either "Meeting on India's Foreign Exchange Situation," or "Meeting of the Indian Consortium." The two appelations are used interchangeably.

II OPERATION

(a) Membership: Membership of the Indian consortium is open to any Government or inter-governmental organization which has been extending development assistance to India or is willing and able to start doing so within the framework of the consortium. Countries which had not yet extended aid to India but which expected to do so within a short time are usually allowed to send observers to the meetings of the consortium as a prelude to eventual membership. Over the years the consortium has developed the practice of not admitting a country to its meetings as an observer for more than once unless the country is ready to make a positive statement about its intention to contribute aid in the future.

The charter members of the consortium are the United States, the Federal Republic of Germany, the United Kingdom, Japan, Canada and the IBRD. As the functions of the group have expanded so has its membership. In fact strenuous efforts have been made by the IBRD and the US to enlarge the membership of the consortium in order to spread out India's aid burden. France became a member of the group at its fourth meeting in 1961 and the Netherlands, Austria, Italy and Belgium at its sixth meeting in 1962. More recently Denmark has become a member, bringing the membership of the consortium to eleven in addition to the Bank and IDA.

The International Monetary Fund has been sending observers to the meetings of the group since the first meeting in 1958. The Development Advisory Committee of the Organization for Economic Cooperation and Development is usually invited to send observers to meetings dealing with matters in which it has a special interest. India, although not formally a member of the consortium, attends all regular meetings except those of the heads of delegations.

(b) Meetings: The meetings of the consortium are invariably summoned by the Bank, as the Chairman, and are usually held at the Bank headquarters in Washington D.C. or at its European office in Paris. Before each meeting the Bank usually carries out extensive, informal consultations with members of the consortium especially the major ones. Every major new proposal is first discussed informally with member Governments in an effort to find a common ground and to arrive at a consensus before the meeting. The Bank tries to avoid convening a formal meeting of the group until it is reasonably sure that such a meeting would be fruitful. This is because failure or deadlock at a formal meeting, with its attendant publicity, could have adverse repercussions in terms of public relations.

The date of each meeting is carefully chosen to suit the convenience not only of the member Governments but also of the Indian Government. For example, for tactical reasons the Bank would not summon a meeting of the consortium during national elections in India. Since its fourth meeting in 1961 the consortium has met more or less regularly twice a year. The first meeting usually reviews the progress of economic development in India and of aid utilization, and considers, in a preliminary way, India's aid requirement for the year. At the second meeting the delegates indicate how much aid the authorities they represent are ready to offer India during the year.

Before each meeting the Bank usually distributes to consortium members in advance a memorandum outlining the purpose of the meeting and what it hopes to accomplish. The Bank also distributes in advance to each member the Economic Report on India prepared by the Bank Staff Mission, and any other documents that may be relevant to the discussions of the group.

At the regular meetings of the Consortium, after the delegates have arrived at a consensus on the magnitude of aid required by India, each country delegation proceeds to indicate, with varying degrees of qualifications, how much aid its Government would make available to India during the year, in what form and on what terms. United States leadership and initiative have usually been vital at this point in the game. The other country delegations often prefer to find out how much the US is ready to pledge before they make their own pledges.

No attempt has ever been made in the consortium to establish a formula for sharing the Indian aid burden, and the way in which individual contributions have been determined has been rather haphazard. The governing influence throughout, or at any rate since 1961, has been the attitude of the United States. The United States has sometimes looked upon the consortium as a means of securing relatively larger contributions of aid to India than in the past from other participants, especially Germany and the United Kingdom. Its decision in 1961 to extend aid to India of around $500 million a year on a matching basis set the stage for subsequent consortium pledging.

The attitude of the Bank and IDA, as the second largest contributor, has also been an important factor. Indeed, had the Bank not been as forthcoming as it was both in 1961 and in 1963, it is rather unlikely that consortium pledges would have reached their third Plan level of over $1,000 million a year. The fact that the Bank and IDA were putting up more than anyone else except the United States put the Bank in a good position to support the United States in pressing for larger contributions from other members. Had the Bank been one of the lesser donors it could never have played the leading role it has.

Pledging is usually done on a year-to-year basis. The only exception to this was at the fourth meeting of the consortium in 1961 when aid commitment covered the first two years of the Third Plan. This was done to enable India to place orders early for the Plan projects.

By and large the pledges of aid at consortium meetings have usually come very close to India's stated aid requirements. Eighty-five percent would be a reasonable estimate of the ratio of aid pledges to stated aid requirements. Total aid pledged over the years has been very high. For the latter half of the Second Plan (March 1958 to March 1961) a total of $753 million was pledged by the consortium. The total figure pledged for the Third Plan period (1961-1966) is $5,472 million.

(c) Role of the Bank: The World Bank, as the Chairman and organizer of the consortium plays a pivotal role in the work of the group. The Staff of the Bank prepares periodic reports on India's economic problems, performance and development possibilities for use at consortium meetings. Since 1963 the Bank has also been putting out a quarterly factual report on the progress of consortium aid commitments and disbursements. The former report is based on information furnished to the Bank by the Indian Government while the latter is culled from information obtained both from the Indian Government and the consortium governments.

Besides these periodic reports the Bank has sometimes sent ad hoc missions to India to carry out various studies. Examples of these are the "Mission of the Three Wise Men," and the Guindey Mission (which we shall discuss later).

The Bank sent a major economic mission to India during the final preparation of India's Third Five-Year Plan, to review and appraise the Plan and to make recommendations for any revisions that might improve its soundness. Again, later in the Third Plan period, as evidence of shortcomings in Indian development planning, strategy, program design and implementation multiplied, the Bank, prompted by general consortium disappointment with India's poor economic performance in spite of external aid inflow of over $1,000 million a year, decided to send another major economic mission to India. For its own internal purposes the Bank, as a major source of funds for Indian development, also felt the need to take a much more penetrating look at the obstacles to a more effective development effort and at the possibilities for overcoming such obstacles.

The Bank, therefore, sent an economic group headed by Mr. Bernard Bell, a senior economist on its staff, to India in the autumn of 1964 to undertake a study of a number of particular sectors and areas of the Indian economy. The group was also generally concerned with the use being made of India's resources of trained manpower and with the programs undertaken by the Government to develop the skills needed. This economic study was by far the most ambitious and comprehensive review of Indian economic development policies ever undertaken by the Bank. The report of the mission was submitted in October 1965 to the President of the Bank in 13 volumes and communicated to the Indian Government, but was not given the regular distribution given to Bank economic reports because of its special nature.

The report attributed the deficiencies in Indian economic performance to, among other things: (a) the relative neglect of agriculture; (b) the absence of a massive and vigorous program of population control; (c) the maintenance of a high exchange rate for the rupee which discouraged exports and resulted in the misallocation of resources and which required an extensive and growing system of administrative controls; (d) the operation of an elaborate system of administrative controls which promoted inefficiency in the use of resources; (e) imbalance in the allocation of foreign exchange resources which left a substantial part of domestic industrial capacity under-utilized; (f) deficient management and operation of public sector investment projects; and (g) reluctance to take full advantage of the opportunities to enlist foreign private capital, and technical and managerial skills. These issues and other main policy conclusions of the report were discussed by the Bank with the Indian authorities.

It has always been the task of the Bank to take up consortium criticisms and recommendations with the Indian authorities and to try to persuade them to modify or change questionable economic policies. In its relationship with India, the Bank, as chairman of the consortium, has at times been India's champion and at other times her critic. Since the middle of the Third Plan period the relative importance of these two roles have shifted toward the latter. This shift is reflected in the trend towards a more intensive appraisal of the Indian economy and performance. The dilemma facing the Bank has been how to urge India into policy and program changes without providing would-be donors with an excuse for holding back on aid which is essential if India is to make progress toward development.

The Bank also plays a key role in consortium meetings. After Indian officials have described and explained their plans, aid requirements and policies the Bank representative evaluates them in terms of their reasonableness. Sometimes after the magnitude of India's aid requirements for the period under consideration has been agreed upon, the Bank representative makes recommendations on how this might be shared among consortium members and on the terms and forms of aid appropriate to India's needs.

Between consortium meetings the work of the consortium is left with the Bank. When important issues arise at a time when it is not feasible to call a formal consortium meeting the Bank often summons an informal meeting of the represenatives of all or some of the members. Even before holding a formal meeting there are sometimes informal pre-consortium meetings where an attempt is made to iron out policy differences between members. Extensive consultations go on between meetings as a follow up to consortium decisions. When there is a deadlock in bilateral aid negotiations between India and a member of the consortium India sometimes solicits the good offices of the Bank to help break the deadlock.

(d) India's Role: Although not formally a member, India now participates directly in practically all the work of the consortium. As the recipient of consortium aid she frequently has to make a good presentation of her policies and programs and an effective case for her foreign aid requests in order to elicit a favorable response from the aid givers. She also tries to heed the criticisms and recommendations of the Bank and the consortium. One of the most persistent criticisms that consortium members have directed against Indian development policy and strategy has been the lack of encouragement given to private investment, especially foreign investment.

In response to this type of criticism India has taken many remedial steps some of them half-hearted steps. For example, at the 1960 consortium meeting in Paris several members expressed concern at the lack of opportunities given to private investment in the development of coal and oil, and urged that it would be in India's interest to allow maximum scope for the participation of private capital, both Indian and foreign, in both sectors. To appease the consortium the Indian Government relaxed the restrictions against foreign private investment in the coal industry and gave private collieries much greater opportunities. In the case of oil, the private companies were invited to join in the search for oil but the terms offered them were apparently not attractive because none joined.

The members of the consortium have attempted, on many occasions and with varying degrees of success, to use lending policy and conditions attached to loans as a lever to influence not only Indian performance but also the direction of Indian development. The Bank and the consortium during the Third Five-Year Plan became increasingly concerned about the allocation of scarce resources to inefficient public sector industries.

In response to the consortium's insistence on giving greater scope to the price mechanism, India in 1965 relaxed her restrictions on imports. This was lauded by the members of the consortium but a few months later this measure, among other factors, led to such a drain on India's foreign exchange resources that the Indian Government had to make relief drawings of $187.5 million from the IMF in March 1966.

The capacity of the consortium to influence Indian policies and performance depends on its members' ability to coordinate their aid in terms of using aid pledges collectively as a leverage for bringing about necessary revisions in Indian programs. The problem is, first, to provide an analysis sufficiently profound to uncover basic shortcomings in the Indian program; second, to reach agreement among member countries on specific alternative policies to be proposed as substitutes; and third, to tailor members' aid programs to promote the desired revisions.

Consortium recommendations have often been general and vague. It is one thing to blame India for not improving her agriculture and quite another thing to come up with a viable proposal for achieving this.

We find that where consortium recommendations have been specific India has made a genuine effort to implement them. For example, India made courageous efforts in 1965/66 to implement the major recommendations of the Bell Report (discussed above). She devalued the rupee by 36.5 percent and took steps to rationalize import duties and to provide export incentives in spite of domestic opposition. She also made changes in her agricultural and population policies and programs aimed at increasing her food production and at limiting the rate of population growth.

In addition, a program was initiated to eliminate administrative controls on essential imports and to relax controls over investment and production. These shifts in policy and changes in program represented major changes in Indian thinking and were applauded by the consortium.

Besides responding to consortium members' questions and to their criticisms of her development policies, India has other relevant roles to play. She has to prepare periodically a list of investment projects and programs that will make sense and which the Bank is able to recommend to the consortium as suitable for external financing. It is from this list that consortium members select what projects or programs to finance.

For each major meeting of the consortium the Government of India prepares a memorandum which it distributes to members several weeks in advance. This memorandum usually describes India's plans and programs, outlines their anticipated foreign exchange costs and estimates how much foreign aid is required for the period under consideration.

III. EVOLUTION OF THE CONSORTIUM'S ROLE

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 foreign exchange crisis. The urgency of that problem preempted the possibility of greater multilateral concern with broader questions of India's development strategy and prospects and its external assistance component.

The consortium's focus was broadened with the introduction of India's Third Five-Year Plan, and more basic development issues were examined. Since its third meeting in 1960 the consortium has concerned itself with such broad issues as the terms of members' aid to India, debt rescheduling and refinancing, the form of aid, the mode of aid disbursement and a host of other issues.

(a) Terms of Aid: Concern about the quality of aid to India was, for the first time, expressed only at the September 1960 meeting of the consortium in Paris which considered India's aid requirements for the 1960-61 fiscal year and the prospects for the Third Five-Year Plan. Before that, there were two consortium meetings and on these occasions the principal objective was to meet India's foreign exchange requirements in terms of the quantum of aid during the periods October 1958 to March 1959 and the subsequent fiscal year 1959-1960. Aid indicated at these meetings was, on the whole, on conventional terms, ranging between ten and twenty years and at commercial interest rates. The exceptions were American and Canadian aid. The bulk of the American assistance of about $225 million was repayable in rupees the repayment of which therefore had little balance of payments implications, and Canadian aid of $52 million was in the form of a grant.

Since the 1960 meeting the issue of the terms on which aid is extended to India has been a permanent item on the agenda of consortium meetings. The Bank has been at the forefront of the effort to soften the terms of consortium aid to India. In meeting after meeting the Bank has emphasized the following points: (1) India's capacity to service additional external debt is already limited. In view of this the bulk of any fresh aid, including commodity aid, should be made available in a form which would not require repayment in foreign exchange. (2) Insofar as assistance took the form of loans repayable in foreign exchange, the situation called for very long-term lending and not short-term lending, and for the maximum period of grace on repayments. (3) In general, short-term or medium-term credits repayable in foreign exchange, whether from commercial suppliers or from Governments, are not a suitable means of financing a long-term development program because they impose a heavy debt service burden.

The Bank's interest in the terms of aid to India is two-fold. First, there is the Bank's concern that the burden on India should be lightened so that the pace of her development can be accelerated and her dependence on external support reduced. The higher the proportion of aid extended on hard terms, the farther off will be the day when India can reach a position of self-sustained economic growth. Second, the Bank's ability to lend money to India is circumscribed by considerations of India's creditworthiness. The Bank cannot raise its net investment in India as it would like to unless other countries provide more aid on soft terms.

Since the Third Five-Year Plan which was launched in April 1961 there has been an improvement in aid terms with the advent of IDA and a new pattern of American aid which is on concessional terms. Out of a total of $2,445 million of consortium aid indicated for the period from April 1, 1961 to June 30, 1963, $1,236 million, or about one-half, clearly represented assistance on soft terms. There has also been some softening in the British aid terms (longer grace and maturity periods) and in those of Germany (one-third at 3% interest) and Japan (longer maturity period). The trend towards softer aid was, however, offset to some extent by the inclusion of new consortium members in 1961 and 1962, namely, Austria, Belgium, France, Italy and the Netherlands whose aid to India has been on essentially conventional terms.

There is a great disparity in the terms of aid extended by members of the consortium to India. At one end of the scale are grants from Canada, and then come IDA credits, which bear no interest, have a service charge of 3/4% and are repayable over 50 years, including 10 years of grace. Loans from U.S. Agency for International Development to India have also been on very soft terms. At the other end of the scale, are the export credits extended to India by certain European countries for which interest is sometimes as high as 6 or 7 per cent and full repayment is expected within 10 years of the date of delivery - not to mention the fact that, under the terms of some of these credits, India is expected to make initial down payments amounting sometimes to as much as 15 percent of the value of the orders placed.

(b) Debt Relief: Before the establishment of the India consortium in 1958, in fact until 1961, most of the external aid extended to India was on hard terms (high interest rate and short grace and amortization periods). The sheer magnitude of the Indian debt - about $4,000 million in 1960 and $6,535 million by 1966 - coupled with the short amortization on a large proportion of it, had begun, by the middle of the Third Plan, to create a serious debt service problem for India. India's debt service problem is not one of a short-term bunching of service payments but one of an ever increasing level of such payments over the years ahead. Debt service required about $1,200 million during the five-year period ending March 31, 1966 and are expected to require $2,500 million to $3,000 million in the period from 1966 to 1971.

The rise in debt service payments would not pose a great problem if India's exports have been expanding at a fast rate. Unfortunately, her debt service obligations have been rising more rapidly than export earnings. In 1960-61 payments on debt absorbed about 10 percent of her export earnings; by 1965-66 this percentage had risen to about 20; and according to 1966 forecasts her debt service payments during the five-year period from 1966 to 1971 would absorb about 25 percent of her export earnings projected for the same five years.

The consortium aid pledge to India for the last year of the Third Plan was approximately $1,000 million while debt service payments for the same year amounted to $300 million, leaving a net aid of only $700 million. The problem created for India by these heavy debt service obligations is accentuated by the fact that debt service payments require immediate foreign exchange disbursements in the year in which they are due, whereas consortium aid pledges and commitments do not materialize into foreign exchange disbursements in favor of India until sometimes as many as three to four years later. This creates a cash gap for India.

This cash gap was very much in evidence during the last two years of the Third Plan. The cash gap was worsened by the severe drought of 1965-66 which forced India to divert some of her foreign exchange resources to the import of food grains.

In February 1966 the Government of India asked the Bank to take the lead in arranging relief from debt service payments due to consortium members in the 1966-67 Indian fiscal year, as one means of providing aid quickly in response to the drought emergency. Although the February request was for relief with respect to one year's debt service payments, it was presented within the framework of a desire expressed often by India in 1965 to have the broad question of debt rescheduling considered by the consortium as part of its appraisal of India's next Five-Year Plan and associated aid requirements.

The question of debt relief for 1966-67 was taken up at an informal meeting of the consortium in April 1966 and it was agreed that any general action by consortium members should be deferred pending review of an anticipated Fourth Plan. The Bank was asked to prepare a paper outlining the facts with respect to India's present indebtedness and exploring some of the issues which might be involved in rescheduling service payments on this debt. In December 1966 at the formal consortium meeting a small working group was set up to carry out further work on the Indian debt problem.

There was a consensus among consortium members that an isolated debt rescheduling operation on behalf of India would attract a lot of public attention which might have an adverse effect on foreign confidence in India. Hence it was agreed that whatever was to be done about the rescheduling of India's debt should be done in the context of the financing of her Development Plan and not as a separate exercise. Besides the long-term nature of India's debt burden and its adverse effect on her development made it imperative that any contemplated solution should be considered in a context that went beyond immediate measures of debt relief. A debt burden as large as India's becomes a major determinant of new foreign aid requirements. It was therefore necessary and relevant to consider the debt problems in conjunction with aid requirements and with the terms on which new aid should be extended.

The corollary to considering debt relief in the context of overall aid requirements was that the consortium had to decide whether relief given to the Indian balance of payments through debt rescheduling was additional to the aid that India would otherwise get, or simply in substitution for aid in other forms. From the start it was evident that if debt rescheduling was handled in the consortium as a part of the Fourth Plan financing exercise, it would be virtually impossible to avoid a situation in which the relief given in this way was reckoned as part of a member's aid pledge. Each member naturally wanted to get full credit for whatever contribution it made, and it was difficult to argue that the postponement of debt was not just as valuable a contribution to the financing of the Plan as a new loan of equal amount. Then there was the related argument about the terms of aid - whether a member should be entitled to count the same aid twice by getting credit for rescheduling loans which should never have been made on such unfavorable terms in the first place.

The working group on Indian debt relief set up by the consortium in December 1966 found that consortium members could not agree on a common approach to debt relief. However, there was a consensus in the working group that since the debt rescheduling exercise was not prompted by imminent default, the objective was not to carry out a moratorium or standstill or similar debt exercise along traditional lines which would have objectionable connotations. By contrast, the purpose was to take prompt action to deal with a major cash or liquidity problem, and debt relief was a convenient means to accomplish this.

At the meeting of the consortium in Paris in April 1967 the Bank suggested to the members that they should take interim action bilaterally to offer debt relief to India for the 1967-68 fiscal year pending the completion of Bank studies of the debt problem. One of the studies the Bank was referring to was completed in August 1967. It was a working paper entitled "Bank Staff Paper on Debt Relief and Terms of Aid," which described the nature of the problem and suggested possible measures to solve it. It was designed to serve as a basis for discussions in consortium meetings.

In addition, the Bank, as the chairman of the consortium, arranged for an outside consultant to undertake a special mission to member countries in order to help prepare the way for an agreement on a solution to the Indian debt burden during the period beginning on April 1, 1968. Mr. Guillaume Guindey, the Chairman of the Board of Directors of the French Caisse Centrale pour la Cooperation Economique and a former Director General of the Bank for International Settlements, accepted this task. He was accompanied on his mission by Messrs. Goodman and Dunn, two members of the Bank Staff.

Mr. Guindey visited all the members of the consortium including the Bank during the last three months of 1967. In January 1968 he submitted a report, containing proposals for debt relief to India for the three Indian fiscal years beginning April 1, 1968. He recommended that members of the consortium should take action to provide debt relief to India in the amount of $300 million for the three years in order to cut down debt service charges to approximately 20 per cent of India's estimated export earnings.

In calculating the share of each consortium member, Mr. Guindey used a formula designed to take into account both the volume of debt service due to each creditor and the terms of its past aid. He recommended that the debt relief take the form either of cancellation or of postponement for ten years without interest. In his report he tried to take into account the legal and technical possibilities of each creditor, and to make recommendations for individual members' contributions which would be as comparable as possible to the recommended form. With regard to the Bank Group, he suggested that its contribution be in the form of postponement of principal payments on Bank loans with interest charged on the postponed amounts. He noted that this was quantitatively less satisfactory than his proposals for contributions by other members of the consortium. To compensate for this he recommended that the Bank provide a larger amount of debt relief than called for by the basic formula.

Mr. Guindey also noted that debt relief during each of the three years under consideration, in whatever form it was granted, would constitute _ipso facto_ a contribution of equal amount to India's balance of payments, and consequently would reduce the amount of further aid needed during each of those three years. He further recommended that in considering the terms of future aid to India the consortium should decide whether supplier credits are an appropriate instrument for aid given by the consortium.

When the consortium met on March 4 and 5, 1968 the members' response to Mr. Guindey's recommendations was generally favorable. Four members - Austria, Canada, the United Kingdom and the United States - made debt relief proposals which equaled or exceeded in amount and quality the recommendations in Mr. Guindey's report. Three countries - Belgium, Germany and the Netherlands - proposed actions which differed only slightly from Mr. Guindey's proposals but which were on the whole satisfactory. France indicated her willingness to participate in the suggested amount without accepting Mr. Guindey's formula. She also agreed to study the possibility of making an additional contribution, as suggested by Mr. Guindey, to compensate for the lesser quality of her own proposed terms. Italy found the Guindey proposals unacceptable, but it was agreed by other consortium members that the Bank should continue discussions with Italy, with a view to finding an amount and terms which would be mutually acceptable to other members. The Bank, on its part, stated that it would be willing, as its own share of the debt relief, to reschedule an amount between $10 million and $15 million falling due on selected loans to India for each of the three years beginning April 1, 1968.

All the offers of debt relief made at the meeting, including the Bank's, were contingent on satisfactory action by all other members. The meeting closed without reaching an agreement because Japan's representatives were unable to respond to Mr. Guindey's proposals and consortium members asked the Bank to continue discussions with Japan. The share of the debt relief suggested for Japan was the second largest (Italy's being the largest) and it was apparent from the attitude of several members that there was no chance of a successful debt relief action within the framework of the consortium unless Japan was able to make a substantial contribution on appropriate terms.

In subsequent private negotiations between the Bank and the Governments of Italy and Japan in April 1968, the two Governments finally made enough concessions which enabled the consortium members to arrive at an agreement. The members of the consortium rescheduled a total of $100.48 million debt for the 1968-69 Indian fiscal year and agreed in principle to reschedule about $100 million for each of the following two fiscal years. This was a satisfactory short-term solution of India's debt service problem in the light of Mr. Guindey's proposals.

(c) The Form of Aid: Since the beginning of the Third Five-Year Plan the consortium has been concerned with the restrictions which its members place on the use of the aid they extend to India. It is generally recognized that the more aid is hedged about with restrictions on its use, the more difficult it becomes for the Indian planning authorities to adjust their development to the resources available and to maintain a proper balance between investment in different sectors.

One of the most common restrictions on aid is that associated with project aid, in which aid can only be used for expenditures connected with a specific project. The problem is how to reconcile this form of aid with the financing of the continuous flow of commodity imports which the total development program requires. The foreign exchange requirements of each Plan period has always exceeded, by a considerable amount, the foreign exchange component of Plan projects.1/ Apart from foreign exchange required for new projects India has needed additional foreign exchange for debt service payments and for the import of merchandise required for the continued operation of completed projects. This has created the need for

1/ For example, Indian imports required for development purposes which cannot be related directly to specific projects amounted to Rs. 1.61 billion in 1961-62 and to Rs. 1.80 billion in 1962-63.

a substantial proportion of aid to India to be given in the non-project form,[1/] or else earmarked for the financing of local currency costs of projects.

Another way out of the problems created by project aid would be the adoption of a broader definition of projects. Mr. Goodman of the Bank's Staff has suggested that members of the consortium should treat a complete sector program as a project and should include in the definition of project not only the imports of capital equipment required, but also related imports of other commodities such as steel, non-ferrous metals, fertilizers, petroleum products, etc. This would make loans easier to disburse.

At consortium meetings the Bank has made strenuous efforts to persuade members of the consortium to give a substantial proportion of their aid to India as non-project aid. Its efforts bore fruit at the fourth consortium meeting in 1961 when the United States departed from its usual emphasis on project aid and pledged $1,000 million in aid to India for the 1961-62 and 1962-63 fiscal years "to be applied to India's overall foreign exchange requirements" during that period. The U.S. example was followed by Germany most of whose aid during the first year of India's Third Plan was given in the form of non-project aid.

India's need for free foreign exchange - foreign exchange not tied to specific projects - has been on the increase over the last several years. This has been due to (a) rapidly increasing debt service obligations to be paid in convertible currency; (b) substantial continuing or growing requirements for commodities, such as non-ferrous materials,

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1/ The term non-project aid embraces all forms of loan and grant assistance which are not specifically tied to the procurement of goods required for a specific investment project or program. Such aid may take the form of commodity aid, balance of payments support or debt refinancing. In practice this term does not include surplus commodity aid.

petroleum, etc., which cannot be fully or even largely financed by aid, often because major suppliers are poor countries who cannot offer aid financing to India; (c) a growing sophistication in Indian industry, which requires fewer and fewer complete machines and virtually no complete plants from abroad but more and more materials and components, which under normal trading practices are paid for in cash or short-term commercial bank credits; and (d) stagnation or slow growth of convertibility currency earnings from exports.

The response of the consortium to the change in the nature of India's aid requirements has been slow but encouraging. The non-project component of consortium aid to India has been increasing since the beginning of the Third Plan. In the 1966-67 and 1967-68 fiscal years India was in dire need of free foreign exchange because of her heavy import of food caused by drought and because of heavy debt service requirements. To meet this need the Bank spearheaded a drive among consortium members to increase the non-project component of their aid. The drive netted a pledge of $900 million of non-project aid for the 1966-67 fiscal year. Again in 1967 $574.2 million of a total consortium aid pledge of $679.8 million was non-project aid.

Another restriction commonly placed on aid is that of tying the use of the aid to purchases in the donor country. Most consortium countries are only willing to make aid available if it increases their exports; indeed, some donors sometimes appear to expect to increase their exports to India by the full amount (or even more) of gross financing offered.

India has had some painful experiences of suppliers quoting excessive prices for goods that are being financed under tied aid, and for which therefore they have no fear of foreign competition. There have been cases where the prices quoted by suppliers were two or three times as high as the prices at which comparable goods could have been obtained on the basis of international competitive bidding. This fact was pointed out by the chairman of the consortium at its 1964 meeting in Paris.

Aid may look soft in terms of interest rates and maturities but it is in fact not soft at all if it is tied to goods priced at levels well above world prices. As was brought out at the 1964 consortium meeting in Paris, a loan at 3% interest repayable over 20 years may sound attractive, but if the equipment financed under the loan cost 50% more than it should because the aid is tied, the loan may really be no better than an untied loan with the same maturity carrying interest at 6½ to 7%.

At the moment practically all aid to India from consortium countries is tied to purchases of goods from the donor countries. There is a trend to make the list of goods eligible for aid financing to conform more to the needs of the lenders' economy rather than to the requirements of the recipient. Thus, in a number of cases, according to a report by the Indian Government in October 1966, either scarce materials are excluded or limits are placed on the extent to which a credit can be utilized for the import of such scarce materials; and in many cases, the credit provides for the imports of those goods which temporarily, are in surplus production in the country concerned.

It is evident that the greater the restrictions placed on the use of aid the less the value of the aid to the recipient. Where, for balance of payments reasons, a donor country ties aid to the purchase of its products, as much flexibility as possible should be allowed India in deciding how the money should be spent within the country concerned. This would enable India to get the best value for aid received.

It is the simultaneous tying of aid both to particular countries and to particular projects or categories of commodities that produces the greatest difficulties.

(d) Advance Assurance of Aid: The report of the "Three Wise Men" urged in 1960 that aid-giving countries should give reasonable advance assurances of aid to India and Pakistan for the period of their respective Plans. Over the years this has turned out to be one of the central objectives of the Indian consortium.

Advance assurance of aid is fundamental to realistic development planning for any country that relies heavily on external financing. This is because a high proportion of the orders for a Plan period has to be placed during the first two years if the Plan is not to be thrown out of balance. For example, a large proportion of the new projects in the Indian Third Plan was started in the first year, particularly those in sectors such as power and heavy industry, where new plants take several years to build. Of the total project import requirements of Rs. 20.30 billion in the Third Plan, the Government's detailed phasing of projects during the Third Plan called for new orders to be placed abroad to the extent of Rs. 8.11 billion in the first year and Rs. 5.74 billion in the second year.

In the absence of advance assurances of external financing the Government of India faces two unpalatable choices: (a) to go ahead and place orders and take a chance of defaulting in payments if anticipated foreign assistance does not materialize; or (b) to be cautious and place orders only on the basis of the foreign exchange resources already available with the prospect of failing to fulfill the Plan target even if adequate foreign assistance became available later.

The members of the consortium are not unaware of India's dilemma. However, due to constitutional obstacles or to other domestic factors they are unable to make foreign aid appropriations for more than one year at a time and are consequently reluctant to give advance assurances of aid over a five-year period.

The problem is not an insurmountable one, in practice. At the fourth consortium meeting it was recognized that India needed advance assurances of aid at least for the first two years of the Third Plan to enable her to place orders early for the Plan projects. In response to this the United States representative pledged, on behalf of his Government, to make available to India, subject to the fulfilment of certain conditions, $1,000 million during the first two years of the Plan so that she can proceed with the orders for the Plan projects.

While the disbursement of a disproportionate amount of aid by the U.S. at the beginning of the Plan period enabled India to place orders early, this approach has its shortcomings. Theoretically, this approach assumed that India was going to have enough new aid not merely to cover the prospective balance of payments deficits in each of the first two years of the Plan, but also to finance in full all the projects for which overseas orders were being placed in these two years. In reality, it was unlikely that India could obtain aid for each and every one of the projects in the Plan. However, in practice, the problem was not a very serious one because a proportion of the aid from the consortium was made available in non-project form. This fact eliminated the risk of tying up most of the aid of the first two years in overseas orders for projects without any assurance that enough aid would be forthcoming in the last three years of the Plan with which to complete the projects.

(e) Utilization of Aid: There has frequently been an unnecessarily long time gap between aid pledges and their actual disbursement. For example, during the Third Five-Year Plan aid (including non-consortium aid) was pledged at the rate of about $1,300 million to $1,400 million a year. Yet aid disbursement was only $510 million for the first year and $650 million for the second year. Total aid pledged by the consortium for the Third Plan (1961-62 to 1965-66) was $5,471.9 million and of this amount only $3,692.6 million had been disbursed as of June 30, 1967. This has resulted in the existence of a large backlog of aid committed or pledged but not disbursed. Such a backlog of unutilized aid gives the superficial impression that India is not able to absorb the aid and some consortium members have on occasions advanced it as a reason for going slow on aid during subsequent years. As we shall see shortly this is far from the truth.

The practice of tying aid to projects or programs is a major cause of slow aid utilization. Since some projects take as many as five years to complete, aid tied to such projects necessarily takes as many as five years to be utilized. When so-called full funding procedure is followed in disbursing project aid there is an accumulation of disbursed funds waiting to be utilized. Under the full funding procedure aid tied to a project is fully disbursed at the outset although it may take up to five years to complete the project. Such accumulation of funds makes little contribution to the Indian balance of payments in the short run.

The United States and the Bank follow the full funding procedure while other consortium members disburse their aid to India on a variety of bases. However, the Bank's definition of "projects" and "programs" permits some flexibility in approach so that loans made to India for railway and for irrigation programs, for example, assume aspects of "partial funding."

Partial funding disbursement of project aid, which the Indian Government prefers, entails total review and approval of foreign exchange financing for each of the projects and programs selected for external financing. While financing of the full foreign exchange cost involved would be considered and approved in principle, loans would be formally extended to cover only the amount required during the fiscal period under review. The amount of the loan tranche required would be determined largely by the dollar amount of orders (and in some cases payments) for equipment, services and the like to be placed for the array of projects and programs being financed by the donor country.

The problem of slow disbursement and utilization of aid funds is by no means confined to aid tied to projects. Non-project aid has also experienced similar delays. The problem became so serious by 1967 that the consortium set up a Working Party to study the problems connected with some of the restrictions on the use of non-project aid funds which had delayed their prompt use in the past.

In its deliberations the Working Party identified several causes of the slow use of aid funds. One of these was that aid agreements were often concluded long after the start of the Indian fiscal year (April 1). Consortium members do not usually begin their study of possible projects for financing until after the pledging of aid, and this prolongs the time taken to convert pledges into disbursements. The exception here is the Bank and IDA whose practice is to agree as far as possible in advance with the Indian Government on the purposes for which aid due to be pledged would eventually be used.

In a number of important cases the long delay between aid pledging and the conclusion of agreements has meant that orders placed during the year, prior to the signing of the agreements, were not eligible for aid financing, and if there was no carry-over of aid funds from the previous year such orders had to be paid for from India's own foreign exchange resources. This problem does not arise in the case of aid from the United Kingdom, the United States and Canada, all of which accept the eligibility of orders placed from the start of the Indian fiscal year for financing from aid funds allocated for that year regardless of the date the aid agreement is signed. The problem does not arise also in the case of Bank and IDA loans. Once a general understanding has been reached with the Indian Government about a project to be financed by the Bank or IDA, orders placed after that date would normally become eligible for financing under the loan or credit, even though the relevant agreement might not be signed until some time later. In the case of the other consortium members the loan agreement must precede the orders.

The Working Party also found that in some cases the rapid use of aid funds was hampered by limitations imposed by the donor country on the eligibility of items for aid financing. The Japanese practice set the most emphasis on establishing a list of goods before negotiating an agreement. Only items included in the list were eligible for financing under aid. Most countries limited eligibility to items whose content was predominantly of domestic origin and generally prohibited certain items for military or strategic reasons. Also in some countries, there was a general requirement to distribute items among suppliers and industries for domestic reasons.

On India's part, the Working Party found that there was sometimes alag in pressing for aid disbursements. The Indian administrative system, designed to fulfill quite a different role and under a heavy strain, was finding it more and more difficult to handle the increasingly complex issues involved in the formulation and execution of economic policy.

(f) Food Aid: In 1967, in the midst of an Indian food crisis caused by the 1965/66 drought, the Bank undertook to coordinate the efforts of countries that were able and willing to share in providing food aid to India. This was done within the framework of the consortium.

Some consortium members rushed wheat and flour and other types of foods to India to meet the food shortage. Others who could not provide food aid increased their non-project aid to enable the Indian Government to import food.

The consortium involvement with providing food aid to India was of a purely emergency nature. The premise behind it was that food aid and non-project aid are complementary because if there is a shortfall in aid available to meet India's food import requirements, export earnings would be diverted from other uses to purchase foodstuffs and thus widen the foreign exchange gap required to be covered by non-project aid.

IV. THE CONSORTIUM"S RECORD: AN EVALUATION

From the point of view of Indian development one of the most significant achievements of the consortium is its success in putting forward aid, in most cases, aid equivalent to stated requirements. It is not likely that an equal volume of aid could have been secured on a bilateral basis, particularly in the absence of the matching formula invoked by the United States and the international spotlight that follows consortium proceedings. The consortium has attracted aid donors in addition to its charter members and has thus helped to spread the burden over a greater number of creditors. Equally significant is the self confidence which the consortium has inspired in India. Advance assurance of aid and the awareness of international support have been important psychological factors.

The consortium has achieved significant success in the effort to tailor the character of aid to the special circumstances of India. This is true of the softening of aid terms. If we look back to the beginning of the consortium in 1958 we can safely say that there has been measurable improvement in the average terms of consortium aid to India. This is illustrated by the fact that, at the time the consortium was formed, about one-third of India's total external public debt was due to be repaid during the following five years. The corresponding proportion by 1964 was less than one quarter.

In 1958, just before the consortium was formed, India was financing a sizeable part of her development by means of medium-term suppliers credits from European countries and Japan. The use of such credits has since been reduced, and instead of credits of five years or less the normal pattern established by the consortium is a minimum repayment period of ten to twelve years - usually ten years from the time of delivery. There has, indeed, been real progress. Of course there is still a lot of room for more improvement. Rates of interest charged on loans to India by some consortium members are still much too high, and periods of repayment are too short.

The consortium has also been successful in eliminating some of the onerous restrictions usually placed on the use of aid. The percentage of aid not tied to projects or programs has been increasing progressively so that India has greater flexibility in the use of aid. Unfortunately there has been very little success in changing the practice of tying aid to purchases in the donor country. This is perhaps understandable in the light of the balance of payments needs of donor countries.

The potentially adverse impact of the Indian debt rescheduling exercises has been minimized if not eliminated by the fact that it was carried out within the framework of the consortium. Bilateral aid rescheduling could not have yielded as much debt refief to India while an isolated multilateral debt rescheduling operation would have assumed the aspects of liquidation proceedings.

From the point of view of the aid-giving countries the consortium has been useful in assuring that their respective contributions and credits are tied into a rational plan whose general framework has been reviewed and endorsed by the World Bank. The consortium can probe deeper and recommend stronger changes in Indian development policies and programs than an individual donor country, since its international character eliminates problems of national sensitivities and sovereignty.

It is quite possible that the consortium has been instrumental in raising India's overall economic performance. Indian response to consortium criticisms and recommendations has been generally good.

ANNEX

A Chronology of India Consortium Meetings

Order of Meetings	Dates	Chairman	Location
1	August 25-27, 1958	Eugene Black	Washington
2	March 16-17, 1959	Eugene Black	Washington
3	September 12-14, 1960	J.B. Knapp	Paris
4	April 25-26, 1961) May 31-June 2, 1961)	Eugene Black	Washington
5	January 29-30, 1962	Sir William Iliff	Washington
6	July 30, 1962	Sir William Iliff	Washington
7	April 30-May 1, 1963	George Woods	Washington
8	June 4-5, 1963) July 18-August 7, 1963)	Geoffrey M. Wilson	Paris Washington
9	March 17-18, 1964	Geoffrey M. Wilson	Paris
10	May 26, 1964	Geoffrey M. Wilson	Washington
11	March 16-17, 1965	Geoffrey M. Wilson	Paris
12	April 21, 1965	Geoffrey M. Wilson	Washington
13	November 7-8, 1966	I.P.M. Cargill	OECD, Paris
14	April 4-6, 1967	I.P.M. Cargill	Paris
15	September 7-8, 1967	I.P.M. Cargill	Paris
16	November 13-14, 1967	I.P.M. Cargill	Paris
17	March 4-5, 1968 (Heads of Delegations only)	I.P.M. Cargill	Paris
18	May 23-24, 1968	I.P.M. Cargill	Washington