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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

FIRST LOAN ADMINISTRATION REPORT

ON THE

BANK'S LOANS TO INDIA

August 8, 1952

Loan Department

I N D I A

FIRST LOAN ADMINISTRATION REPORT

TABLE OF CONTENTS

INDIA

Basic Statistics

Area	1.2 million square miles
Population	1948 - 342.1 million 1951 - 356 million

National Income, Official est. 1948/49

Total	Rs. 87,100 million
Per Capita	Rs. 255 (US $76.5 at the 1948/49 exchange rate or $54 at the present rate)

Principal Crops, 1950/51 (millions)

	Acres	Production
Rice (tons)	75.5	20.4
Wheat (tons)	24.0	6.6
Groundnuts (tons)	10.5	3.4
Other oilseeds (tons)	15.5	1.8
Sugar cane (tons)	4.1	5.5
Cotton (bales)	13.9	2.9
Jute (bales)	1.4	3.3

Industrial Production Index (1946 = 100)

1949	1950	1951 (Jan.-Nov.)
106.3	105.2	115.9

External Trade

(In Rs. million)

	1949	1950 1/	1951 1/
Exports	4,295	5,871	7,305
Imports	6,402	5,590	8,702
Balance	-2,107	+ 281	-1,397

1/ Trade with Pakistan included in 1950 and 1951, but excluded in 1949.

Balance of Payments on Current Account

(In Rs. million)

	1949	1950	1951
Merchandise	- 2,107	+ 281	-1,397
Invisibles	+ 332	+ 294	+ 462
Balance	- 1,775	+ 574	- 935

Gold and Foreign Assets (equivalent in U.S.$)	End 1949	End 1950	End 1951	April 11 1952
		($ million)		
Gold	247	247	247	247
Foreign Assets	1,735	1,752	1,640	1,502
Total	1,983	2,000	1,888	1,749

Central Government Budget	1949/50	1950/51	(rev.est.) 1951/52	(est.) 1952/53
		(Rs. million)		
Expenditure, total	4,457	4,852	5,735	5,847
Ordinary	3,171	3,514	4,051	4,063
Capital	1,286	1,338	1,684	1,784
Revenue, ordinary	3,504	4,107	4,977	4,250
Surplus, ordinary	333	393	926	187
Overall deficit	953	745	758	1,597

Central Government Deposits with the Reserve Bank of India	End 1949	End 1950	End 1951	March 28 1952
		(Rs. million)		
	1,520	1,650	2,100	1,800

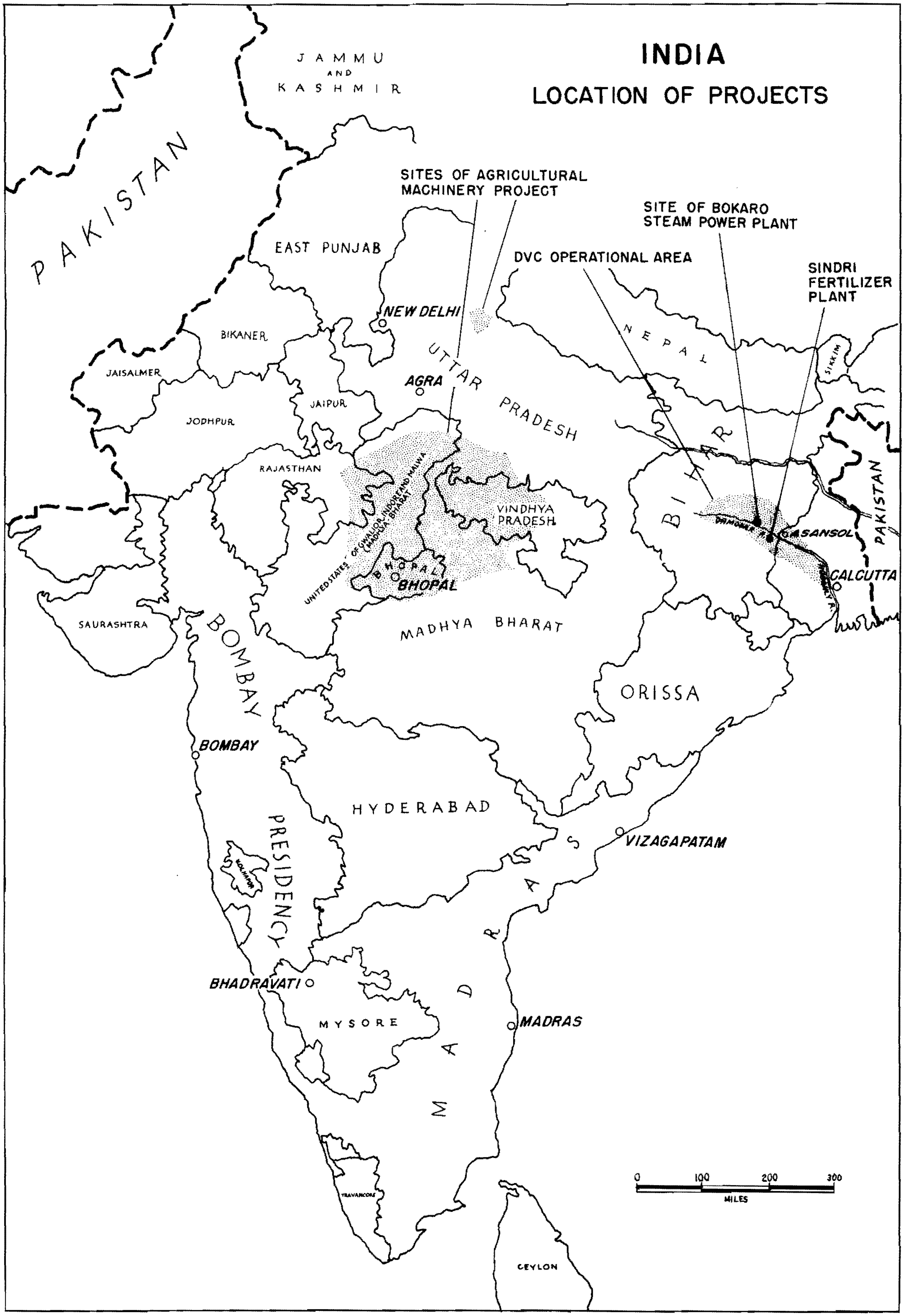
Money Supply	1949	1950	1951	1952 (Feb.)
		(Rs. million, end of period)		
Currency	12,070	12,670	12,440	12,510
Total (including demand deposits)	18,730	19,540	18,870	19,080

Wholesale Price Index (1948 = 100)

	1949	1950	1951	March 1952
	103	109	120	103

Cost of Living Index (1948 = 100)

	1949	1950	1951
Bombay	101	105	109


INDIA
LOCATION OF PROJECTS
SITES OF AGRICULTURAL MACHINERY PROJECT
SITE OF BOKARO STEAM POWER PLANT
DVC OPERATIONAL AREA
SINDRI FERTILIZER PLANT
JAMMU AND KASHMIR
PAKISTAN
EAST PUNJAB
NEW DELHI
BIKANER
JAISALMER
JODHPUR
JAIPUR
AGRA
UTTAR PRADESH
NEPAL
SIKKIM
RAJASTHAN
UNITED STATES OF GWALIOR, INDORE AND MALWA (MADHYA BHARAT)
VINDHYA PRADESH
BHOPAL
BHOPAL
BIHAR
ASANSOL
CALCUTTA
PAKISTAN
SAURASHTRA
BOMBAY
MADHYA BHARAT
ORISSA
BOMBAY
HYDERABAD
VIZAGAPATAM
PRESIDENCY
MADRAS
BHADRAVATI
MYSORE
MADRAS
TRAVANCORE
CEYLON
0
100
200
300
MILES

INDIA

FIRST LOAN ADMINISTRATION REPORT

INTRODUCTION

1. This report covers the period from September 1948 to March 1952 and deals specifically with the following loans:

\$ 34 million	15 year 4% loan of August 18, 1949 for railway rehabilitation;
\$ 10 million	7 year $3\frac{1}{2}$% loan of September 29, 1949 for agricultural machinery needed for the reclamation of lands infested with kans grass, and for jungle clearing;
\$ 18.5 million	20 year 4% loan of April 18, 1950 for the Bokaro-Konar project forming part of the unified scheme for the development of the Damodar Valley.
\$ 62.5 million	Total loans made to India.
\$ 2.7 million	Cancellations to date.
\$ 59.8 million	Balance, of which \$45.0 million disbursed and \$14.8 million undisbursed.
\$ 3.5 million	Repayment of principal to date.
\$ 56.3 million	Amount of loans outstanding as of March 31, 1952.

2. In September 1948 the Government of India submitted certain proposals to the Bank as a possible basis of a loan to India, and in December 1948 invited the Bank to send a mission to India. Early in 1949 a Bank mission visited India to obtain a first-hand impression of the economic and financial situation and to make an initial survey of such development projects as the Government might put forward for consideration. Formal loan negotiations were opened in June 1949. These negotiations led to the signing of two agreements for loans, one in August 1949 for the rehabilitation of the railways, and the other in September 1949 for agricultural machinery for the reclamation of lands infested with kans grass and for jungle clearance. In February 1950 a small Bank mission visited India to report on economic developments, the economic relations between India and Pakistan, and India's capacity to service further dollar loans. The third and latest loan agreement, for a loan of \$18.5 million, was signed in April 1950 to finance the Bokaro-Konar project, forming part of the first phase of the unified scheme for the development of the Damodar Valley. Details and present status of each of the three loans are given in this report.

3. In November 1951, on the invitation of the Government, the Bank sent a third mission to India. Its primary purpose was to look over the planning, financing and execution of the entire Indian development program as embodied in the Draft Outline of India's First Five-Year Plan, published in June 1951, so that a decision could be made on the extent to which the Bank might assist in the financing of it. The mission submitted its report early in February 1952, and it is expected that during 1952/53 loans will be negotiated for selected projects included in the program.

4. The President of the Bank, in February 1952, made a visit to India in the course of an extended tour through South-East Asia.

PART I

Loan of $34 Million for Railway Rehabilitation*

I. THE LOAN

5. The first Bank loan of $34 million to India for railway rehabilitation was made on August 18, 1949 and became effective on November 2, 1949. It carries an interest rate of 4%, including the 1% statutory commission. Equal semi-annual payments of principal and interest began on August 15, 1950 and will retire the loan on August 15, 1964. In May 1950 an amount of $1.2 million, which was likely to remain unexpended, was cancelled at the request of the Borrower, and the Bank agreed to a pro rata reduction of the annual loan service. The remainder of the loan, $32.8 million, has been disbursed to the extent of $26.2 million in U. S. dollars, and the balance in the Canadian dollar equivalent of $6.6 million.

6. Payments of principal, interest and loan charges have been made when due. On March 11, 1952 the Bank sold, with its guarantee, $500,000 principal amount of the August 15, 1952 maturity and $710,000 of the February 15, 1953 maturity of the loan. The Borrower has not been called upon to deliver the relative bonds, as required under Article V of the Loan Agreement. Instead, the Bank has delivered Interim Receipts to the purchaser in the belief that the purchaser will be willing to hold such Interim Receipts till maturity.

II. THE PROJECT

7. At the time of the visit of the first Bank mission to India in 1949, the service of the Indian railways was seriously deficient. Although the railways were transporting all passengers who desired to travel, they were unable to cope with an expanding volume of goods traffic. Priorities had to be established, and certain classes of freight, owing to low priority, could not be accepted at all. Congestion and delays were rife, and overcrowding of passenger trains was serious. The deficiencies in service were attributed to the dislocating effects of the war, a situation which was later aggravated by Partition. The principal factor responsible for the poor service of the railways was, however, a lack of motive power. The purpose of the Bank loan was to remedy this situation by financing the import of locomotives.

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* Notes: Additional data may be found in the following Reports previously circulated to the Executive Directors: (a) R-226 - The Indian Loan Proposals, May 10, 1949; (b) R-242 - Economic Loan Report, August 12, 1949; (c) R-243 - President's Report and Recommendations, August 16, 1949.

8. The Bank's loan has been used to finance the purchase in the United States and Canada of 418 locomotives, 26 spare boilers and miscellaneous spare parts, and for the freight on these items.

III. REHABILITATION AND EXPANSION PROGRAM

9. To improve railway service, the railways initiated in 1949/50 a 5-year rehabilitation and expansion program. Its objective was to achieve a degree of operating efficiency comparable to pre-war standards. The program provided for capital and renewals expenditure on locomotives, rolling stock, workshops and permanent way of the order of Rs. 3,185 million, of which Rs. 936 million (US $283 million at the pre-devaluation rate) involved expenditure in foreign currency.

10. The 5-year program of the railways has now been integrated into the over-all 5-year plan of the Government of India. The total outlay from 1951/52 to 1955/56 for the railways in the over-all plan, as published, is Rs. 2,000 million. This expenditure is mainly for rehabilitation, and it is over and above the expenditure expected to be available from the railway depreciation fund during the period of the plan. The total expenditure on the railways during the 5-year period will be Rs. 3,500 million, or an average annual rate of about Rs. 700 million. Although the major part of the outlay is earmarked for rehabilitation, the management of the railways is fully aware of the need of a continuing program of improvement of railway transport in order to keep pace with the overall economic development of the country.

IV. OTHER DEVELOPMENTS

11. During the loan negotiations the Government of India made certain representations to the Bank with regard to administrative, operational and financial measures designed to restore and improve the operating efficiency of the railways. The progress of the Indian Railways indicates that effective action has been taken to fulfill these representations. In this connection, and in consonance with the Government's long-range program for improvements in the field of administration and finance, the following outstanding and related developments have taken place since the loan was granted:

(a) The 1924 Convention regulating the relationships between the finances of the Railways and the general finances of the Government has been replaced by a new five-year convention effective April 1, 1950 which (i) gives the carrier more autonomy without a complete separation of the Railway Finances from the General Finances of the Government, (ii) guarantees the Government a 4% dividend on its investment in the Railways, (iii) requires a minimum annual appropriation from earnings of Rs. 150 million to the Depreciation Reserve Fund, (iv) allocates expenditures between capital and revenue according to more realistic accounting practices, and (v) authorizes a Development Fund to absorb the costs of passenger amenities, labor welfare, and essential projects which do not yield an immediate return;

(b) The Railways have been regrouped into six zones, each comprising 5,000 to 6,000 route miles, in order to reduce overhead costs, improve traffic control efficiency, promote more intensive utilization of equipment, rationalize maintenance facilities and centralize purchases.

V. EFFECTS OF THE LOAN

12. The effects of the loan can be gauged only as part of the over-all improvement in railway operational efficiency over the past two and a half years. The graphs attached as Annex A to this report give evidence of this improvement. The system of priorities for the acceptance of freight imposed after the war has been abolished. The locomotive fleet has been increased from 6,990 in June 1948 to 7,215 in December 1951. During this period, a total of 913 locomotives were added to the fleet, including the 418 locomotives financed through the Bank loan. The improvement of workshop facilities and maintenance has led to a reduction in the percentage of inactive locomotives undergoing or awaiting repairs. Increased efficiency and intensified use of rolling stock have led to the elimination of many post-war and post-partition bottlenecks in railway transport.

13. Increased operational efficiency coupled with higher railway fares since April 1951 has resulted in a substantial improvement in railway finances over the past three years. The following table summarizes the principal figures:

(in millions Rs.)

	Actual 1949-50	Actual 1950-51	Revised budget 1951-52	Revised budget 1952-53
Gross Traffic Receipts	2363.5	2630.1	2880.6	2821.6
Ordinary Working Expenses	1815.3	1802.3	1957.2	1876.9
Appropriation to Depreciation Reserve Fund	115.8	300.0	300.0	300.0
Payment to Worked Lines	18.0	2.5	2.2	2.4
Net Traffic Receipts	414.4	525.3	621.2	643.3
Net Miscellaneous Expenditures	36.7	49.7	67.1	67.6
Net Revenue	377.7	475.6	554.1	574.7
Dividend to General Reserves	301.8	325.1	333.5	340.0
Surplus	75.9	150.5	220.6	234.7
Operating Ratio	81.7%	79.9%	-	-
Ratio of Net Revenue to Capital-at-Charge	5.1%	5.8%	-	-
Closing Balance of:				
Depreciation Reserve Fund	1090.1	1236.5	1147.4	1010.1
Revenue Reserve Fund	68.2	135.8	263.0	387.6
Development Fund	138.0	194.4	217.9	237.7

(Source: White Paper on Indian Railways 1952)

14. Although the part played by the Bank loan in financing the acquisition of locomotives was small when compared with the total outlay for railway rehabilitation since the war, it was, nevertheless, important because it provided foreign exchange for vital equipment at a critical period. It may be said that the Bank loan has made a direct contribution to improved railway efficiency and indirectly it has assisted the entire Indian economy. Special credit must be given to the management and administration of the railways, who have demonstrated an ability to cope with many difficult problems arising out of the war and partition.

PART II

Loan of $10 Million for Agricultural Machinery Project*

I. THE LOAN

15. The second Bank loan of $10 million to India was made on September 29, 1949 to finance agricultural machinery, mainly heavy tractors, for land reclamation in Central India and for jungle clearance in Uttar Pradesh. The loan became effective on December 1, 1949. It carries an interest rate of 3-1/2%, including the statutory 1% commission. Equal semi-annual repayments of principal in the amount of $1 million are scheduled to begin on June 1, 1952 and will retire the loan on December 1, 1956. The original Closing Date was July 1, 1950 but it has been extended several times. It is now July 31, 1952. At the request of the Borrower, $1.5 million of the loan was cancelled on July 27, 1951, and the Bank has agreed to apply the cancellation pro rata over the maturities of the loan. The remainder, $8.5 million, has been disbursed up to an amount of $4.2 million, leaving an undisbursed balance of $4.3 million as of March 31, 1952.

16. Semi-annual interest payments and loan charges have been made when due. On March 11, 1952 the Bank sold, with its guarantee, $700,000 principal amount of the December 1, 1952 maturity of the loan. The Borrower has not been called upon to deliver the relative bonds, as required under Article V of the Loan Agreement. Instead, the Bank has delivered Interim Receipts to the purchaser in the belief that the purchaser will be willing to hold such Interim Receipts till maturity.

II. THE PROJECT

17. Both the Government of India and the Bank Mission to India in 1949 reached the conclusion that one of the most important projects for increasing India's food production was the reclamation, by means of deep plowing with the aid of heavy tractors, of land in Central India at present infested with kans grass. The total infested area was estimated at 10 million acres. At the same time it was recommended that a small pilot project to determine the feasibility of jungle clearance with mechanical equipment should be carried out in the Himalayan foothills in Uttar Pradesh.

18. The proceeds of the Bank loan were to be applied to the purchase of heavy tractors in the United States as follows:

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* Additional data may be found in the following Reports to the Executive Directors: R-251 and R-251/1 - Draft Loan Agreement and Appraisal - October 23, 1949; R-252 - President's Report and Recommendation - October 23, 1949.

345	Tractors with equipment and spare parts for the reclamation of kans grass infested land	$ 8,750,000
30	Tractors with equipment and spare parts for jungle clearing	1,250,000
375		$ 10,000,000

The tractors were to be purchased in the United States because no other country at that time was in a position to supply them. Other equipment, such as plows and root cutters, were purchased in the U. K. and financed from India's own resources.

19. Kans Grass Project - It was planned to reclaim about three million acres suitable for the growing of wheat and other cereals; 290,000 acres were to be reclaimed in the first season 1949/50, and 460,000 acres during each subsequent season. It was realized that clearing and plowing operations could only take place in the dry season from the middle of October to the end of May.

20. The project was to be carried out by the Central Tractor Organization (CTO), a sub-office of the Ministry of Agriculture of the Central Government. The State Governments undertook to make land available to the CTO in blocks sufficiently large and compact for economic operation, to cultivate subsequently the reclaimed land with the aid of light tractors where the supply of bullocks was insufficient, and to replow land on which kans grass reappeared.

21. The total cost to CTO of the kans grass project over the seven-year period was estimated at the equivalent of $33 million ($14 million for equipment and $19 million for operating costs). The Central Government was to recover the annual costs, estimated at about Rs. 52 (equivalent to about $11.00) per acre reclaimed, including amortization and interest payments on the Bank loan from the State Governments. The State Governments, in turn, were to collect the reclamation costs from the farmers over a period of years.

22. Jungle Clearance Project - This pilot project, which was also to be carried out by the CTO, was intended to clear land for foodgrain cultivation, and give the Indian Government some ideas on the feasibility of large-scale jungle clearance with modern equipment.

III. PROGRESS OF THE PROJECT

23. Of the 375 tractors to be financed by the Bank loan, 180 tractors with ancillary equipment had been delivered to the operating sites by the end of the 1949-50 season. During 1950, an additional order for 60 tractors with ancillary equipment was placed, and by March 31, 1951 these tractors and most of the equipment had been delivered.

24. The equipment purchased by CTO has proved, in general, suitable for the type of work being carried out. However, the spare parts ordered for

the first 180 tractors were found not to be in proper balance, and the amount of spare parts available for the additional 60 tractors was insufficient. As a result operational efficiency suffered during the first two seasons.

25. Kans Grass Project - Due to delays in equipment deliveries and organizational difficulties, reclamation operations in the first season, 1949-50, were not started until February 15, 1950, when two units, each of 15 tractors, broke the first ground at Bari in the State of Bhopal. Operations were begun later in the season at four other sites, each with two units of 15 tractors. Because of this delay only 40,726 acres were reclaimed during the first season compared with the target of 290,000 acres.

26. One of the serious difficulties encountered in some areas during the first season was the unexpectedly large number of heavily rooted bushes hidden by the Kans grass. Consequently, plowing operations for the second season, 1950-51, were preceded by clearing operations starting in October 1950. By the end of December 1950 a total of 34,000 acres at five sites had been cleared, but plowing operations had to be delayed by a further two weeks because of unseasonal rains in January. Other factors which caused substantial delays were the irregular shape and small size of the blocks of land made available by the State Governments, a serious lack of proper spare parts, inadequate fuel and lubricants, and epidemics of dysentery.

27. In order to make up for the shortfall in acreage, caused largely by the unseasonal rains, the staff of each unit was promised a bonus if base targets were exceeded. However, no bonus was paid if the quality of the plowing was bad. The revised base target for the 1950-51 season was 180,000 acres and the maximum bonus target 233,500 acres. The result was that by the end of the season 226,000 acres had been reclaimed with Bank-financed equipment. In addition 57,000 acres were reclaimed with war surplus tractors making a total of 283,000 acres reclaimed. The increased tempo of operations has been accompanied, in some areas, by defective and uneven plowing due to (a) in-expert operation as a result of which dead furrows were left; (b) poor condition of plows as a result of striking stumps, roots, etc. and insufficient time and spares to repair them; (c) condition of soil in which the moisture varied from area to area. Where plowing has been defective and uneven, and when unseasonal rains have occurred, Kans grass has reappeared.

28. To determine whether or not plowing could, in future years, be started prior to January, experiments of plowing 50-acre tracts of land were made during October, November and December, 1950. Due to wetness of the ground, however, it was found that plowing before January would not be effective.

29. Clearance operations for the 1951-52 season were started during November, and the acreage to be reclaimed by Bank financed tractors is estimated by CTO to exceed 238,000 acres.

30. The Bank has received information on the actual cost of operations of CTO, which indicates that the cost of plowing was of the order of Rs 80 per acre for the 1949-50 season when acreage plowed was 40,000 acres; it was Rs 48 per acre in 1950-51 when acreage plowed was 226,000 acres. In 1951-52 the cost will be Rs 50 per acre for an estimated 238,000 acres plowed, the increase being mainly due to higher prices of diesel oil. Reclamation charges at a uniform rate on all

types of land have resulted in the worst land being offered for reclamation, so that consideration has been given to the establishment of variable charges per acre. It has been decided, however, that the difficulty can best be overcome by having the Surveyor General of the Central Government survey kans infested areas, and lay out 20,000 acre blocks suitable for the economic operation of one tractor unit during one season. The States concerned will then turn these blocks over to the CTO. From reports received on operations in the current 1951-52 season it appears that only the Uttar Pradesh Government made such large blocks available to the CTO. Other State Governments could not make them available because they were unable to impose a ban on the sowing of winter crops. As a consequence, the CTO has been forced to clear some lands which should be classified as scrub jungle rather than kans areas. The laying out of large compact tracts for plowing should minimize the danger of re-infestation, whereas in the case of a large number of isolated small blocks of land bisected by kans infested strips, the kans seed tends to be blown by the wind and greatly increases the risk of re-infestation.

31. Jungle Clearance Project - These operations were not started until June 2, 1950. By July, when operations for the first season were discontinued, a total of slightly over 200 acres had been cleared. During the 1950-51 season the operations were carried out by two units of 15 tractors each, and by the end of the season all the land available in designated areas for jungle land clearance, some 31,000 acres, had been treefelled. A total of 2,014 families had been settled in the area by June 30, 1951. Operations in the 1951/52 season were started in October 1951 and by the end of the season it is estimated by CTO that 20,000 acres of the 31,000 acres treefelled in the previous year will be made ready for plowing. Of the 20,000 acres about 18,000 will actually be plowed by CTO.

IV. CHANGES IN THE PROJECT

32. During 1950 - As a result of the report of a Bank representative who observed the kans grass project early in 1950, and of investigations by a Bank Mission in March, further withdrawals under the loan were suspended pending the receipt of proposals by the Government on the reduction of annual reclamation targets and on administrative reforms. In May the Government made representations to the Bank for modifications of the project by reducing the number of tractors to be purchased to 60 during 1950, leaving the balance of 135 tractors to be purchased in 1951. In July the Bank proposed that a review of the progress achieved in improving CTO organization should be held in October, and a further review on the effectiveness of plowing operations during 1950-51 should be held in March 1951. In the light of these reviews the further use of the loan would be discussed. In August the Government informed the Bank about the measures taken to improve the operational efficiency of CTO and concurred generally in the Bank's proposals. It also requested that the remaining 135 tractors be financed out of the loan in time for the 1951-52 season. The Bank replied that the cost of 60 tractors on order would be financed out of the loan, but the financing of the remaining 135 would have to await the result of the March 1951 review.

33. In December 1950 the Bank retained, on a consultant basis, the services of the expert who had organized and carried out the first deep plowing operations in India in 1946-48. He inspected all phases of CTO operations and reported that the project was technically sound but that its successful execution was contingent on:

(a) the recruitment of appropriate technical personnel;
(b) the provision by the States of large compact blocks of land for plowing instead of the small irregular plots hitherto made available; and
(c) the procurement of adequate spare parts.

34. During 1951 - The Bank informed the Government of its consultant's findings, and in May, Bank representatives visited India to discuss what corrective measures should be taken before the beginning of the next season. It was clear that CTO might advantageously improve the operations of the 240 tractors in hand before purchasing the additional 135 for which Bank funds were being held available. There was some doubt as to the actual need for additional tractors pending a comprehensive survey of land available for clearance, and also some doubt as to the possibility of obtaining tractors prior to the Closing Date.

35. In July 1951 the Government therefore proposed that $1.5 million of the loan be cancelled, but that the Closing Date for the undisbursed balance be further extended pending the testing of a new disc plow. Should the performance of these plows warrant their partial substitution for those presently in use, the Government would request the Bank to finance them with the balance of the loan. The Bank agreed that there appeared to be good reasons for the proposed cancellation of part of the loan, but recommended that several of the disc plows should be tested throughout a working season before a final decision to purchase them on a large scale was reached. Accordingly, $1.5 million of the loan was cancelled on July 27, 1951 and the Closing Date was extended to July 31, 1952.

36. In August 1951 the Chairman of the CTO visited the United States to order spare parts, transport and other equipment. He reported to the Bank that difficulties had been encountered by the failure of the final drives of the Oliver Cletrac FDE tractors, which account for 90 of the 240 tractors now operated by the CTO on the project. He also expressed concern about the quantity of spare parts recommended by the Oliver Corporation for the remaining useful life of the tractors. The matter was brought to the attention of the Oliver Corporation, who replied that the oil lubricants used were not heavy enough. They recommended a heavier oil and frequent checks of the transmission pumps. The Chairman of the CTO agreed to follow the recommendations of the Oliver Corporation during the 1951-52 season, to purchase only those spare parts required for the Cletracs during this season, and to dispose of the Cletracs if appropriate action was not taken by the Oliver Corporation. He also requested the Bank's views on the purchase of additional tractors with a view to replacing the Oliver Cletracs or expanding the CTO tractor fleet. The Bank replied that in principle it was prepared to consider financing additional tractors out of the proceeds of the loan should the Government of India so request.

37. During 1952 - In March 1952, the same consultant who inspected the project in December 1950 again visited India for the purpose of checking on the progress of the project, particularly in the light of his previous recommendations. After his return to the United States in April, he will submit his report to the Bank.

V. EFFECTS OF THE LOAN

38. At the time the loan was made, it was expected that substantial quantities of food grains from the reclaimed land would become available to the domestic market. Because of the high yields on the reclaimed land, a total of 4 million tons was expected to come on the market in addition to farm consumption in the reclaimed areas over the 7-year period of the loan. In view of the reduced acreage to be cleared in the 7-year period, it is clear that the above figure must be revised downwards.

39. So far, insufficient crop data are available to make a full appraisal of the effects of the loan. However, some information has been received on the results of crops sown in a small area totalling about 37,000 acres in four different locations where land was reclaimed in the 1949-50 season. It shows that the yields have been substantially higher than previously. It is still too early to judge whether these satisfactory results will appear on all land reclaimed by the CTO.

40. The successful execution of the project during the first two seasons was severely impeded by inadequate supervision, both at the headquarters of the CTO and in the field, and by unsatisfactory methods of procurement of spare parts, fuel and lubricants. The work done by the various Bank consultants and by members of the Bank's staff who have constantly reviewed the project, both on the site and through periodical reports, has been of great value in enabling the Government of India to understand the problems involved and initiate the necessary remedial action. In the 1951-52 season a number of deficiencies have been made good, and the administration of the project by the CTO has greatly improved. However, arrangements for the procurement of balanced supplies of spare parts still remain unsatisfactory.

41. The success of the project is also dependent on the cooperation of the State Governments of those States where reclamation work is in progress. It is evident that in most cases the cooperation of these Governments is not being fully given, because (with one exception) large blocks of land have not yet been made available to the CTO. This prevents the CTO from making plans more than a week or two ahead, and its operations cannot be developed at a steady pace. The State Governments also have a responsibility in ensuring adequate follow-up cultivation after the land has been cleared by the CTO, but it is still too early to judge whether this aspect has received sufficient attention by the State Governments.

42. Finally, there is the weather. The untimely rains in the spring of 1950 resulted in considerable reinfestation because moisture was absorbed by the roots of the kans and full desiccation was not achieved. On the other hand, a failure of the monsoon as experienced in the summer of 1951 resulted in a very poor yield of about 320 lbs. per acre of wheat compared with a normal yield of about 880 lbs. per acre.

43. The project can be regarded as sound from the technical and operational point of view, but its ultimate success is greatly dependent on the climate, and on the cooperation of the State Governments in the areas where reclamation work is carried out.

PART III

Loan of $18.5 Million for Bokaro-Konar Projects*

I. THE LOAN

44. The Bank's third loan to the Government of India for $18.5 million was to finance part of the foreign exchange costs of the Bokaro-Konar project, which now forms part of the first phase of a unified scheme for the development of the Damodar Valley in Bihar and West Bengal.

45. The loan was made on April 18, 1950, and the loan and project agreement became effective on February 21, 1951. The loan carries an interest rate of 4% including the statutory 1% commission. Equal semi-annual payments of both principal and interest in the amount of $806,000 are to begin on April 15, 1955, and will retire the loan on April 15, 1970. Disbursements under the loan up to March 31, 1952 amounted to $8.0 million.

46. Payment of loan charges (commitment charge) have been made when due. To date the Borrower has not been requested to deliver any bonds to the Bank, as provided in Article V of the Loan Agreement.

II. THE PROJECT

47. The Bokaro-Konar project at first consisted of the construction of a thermal power plant (150,000 kw) at Bokaro, an earth-filled dam at Konar with hydroelectric plant (10,000 kw), transmission lines, substations and switching stations. The proceeds of the Bank loan were to be used to finance the foreign exchange costs of equipment for the Bokaro thermal plant, construction equipment for the Konar dam, and the transmission system.

48. The unified scheme for the development of the Damodar Valley now includes dams and reservoirs on the Damodar river and its tributaries to provide flood control, irrigation water for about 1.1 million acres, and power and water for industrial and domestic uses. The area covered by the scheme extends about 125 miles north and 100 miles south of the Damodar river which empties into the Hoogly river about 30 miles south of Calcutta. The total drainage area covers 8,500 square miles while the area to be serviced with power and irrigation will be almost twice as large. It is part of the richest mineral and most highly developed industrial region in India and is a favorable site for a number of heavy industries using iron and steel and other basic raw materials. The development of these and related industries is dependent upon the availability of an adequate supply of electrical energy at reasonable rates.

49. The execution of the Damodar Valley scheme is in the hands of the Damodar Valley Corporation (DVC). It was patterned after the Tennessee

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* Additional data may be found in the following Reports previously circulated to the Executive Directors:
- (a) R-308 - Loan Application - Loan Report - March 23, 1950
- (b) R-313 - Draft Loan Agreement and Draft Project Agreement - April 5, 1950
- (c) R-318 - President's Report and Recommendations - April 17, 1950

Valley Authority and was created by an Act passed in March 1948 as a public corporation. The DVC was established on July 7, 1948. The capital of the Corporation is provided by the Central Government and the State Governments of Bihar and West Bengal.

50. The Bokaro thermal plant is an essential part of the power development program for the Damodar Valley. It will provide about 38% of the ultimate capacity contemplated under the program. Its power will later be increased to 200,000 kw and will be integrated with the hydro power to provide firm power of about 300,000 kw to the Damodar Valley. It will be the largest thermal plant in India and will be the first to use pulverized coal.

51. The Konar dam 1/ will create a multi-purpose storage reservoir to provide cooling water for the Bokaro thermal plant, power and irrigation water. The capacity of the Konar hydro plant, which is not being financed by the Bank, has been increased from 10,000 kw to 40,000 - 50,000 kw, while plans for two other plants of 6,700 kw and 10,000 kw capacity, which were to be constructed at dams downstream, have been cancelled. The transmission lines, substations and switching stations will carry the energy throughout the Damodar Valley and adjacent territories. The system will also distribute power from hydroelectric plants at dams under construction by DVC, and the surplus power of 22,500 kw from the thermal plant at the Sindri Fertilizer Factory.

52. The total cost of the first phase of the unified scheme is now estimated by DVC to cost the equivalent of about $162.2 million (excluding interest during construction), of which $50.4 million is in foreign currency. The foreign exchange costs of the Bokaro-Konar project amounts to about $33.4 million, mainly in U. S. dollars, compared with an original estimate of about $31 million. The Bank is financing $18.5 million, while India is providing the balance from her own resources.

III. DEVELOPMENT OF THE PROJECT

53. A delay of eight months in declaring the loan effective occurred because of complications experienced by DVC in making the necessary arrangements for the supply of coal to the power plant.

54. In accordance with a condition of the Loan Agreement whereby satisfactory arrangements had to be made for the engineering supervision of the project, a Board of Engineering Consultants,approved by the Bank, was set up by DVC. This, however, was not accomplished until July 1950. The Chief Engineer was appointed in December 1950. Some administrative and organizational difficulties have been overcome and work is now progressing satisfactorily.

55. The Bokaro thermal plant, Konar dam and the transmission system have been accorded the highest priority by DVC, but construction work is also in progress on dams at Tilaiya, Maithon and the irrigation system and is about to start at Panchet Hill dam, all of which are part of the first phase of the unified scheme of development. The Bokaro plant will be expected to carry the base load of the entire system for the dry season with the hydro plants carrying the base load during the monsoon season.

1/ The Konar dam has since been changed into an earth-cum-concrete structure and will provide only irrigation and power benefits and no flood control.

56. The first unit of 50,000 kw for the Bokaro plant is scheduled for operation in the second half of 1952, and the entire power station by early 1953. Construction work is now at a peak level, and the schedule is being well maintained. Work on the barrage to direct cooling water into the power station was started in January 1951 and should be completed by June 1952.

57. Because the Konar dam will supply cooling water to the Bokaro plant, the construction of the dam has been closely coordinated with the work at the power station. Designs and supervision work have been entrusted to Messrs. Gruner Bros. of Basle, Switzerland and the contract for the construction work has been awarded to Indian contractors. Construction work began in March 1950 and should be completed by the end of 1953. By October 1952, the dam should reach an elevation of sufficient height to provide adequate storage of cooling water for one unit at Bokaro. Work on the hydro plant, which will be an underground station with a head of 550 feet approximately, has not yet commenced.

58. Work on the erection of the transmission system began in February 1950, and the entire system for the first phase should be completed by 1955. Work is being closely coordinated with work at Bokaro and Sindri, so that lines can be ready to distribute power from these sources as soon as it becomes available. About 140 miles have already been erected with eight sub-stations and the entire surplus power from Sindri is being distributed by the DVC.

IV. EFFECTS OF THE LOAN

59. Until the Bokaro steam plant goes into operation it is not possible to gauge the effects of the loan, but from a brief visit to the Damodar area by a Bank Mission during December 1951, it was apparent that many new industries are springing up based on the expectation of receiving cheaper power from DVC. There is little doubt that all the power to be generated by the Bokaro steam plant, and by the various hydro plants now under construction as part of the first phase of the development of the Damodar Valley, will be absorbed. The Bank loan should therefore prove to be a significant contribution in fostering the development of industries in a region whose abundant resources are not yet fully developed.

PART IV

POLITICAL CONDITIONS

60. On January 26, 1950, India ceased to be a Dominion, and became an independent Republic while continuing to maintain ties with the British Commonwealth. The Constitution of the new Republic is based on democratic principles and consolidates India politically into a federation of 28 states under a parliamentary form of government.

61. Although the cohesive force of the Congress Party has diminished in recent years because of the emergence of many difficult problems, some involving divergent opinions within the Party, it has successfully emerged as the strongest party in the recent elections. It can claim to have brought

independence to India and to have created a constitutional government where economic, social, and political advancement may be realized with due regard to the wishes of the people. Its platform is middle-of-the-road in practice, moderately socialist in aspiration, and it is led by politicians well known for their work in the independence movement. Most important of all, the Congress Party is capable of carrying on the work of a government, a condition not met with by any of the other political parties at present.

62. While the Central Government will have the support of the Congress Party, which has an absolute majority in the House of the People, this cannot be said of some of the State Governments. Communists have made significant gains in Travancore-Cochin, Madras and Hyderabad, and the Governments in those States may have to include Communists with the possible result that their policies will deviate from those of the Central Government.

63. The tension between India and Pakistan following Pakistan's non-devaluation decision in September 1949 has been eased by the trade agreement of February 1951; but important issues between the two countries, particularly the future of Kashmir, remain unsolved. It should also be noted that Tibet has been brought into the orbit of the Peking Government, and that the situation in Nepal and Burma is a cause of concern to the Government of India.

PART V

Recent Economic and Financial Developments in India*

I. DOMESTIC PRODUCTION AND ECONOMIC DEVELOPMENT

64. Food and Agriculture.- The present area of India has long been a deficit food region. The food problem has been aggravated in the postwar period by the transfer of surplus grain areas to Pakistan, by a series of poor monsoons, by increased consumption on the farm and by the steady growth of population. Domestic grain supplies were particularly short in the past year because of crop damage and loss resulting from a combination of natural calamities in 1950/51. In view of this situation the Government has dropped its previously announced objective of achieving self-sufficiency in grains by 1952. Grain imports in 1951 reached the record level of over 4.5 million tons, which included part of the grain being financed from a loan of $190 million from the U. S. Government. Large foreign grain purchases are again expected in 1952. It is now estimated that grain imports of at least 3 million tons annually will be necessary for the next few years. Meanwhile

*Note: Additional data may be found in the following reports previously circulated to the Executive Directors:

(a) E-37/49 - India's Creditworthiness, May 1949
(b) E-60A - Recent Economic Development in India, March 12, 1949
(c) E-85 - Summary of Economic and Financial Developments in India in the last half of 1949, March 17, 1950
(d) E-207A - The Five-Year Plan of India and India's Creditworthiness, February 14, 1952
(e) E-208A - The Agricultural Development of India with Special Reference to the Five-Year Plan, February 14, 1952

India is placing expanded agricultural production in the forefront of its economic development objectives. The target for additional food-grain production is about 7 million tons per annum by 1956. It remains to be seen whether the target will be fully achieved in this period.

65. Partition also separated from India the greater part of the jute growing areas and a substantial part of the raw cotton lands. Subsequent strained relations with Pakistan have interfered with the former flow of these raw materials, especially during the post-devaluation break in trade relations between the two countries. Consequently, a policy of increasing the domestic supplies of raw jute and of restoring raw cotton production to prewar levels has been adopted, and the output of both these and other cash crops has increased in the past two years. This policy, however, raises the important problem of maintaining a balanced development of both cash crops and grains. Until recently it would appear that price incentives to increase production of various cash crops have been greater than for food grains. General downward price movements in early 1952 have, however, tended to correct this disparity in price relationships since wholesale cash crop prices have fallen sharply while those of food grains have remained relatively stable.

66. Industry - Industrial production in 1951 was well above the level of previous years and almost 25% higher than before the war. Nearly all manufacturing lines have recorded a steady increase since 1948 except the important jute goods and cotton textile industries which have been hampered by raw material shortages. The cotton textile industry showed a substantial improvement in 1951 but in jute manufacturing gains in output were very slight. This year with a large domestic jute crop and increased jute imports from Pakistan the raw material position of the jute industry is likely to be much more favorable. In other industrial lines manufacturing capacity has been steadily increased partly through Government investment but especially by private industrial expansion. The recent decision of private foreign companies to establish three large new oil refineries is a significant event from the standpoint of India's industrial capacity and of increasing the flow of foreign private investment as well.

67. Economic Development - India's five-year plan of economic development is divided into two parts. The first part involves public expenditure of Rs. 14,930 million ($3,135 million), and is intended by the Government to be implemented whether or not additional foreign assistance will become available. Execution of the second part, estimated to cost Rs. 3,000 million ($630 million), is contingent on the amount of foreign financial aid which may be forthcoming.

68. The pattern of investment of the Five-Year Plan follows the lines of economic development in India since 1948. Total public expenditure in the first part of the plan is divided as follows:

	%
Agriculture, rural development irrigation and power	43.0
Transportation and Communications	26.1
Industry	6.7
Social Capital	24.2
	100.0

The small amount for industry is in addition to the substantial investment contemplated in the private sector where major responsibility for industrial development is placed.

69. Targets of the plan for increased production of various commodities during the five-year period are as follows:

(Base Year 1949 - 50)

	Per Cent Increase in Production by 1956		Per Cent Increase in Production by 1956
Food grains	15.0	Cement	69.0
Oil seeds	7.5	Steel	30.0
Sugar	14.0	Heavy chemicals	80.0
Cotton	45.6	Cotton textiles	20.0-25.0
Jute	66.7		

70. India expects to finance Rs. 11.2 billion of the total cost of the "first part" of the Five-Year Plan from current receipts of public authorities and other internal resources. Of the remaining gap of Rs. 3.7 billion, about a billion rupees are covered if account is taken of counterpart funds and financing for capital goods imports obtained from external assistance already received, including the U.S. Grain Loan and other U.S. aid and the Colombo Plan contributions made so far by Canada, Australia, and New Zealand. The rest of the gap would essentially involve direct foreign exchange expenditures on imported development goods for the public investment program. It could be covered from India's present sterling balances but in that case little additional sterling would be available from the balance to pay for an increase in imports of consumer goods or for imports of capital goods needed for development of the private sector. In view of these additional needs, it seems probable that India will incur balance of payments deficits during the five-year period which exceed available sterling balances and will, therefore, require further external financial assistance if the program is to be carried out as planned.

II. INTERNAL FINANCES

71. In addition to normal operating and administrative expenditures of Government, India has incurred heavy expenditures for defense, refugee rehabilitation, and economic development in recent years. Defense spending has amounted to about a quarter of total Central and State Government expenditures, while recent outlays on economic development have been of a larger magnitude. Already high rates of direct taxation have limited the possibilities for additional revenues from this source. Capital market funds have also been restricted by a number of factors, such as high taxation and redistribution of income in favor of lower income groups with less developed habits of saving and investment. Yet, in spite of these difficulties, the budgetary situation has developed rather favorably since Partition. The Government has maintained a consistent ordinary budget surplus, overall deficits have been smaller than expected, and the use of Government balances has been much less than forecast. In fiscal 1950/51 the Government achieved a balanced cash position for the first time since the war.

72. The 1951/52 Budget - Revised budget estimates show a far more favorable position than was originally forecast for fiscal 1951/52. The ordinary budget surplus is now expected to reach about Rs. 900 million rather than the previous estimate of Rs. 261 million, largely because of unexpectedly high levels of revenues from customs. This surplus is sufficient to cover about 55% of the estimated capital expenditures of the Central Government plus loans to the States for development purposes. The Government expects to close the year with only a negligible cash deficit, chiefly as a result of the improved ordinary position and the large income received from the domestic sale of imported grain financed by the loan from the U. S.

73. The 1952/53 Budget - The fiscal outlook for 1952/53 is somewhat less favorable. A substantial decline in revenues is expected largely because of a drop in customs receipts associated with smaller income from import duties, lower export prices, and a reduction in export duties. The duty on burlap was cut from Rs. 1500 to Rs. 750 a ton in February, 1952. More recently it has been cut further to Rs. 275 while the duty on jute sacking has been reduced from Rs. 350 to Rs. 175 a ton. The first budget estimate for 1952/53 tentatively forecasts an ordinary surplus of about Rs. 330 million which, in comparison with capital expenditures and development loans to the states of more than Rs. 1,500 million, will leave a large over-all deficit. Borrowing from small savings is again expected to continue the favorable trend of recent years but the outlook for market borrowing during 1952/53 is not considered promising. The effects of rising interest rates on the capital market situation in the future is as yet uncertain. In these circumstances a withdrawal of about Rs. 500 million from the Government's cash balances is foreseen. On March 28, 1952 these balances were about Rs. 1,800 million. The budget, however, makes provision for Government development expenditure at levels well in line with the estimated requirements of the five-year plan and no inflationary effect from the use of Government balances is likely in view of the counter influence of a probable balance of payments deficit.

74. Money and Prices - During most of the post-war period, the Indian economy has been under steady inflationary pressure arising from the large increase in purchasing power carried over from the war, a wider distribution of income, and limited supplies of consumer goods. This pressure has been checked to some extent by balance of payments deficits and direct administrative controls. The rate of price increases has generally been moderate except in 1948 during the temporary removal of price controls. During 1950 and early 1951, however, wholesale prices rose by almost 20% under the influence of new inflationary factors including devaluation of the Indian rupee in late 1949, a shift to a current balance of payments surplus, and a general world-wide price increase after mid-1950. This rise of wholesale prices in India was somewhat greater than in the U. S. but less than in the U. K. The rate of increase in the money supply was much smaller in this period mainly because of the favorable cash position of the Government.

75. Since April 1951 the rising price trend has been reversed. The wholesale price index declined by about 5% in May-December 1951 and then turned sharply downward to level off in the last two weeks of March, 1952 almost 15% below the index at the end of 1951. This sharp drop reflected

a general weakness in India's commodity, financial and bullion markets. It was the result of stringent monetary and credit policies together with the worldwide price recession from the peaks of the post-Korean boom.

76. This fall in prices has meant an adverse movement in India's terms of trade but it has also had salutary effects for the economy. It has pricked the bubble of feverish commodity speculation which had been widespread in India in the past year. It has also corrected price maladjustments which had developed out of post-war inflationary pressures. Not only have prices of agricultural cash crops fallen more closely into line with those of grains, but a large part of the previous distortions of high prices of raw material in relation to semi-manufactured and manufactured goods has also been corrected. This should provide a basis for improving the competitive position of India's exports, although export volume has been lagging in recent months because of a slump in overseas markets, especially for cotton textiles and, until March 1952, for manufactured jute.

III. EXTERNAL TRADE AND BALANCE OF PAYMENTS

77. The Trade Balance - Recent external trade figures[1/] are given below:

	(million rupees)		
	1949	1950	1951
Exports	4295	5871	7305
Imports	6402	5590	8702
Balance	-2107	+ 281	-1397
(US $ equivalent)	(-590)	(+59)	(-293)

78. The substantial trade deficit in 1949 resulted from rising food import requirements and a large backlog of demand for imported consumer goods, raw materials and capital equipment. Exports were hampered at the same time by production difficulties, home consumption needs, and relatively high export prices. The size of the deficit began to be reduced in the latter half of 1949 however and during the closing months of the year exports exceeded imports.

79. The trade surplus continued through 1950 and the first part of 1951. For 1950 as a whole exports exceeded imports by Rs. 281 million. This improvement was due partly to an increase in export prices but more especially to a sharp curtailment in the volume of imports which reduced supplies and stocks of foodstuffs, raw materials and many lines of manufactured goods.

80. In 1951 the value of imports rose sharply because of heavy food and cotton requirements, the necessity to replenish diminished stocks of other goods, and the general increase in import prices. Export earnings exceeded imports for the first half of the year but fell considerably short in the last half, resulting in an overall deficit for the year as a whole.

1/ Trade with Pakistan included in 1950 and 1951 but excluded in 1949. India's trade balance with Pakistan for the periods July-June 1948-49 and 1949-50 show deficits of Rs. 341 million and Rs. 57 million respectively.

81. Another and perhaps larger deficit seems probable this year. Large imports of food, raw cotton and other raw materials, and capital goods for development will again be necessary. Exports on the other hand are unlikely to exceed the 1951 level and may be smaller because of prices well below the 1951 average.

82. Dollar Trade - India's dollar trade improved in 1950 to a surplus of around $50 million compared with heavy dollar deficits in 1948 and 1949. However, in 1951 a large dollar trade deficit was again incurred. United States statistics show an import surplus for India in trade with the U. S. of $168 million. This largely reflects the continuation of substantial purchases of U. S. cotton, heavy imports of dollar grain, and a marked decline in exports to the U. S. in the latter half of 1951. The value of U.S. shipments of grain alone, under the U. S. grain loan, amounted to $106 million up to December 31, 1951. Buyer resistance to the Indian burlap price was a major factor in this dollar export drop. The reduction of the export duty on burlap in February and again in early May 1952 may have a stabilizing effect on the dollar market for jute although at considerably lower dollar prices than in 1951. Current burlap price quotations in New York are less than half the former U. S. ceiling price which has now been removed. American import volume, however, has recently increased after lagging for several months. Shipments of burlap from Calcutta to North America during March, 1952, were the largest for any month in more than a year and brought the volume for the first quarter of 1952 above that in the same period of 1951.

83. Balance of Payments - The table below shows India's balance of payments on current account for the last three years[1]:

	(in million rupees)		
	1949	1950	1951
Merchandise	-2107	+ 281	-1397
Invisibles	+ 332	+ 294	+ 462
Balance	-1775	+ 574	- 935

84. During the period July 1950-June 1951 the foreign exchange holdings of the Reserve Bank of India increased by Rs. 300 million ($63 million) to a level of Rs. 8,574 million ($1,800 million) at the end of June 1951. India's net contribution to the sterling area dollar reserves in this period was $78 million. Since June 1951 the total foreign exchange reserves have fallen by an equivalent of about $280 million through March 1952, but the fraction of this decline attributable to the dollar deficit is not yet known. The amount is far less than would be indicated by dollar

1/ Transactions with Pakistan included in 1950 and 1951 but excluded in 1949.

trade figures, due principally to the financing of dollar grain imports by the U. S. loan.

85. Concerning further use of sterling balances, India and the U. K. have agreed upon the transfer of sterling from the No. 2 (blocked) account to the No. 1 (current) account at the rate of £ 35 million a year during the six years ending in June 1957. The release of blocked sterling is to be maintained at this rate whether or not previous releases have been entirely utilized. A further transfer of £ 310 million to the No. 1 account has also been agreed upon but this is to be held as part of the currency reserve of the Reserve Bank of India, to be utilized only in case of emergency.

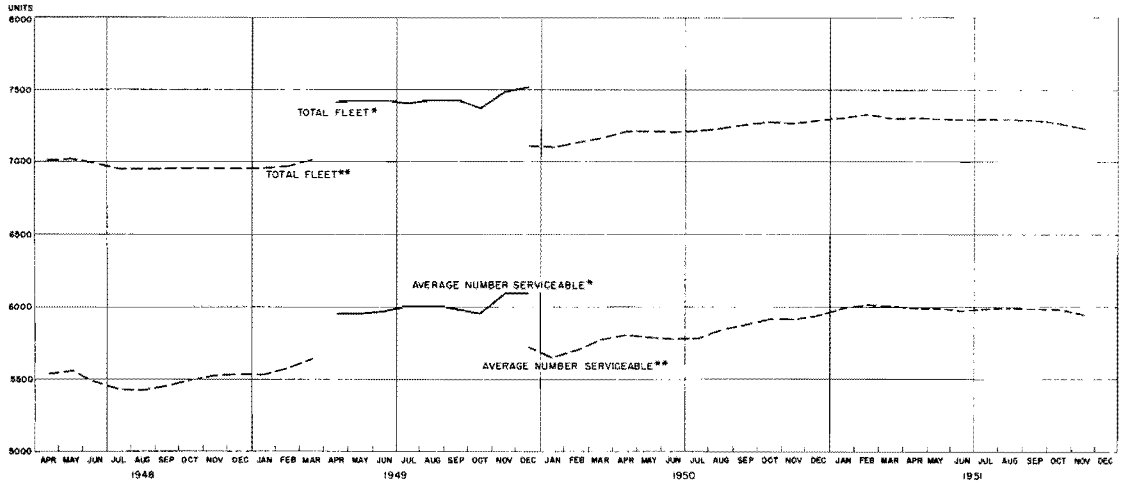
IV. SUMMARY

86. India's economic and financial problems arise essentially from inadequate domestic production in relation to the requirements of the growing population, the need for some improvement in living standards, and the large investment necessary for an accelerated development of the national resources. In the face of these problems India has adhered to a course of sound and stable financial policies and has maintained a satisfactory degree of economic stability while carrying forward a comprehensive and realistic program of economic development. The budgetary position in fiscal 1950/51 and 1951/52 and the 1950/51 balance of payments were particularly favorable under the buoyant economic influences of the world-wide trade boom in the latter half of 1950 and the first part of 1951. Meanwhile, steady gains in output have been made over a wide economic front including cash crops, industrial output as a whole, and in transport, power and mining. The most serious adverse development of the past two years has been the drop in food production, due to unfavorable weather, which has pushed grain import requirements to record levels.

87. More recently financial trends have been less favorable as the trade boom tapered off. Since May 1951 India's balance of payments has again reverted to a large current deficit as export earnings declined while imports of food, development goods and other materials have continued at a high level. An increase in the budget deficit is also forecast for the current year. These are patterns which are likely to continue for the next few years if India's objectives for essential economic development are to be realized. It seems probable that a large part of the internal and external deficits in the current year and in 1952-53 can be covered from India's internal financial resources and available sterling balances, and foreign financial assistance already granted. But the present pace of economic development can be maintained, without difficult economic and financial maladjustments, only if further external financial aid is forthcoming.

CHART I

MOTIVE POWER REPORT CHART
AVERAGE NUMBER SERVICEABLE
TOTAL FLEET

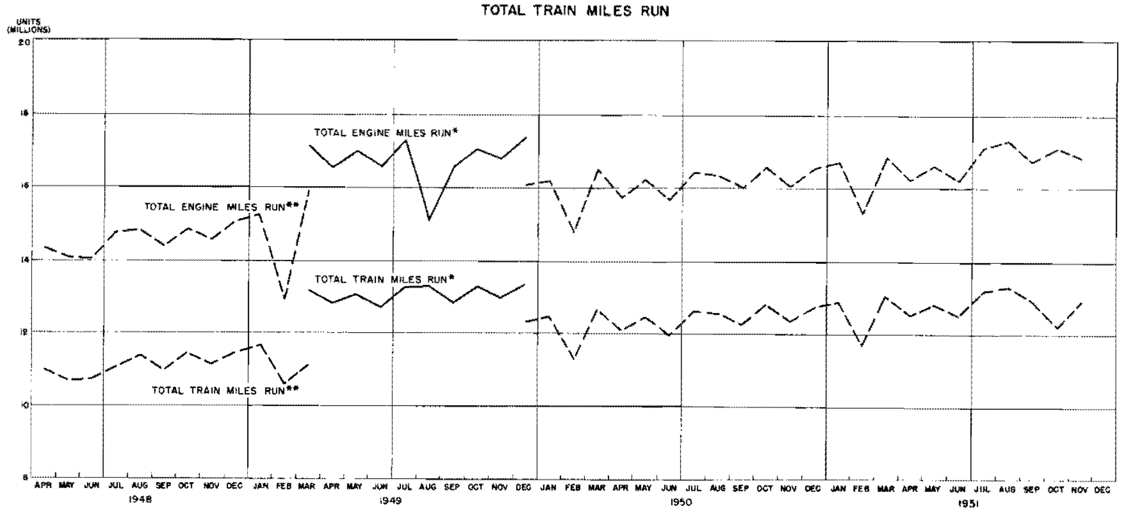


SOURCE: *COMPARATIVE ABSTRACT (INCLUDES GOVERNMENT OWNED & OPERATED RAILWAYS)
**RAILWAY BOARD STATISTICS (INCLUDES GOVERNMENT OWNED RAILWAYS)

I B R D END-USE, NOVEMBER, 1951

CHART II

TOTAL ENGINE MILES RUN
TOTAL TRAIN MILES RUN

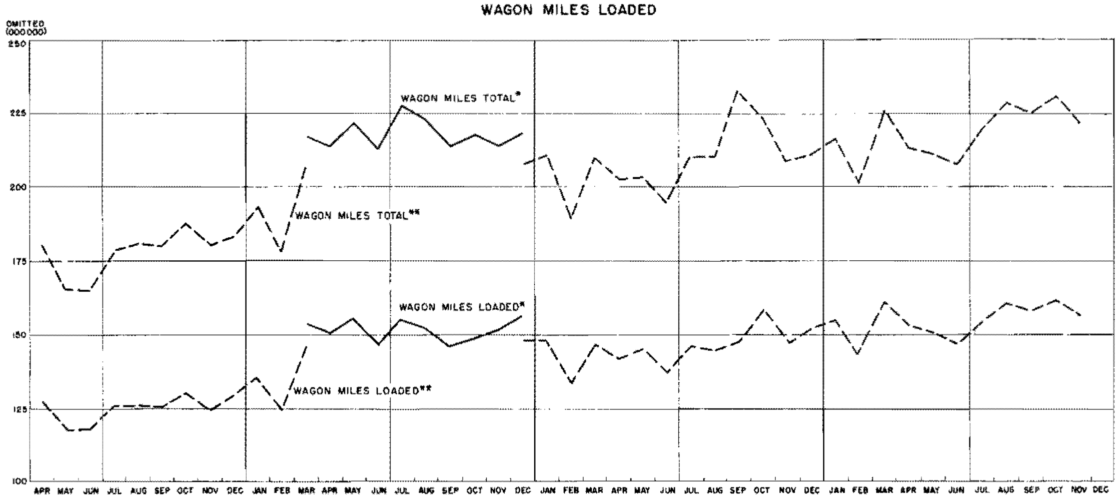


SOURCE: *COMPARATIVE ABSTRACT
**RAILWAY BOARD STATISTICS

I B R D END-USE, NOVEMBER, 1951

CHART III

WAGON MILES TOTAL
WAGON MILES LOADED



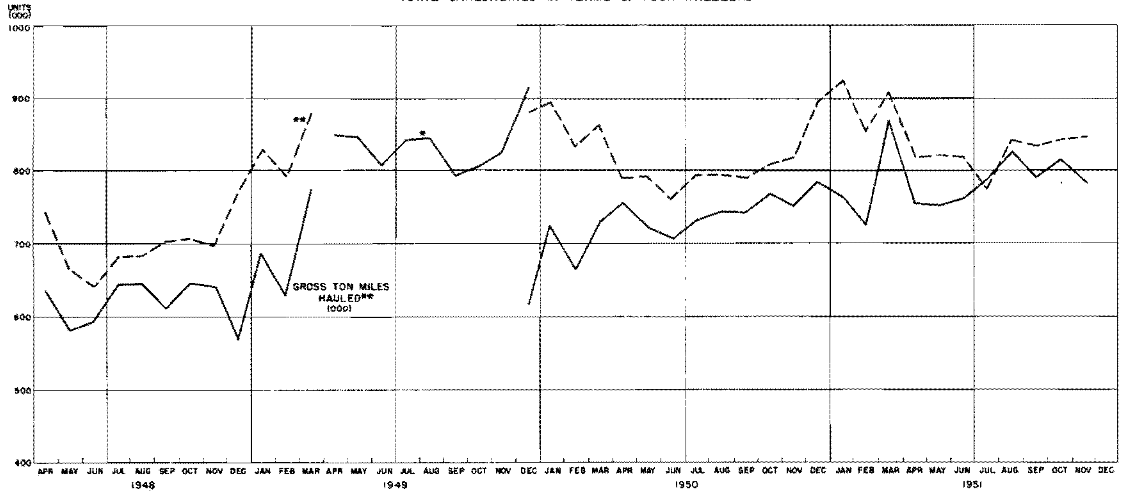
SOURSE: *COMPARATIVE ABSTRACT
**RAILWAY BOARD STATISTICS

I B R D END-USE, NOVEMBER, 1951

CHART IV

FREIGHT TRAFFIC CHART

TOTAL CARLOADINGS IN TERMS OF FOUR WHEELERS



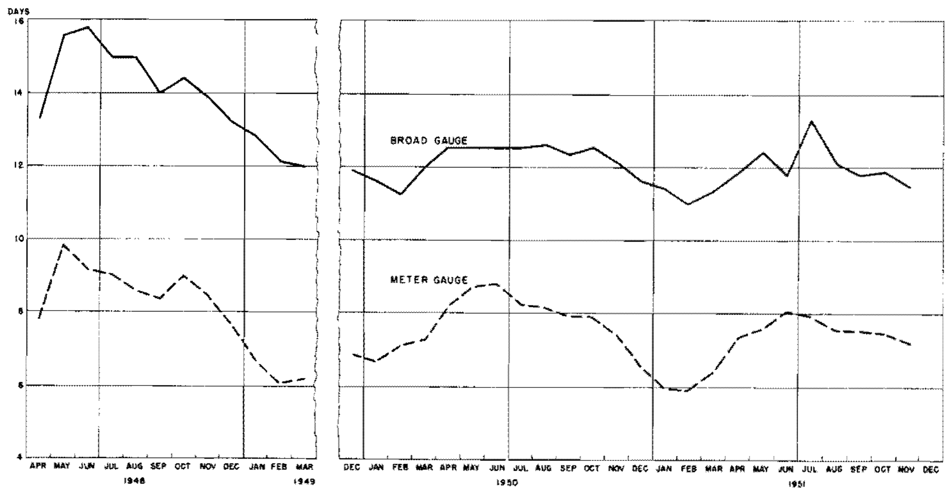
SOURCE: *RAILWAY BOARD'S SUMMARY
**RAILWAY BOARD STATISTICS

I.B.R.D. END-USE, NOVEMBER, 1951

CHART V

WAGON REPORT

WAGON TURN AROUND



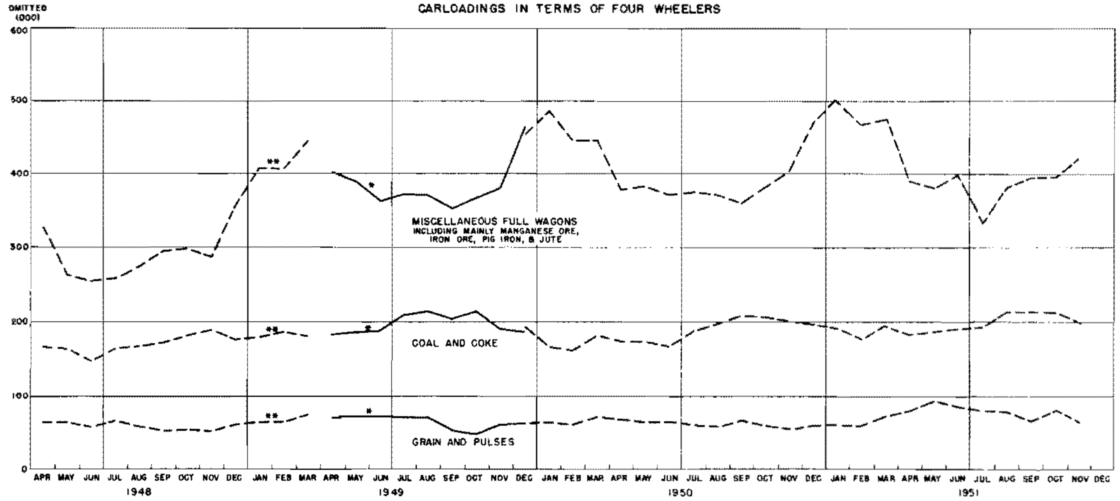
SOURCE: RAILWAY BOARD STATISTICS

I.B.R.D. END-USE, NOVEMBER, 1951

CHART VI

COAL AND COKE
GRAIN AND PULSES
MISC. FULL WAGONS

CARLOADINGS IN TERMS OF FOUR WHEELERS



SOURCE: *RAILWAY BOARD'S SUMMARY
**RAILWAY BOARD'S STATISTICS

I.B.R.D. END-USE, NOVEMBER, 1951