

be eager to extend assistance to coal but where are the borrowers? The State Finance Corporations should play an important role but matters are still 'under active consideration'. One cannot blame the financial institutions for they can give a mortgage loan only if what are called certificates of approval for transfer of mining rights are given in their favour by State Governments with Central approval. Bihar alone has done so, but with little or no follow-up.

Government has its well-known inhibitions about raising the price of coal which, it fears, will raise costs all round, though its own statistics show how small the importance of coal is in total costs — except in railways and steel. To be fair, the question before Government now is not whether but by how much prices should be raised. Nevertheless after giving the matter long and careful consideration (in the course of which, incidentally, four months were wasted in drawing up a performance bond which even the State Bank refused to endorse initially), Government has it seems, decided to offer a mixed package: a moderate increase in prices for higher grades of coal, a bonus to each mine which exceeds production norms, more river and road transport and simultaneously a weeding out of small mines. Nothing has been said specifically about easing the power supply for coal mines, though at one stage a suggestion was thrown out that, if the loan utilisation does not speed up, Rs 5-7 crores out of the loan could be surrendered and the World Bank requested to re-obligate it to power expansion in the coal belt, say, around, Dishergarh. Shri Malaviya has of course "firmly denied that any such suggestion was under consideration" but this denial probably holds good only for his own Ministry and that too till the end of July when the wait-and-see-period ends.

The mixed package has failed to amuse the industry. Producers of better grades want a straight increase in price with no strings about norms and grade percentages. Lower grade producers are disappointed for they may not get a price increase at all. The industry is not very sure that Government will accept even cost neutralisation in

full nor is it optimistic about river and road transport.

The progress of this unusual World Bank loan would have been very interesting, if it had moved. No other Bank loan to India, with

the exception of the first loan to ICICI in 1955, which carried practically no commitment charge, has suffered this fate. This is hardly good publicity, on the eve of a crucial meeting of the Aid India Consortium.

Consortium Meeting

Our Delhi Correspondent writes;

THE next meeting of the Aid-India Consortium on May 28 will be concerned primarily with disposing of the agenda which it was supposed to deal with at its meeting in January last. No decisions were taken at that meeting, largely as an aftermath of Goa, partly because a few more members were expected to join the Club and some of the founder-members like Germany had to be persuaded to raise their contributions. At its meeting in May-June last year, members of the Consortium committed themselves to total assistance of \$ 2,225 million for the first two years of the Third Plan. These commitments were subject to legislative sanction and signing of individual agreements. There is "necessarily a time lag between the commitment and the actual obligation. The U K credits of £ 32 million signed on May 23, for instance, are part of the £ 90 million commitment announced last year, of which £ 13 million has still to be obligated. The U S commitment of \$ 500 million for 1962-63 was conditional on other members, excluding IBRD and IDA raising an equal amount. The commitments made last year are given in the Table below

The contribution of the members other than U S for 1962-63 so far comes to \$ 280 million only. Consequently, there is a gap of \$ 220 million in matching the U S commitment. Hence the importance of filling the gap. How far it can be made up will be known only at the meeting itself. Additional contributions from Germany and U K are in a sense interdependent, for each would be keenly interested in what the other will give. The two countries might each give roughly \$ 20 million more. Canada is expected to offer another £ 10 million, and Japan \$ 10-15 million. Austria and Denmark might join the Club

with contributions of \$ 10 million and \$ 5 million respectively. These will make a total of \$ 75-80 million, probably a little more, if Sweden and Norway also come in. There is some obscurity about the Italian credit. Officially, the Italian Government has not given any — but nor have France and Japan. The E N I credit of \$ 96 million signed in August last year consists of two parts: \$ 45 million for projects already in the Plan and the remaining \$ 51 million for projects some of which were not in the Plan but which might be included now. So far the E N I credit has not been added to the Consortium commitments but now New Delhi is eagerly canvassing for its inclusion in order to fill the gap. There are two difficulties in getting this approved: (a) Italy is not yet a member of the Consortium and (b) part of the E N I credit is for projects outside the Plan for which New Delhi has promised not to seek assistance from the Consortium.

While it would be too optimistic, therefore, to expect a complete filling of the gap, there are very good reasons to hope that most of our requirements would be met. We can afford to leave some gap in the commitments for the present. What we cannot afford is the long delays that intervene between commitment, obligation and utilisation — and the short term project loans of the type that Japan offers, for instance.

| | 1961-62 | 1962-63 | Two year total |
|-----------------------|--------------|------------|----------------|
| Canada | 28 | 28 | 56 |
| France | 15 | 15 | 30 |
| West Germany | 225 | 139 | 364 |
| Japan | 50 | 30 | 80 |
| U K | 182 | 68 | 250 |
| U S | 545 | 500 | 1,045 |
| Total | 1,045 | 780 | 1,825 |
| IBRD & IDA | 250 | 150 | 400 |
| Grand Total | 1,295 | 930 | 2,225 |