

GOVERNMENT



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PRESS RELEASE

DEPARTMENT OF EXTERNAL AFFAIRS

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The Department of External Affairs announced today that agreement has been given to the proposal of the Government of India that additional counterpart funds arising from Canadian aid be allocated to the Mayurakshi hydro-electric and irrigation project in West Bengal.

In accordance with the Statement of Principles of 1951, which governs the co-operation of the two governments under the Colombo Plan, certain forms of Canadian assistance give rise to local currency proceeds which are known as counterpart funds. Where, for example the aid takes the form of commodities which are sold in the Indian market, the revenue from their sale is paid into a counterpart fund. Similarly, where Canadian assistance is in the form of equipment provided to the Government of India for use in a specific development project, this equipment is normally made available to the project by the Government of India on a loan basis and the repayment of such a loan is credited in due course to a counterpart fund. By agreement between the two governments, the counterpart funds generated by Canadian aid are used to assist in the local financing of specific Indian development projects.

The two governments had previously decided that the rupee proceeds from the sale of \$10 million worth of Canadian wheat, supplied to India under the Colombo Plan in 1951-52, should be devoted to the Mayurakshi project. It has now been agreed that the proceeds from the sale of \$5 million worth of Canadian wheat supplied to India in 1952-53 should also be used for this purpose, together with the counterpart funds arising from the provision of 50 locomotive boilers for the Indian railways.

This means that the total Canadian contribution to the Mayurakshi project in the form of counterpart funds will be about \$17 million. In addition, the Canadian Government is providing the project with hydro-electric equipment valued at about \$3 million. Altogether, therefore, Colombo Plan aid from Canada will have accounted for approximately two-thirds of a total project expenditure which is estimated at more than \$31 million.

On completion in 1955-56, the Mayurakshi project is expected to irrigate over 600,000 acres in the monsoon season and an average of 120,000 acres during the winter season. It is anticipated that the project will yield roughly 400,000 additional tons of food grains a year, worth about \$16 million, while some 2,000 kilowatts of firm electric power will be generated at the hydro-electric plant under construction on the Mayurakshi River.