

No. 4998

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
INDIA**

**Loan Agreement—Koyna Power Project (with annexed
Loan Regulations No. 3 and Project Agreement between
the Bank and the State of Bombay). Signed at Wash-
ington, on 8 April 1959**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
7 January 1960.*

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
INDE**

**Contrat d'emprunt — *Projet d'aménagement hydro-élec-
trique de la Koyna* (avec, en annexe, le Règlement n° 3
sur les emprunts et le Contrat relatif au Projet entre
la Banque et l'État de Bombay). Signé à Washington,
le 8 avril 1959**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 7 janvier 1960.*

No. 4998. LOAN AGREEMENT¹ (*KOYNA POWER PROJECT*)
BETWEEN INDIA AND THE INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT. SIGN-
ED AT WASHINGTON, ON 8 APRIL 1959

AGREEMENT, dated April 8, 1959, between INDIA, acting by its President (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS the Borrower and the State of Bombay have requested the Bank to assist in the financing of the Koyna power project in the State of Bombay;

WHEREAS the State of Bombay will, with the Borrower's assistance, carry out the Koyna power project, and, as part of such assistance, the Borrower will make available to the State the proceeds of the loan provided for herein; and

WHEREAS the Bank is willing to make a loan on the terms and conditions provided herein and in a project agreement of even date herewith between the State of Bombay and the Bank;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated June 15, 1956,² subject, however, to the modifications thereof set forth in Schedule 3³ to this Agreement (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Unless the context otherwise requires, the following terms shall have the following meanings :

¹ Came into force on 16 July 1959, upon notification by the Bank to the Government of India.

² See p. 150 of this volume.

³ See p. 148 of this volume.

- (a) "Electricity Board" means Bombay State Electricity Board, a body corporate organized and existing under the Electricity (Supply) Act, 1948 (LIV of 1948), of India, or any successor thereof.
- (b) "Bombay" means the State of Bombay, a state of India, or any successor thereof.
- (c) "Project Agreement" means the project agreement of even date herewith¹ between Bombay and the Bank.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to twenty-five million dollars (\$25,000,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth herein and in the Loan Regulations.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time. Such commitment charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

Section 2.04. The Borrower shall pay interest at the rate of five and three-fourths per cent ($5\frac{3}{4}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on May 1 and November 1 in each year.

¹ See p. 150 of this volume.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1¹ to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 2² to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

Section 3.02. The Borrower shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Borrower exclusively in the carrying out of the Project.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. A Secretary to the Government of India in the Ministry of Finance is designated as the authorized representative of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) The Borrower shall take or cause to be taken all action which shall be necessary on its part to enable Bombay to perform all the covenants and agreements on the part of Bombay to be performed as set forth in the Project Agreement.

¹ See p. 146 of this volume.

² See p. 148 of this volume.

Section 5.02. (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Section 5.03. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to : (a) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (b) any pledge of commercial goods to secure debt maturing not more than one year after its date and to be paid out of the proceeds of sale of such commercial goods; or (c) any pledge by the Reserve Bank of India of any of its assets in the ordinary course of its banking business to secure any indebtedness maturing not more than one year after its date.

Section 5.04. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes (including duties, fees or impositions) imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of, or duties or fees or impositions levied upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 5.05. The Loan Agreement, the Project Agreement and the Bonds shall be free from any taxes (including duties, fees or impositions) that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof and the Borrower shall pay all such taxes (including duties, fees or impositions), if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

Section 5.06. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified or referred to in paragraph (c) or paragraph (h) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Section 6.02. For the purposes of Section 5.02 (h) of the Loan Regulations, the following additional event is specified : a default shall have occurred in the performance of any covenant or agreement of Bombay under the Project Agreement.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified for the purposes of Section 9.01 (b) of the Loan Regulations :

(a) The execution and delivery of the Project Agreement on behalf of Bombay has been duly authorized or ratified by all necessary governmental action.

(b) Except as the Bank may otherwise agree, all necessary acts, consents and approvals to be performed or given by the Borrower and Bombay or otherwise in order to authorize the construction of the Project, with all necessary powers and rights in connection therewith, have been performed or given.

Section 7.02. The following are specified as additional matters, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank :

(a) that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, Bombay and constitutes a valid and binding obligation of Bombay in accordance with its terms.

(b) that all acts, consents and approvals of the Borrower and Bombay or otherwise to be performed or given in order to authorize the construction of the Project, with all necessary powers and rights in connection therewith, have been duly and validly performed or given.

Section 7.03. A date ninety days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be April 30, 1965.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

The Secretary, Ministry of Finance of India
New Delhi, India

Alternative address for cablegrams and radiograms :

Finance Ministry
New Delhi

For the Bank :

International Bank for Reconstruction and Development
1818 H. Street, N. W.
Washington 25, D. C.
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D. C.

Section 8.03. A Secretary to the Government of India in the Ministry of Finance is designated for the purposes of Section 8.03 of the Loan Regulations

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

India :

By M. C. CHAGLA

Authorized Representative

International Bank for Reconstruction and Development :

By W. A. B. ILIFF

Vice President

SCHEDULE 1 AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>
May 1, 1965	\$356,000	May 1, 1975	\$627,000
Nov. 1, 1965	366,000	Nov. 1, 1975	645,000
May 1, 1966	376,000	May 1, 1976	664,000
Nov. 1, 1966	387,000	Nov. 1, 1976	683,000
May 1, 1967	398,000	May 1, 1977	702,000
Nov. 1, 1967	410,000	Nov. 1, 1977	723,000
May 1, 1968	422,000	May 1, 1978	743,000
Nov. 1, 1968	434,000	Nov. 1, 1978	765,000
May 1, 1969	446,000	May 1, 1979	787,000
Nov. 1, 1969	459,000	Nov. 1, 1979	809,000
May 1, 1970	472,000	May 1, 1980	833,000
Nov. 1, 1970	486,000	Nov. 1, 1980	856,000
May 1, 1971	500,000	May 1, 1981	881,000
Nov. 1, 1971	514,000	Nov. 1, 1981	906,000
May 1, 1972	529,000	May 1, 1982	933,000
Nov. 1, 1972	544,000	Nov. 1, 1982	959,000
May 1, 1973	560,000	May 1, 1983	987,000
Nov. 1, 1973	576,000	Nov. 1, 1983	1,015,000
May 1, 1974	593,000	May 1, 1984	1,044,000
Nov. 1, 1974	610,000		

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in this column represent dollar equivalents determined for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 3 years before maturity	½ of 1%
More than 3 years but not more than 6 years before maturity	1%
More than 6 years but not more than 11 years before maturity	1¾%
More than 11 years but not more than 16 years before maturity	2½%
More than 16 years but not more than 21 years before maturity	3½%
More than 21 years but not more than 23 years before maturity	4¾%
More than 23 years before maturity	5¾%

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project, which comprises Stage I of the Koyna hydroelectric development located about 130 miles southeast of the city of Bombay, consists of :

- (1) A gravity type dam across the Koyna river. The dam will be about 2,600 ft. in length at its crest and about 250 ft. high above the present river bed. The dam will create a reservoir with a capacity of approximately 57,000 million cubic feet. Water from the reservoir will be diverted through tunnels and penstocks through the continental divide to an underground power plant.
- (2) A power plant with an initial installation of four 60 MW generating sets. All tailrace water will be emptied into the Vashisti river, adjacent to the plant, about 40 miles from the sea. The intake tunnel, surge tank, pressure shafts, powerhouse and tail-race will be constructed large enough for the installation at the time of Stage II of the Koyna hydroelectric development of an additional 240 MW. The plant will operate under an effective head of approximately 1,630 ft.
- (3) A double circuit 220 KV transmission line about 150 miles long to supply power to the Tata system in the Bombay-Poona area through a substation (375 MVA) located adjacent to the Trombay thermal power plant.
- (4) A transmission system consisting of about 44 miles of 220 KV line, about 200 miles of 110 KV line, about 210 miles of 33 KV and lower voltage lines, and not more than six substations to serve the Maharashtra region south, east and around Koyna.

SCHEDULE 3

MODIFICATIONS OF LOAN REGULATIONS No. 3

For the purposes of this Agreement the provisions of Loan Regulations No. 3 of the Bank, dated June 15, 1956, shall be deemed to be modified as follows :

- (a) Section 2.02 shall be deleted.
- (b) Section 6.17 shall be amended by inserting the words " or the Project Agreement " after the words " the Loan Agreement ".
- (c) Section 7.02 shall be amended by inserting the words " or the Project Agreement " after the words " the Loan Agreement ".
- (d) Paragraph 5 of Section 10.01 is amended to read as follows :

"5. The term ' Borrower ' means India, acting by its President. "
- (e) The following new paragraph is added to Section 10.01 :

20. The term ' Project Agreement ' means the Project Agreement (Koyna Power Project) between Bombay and the Bank and shall include any amendments made by agreement between Bombay and the Bank. "

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 JUNE 1956

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 280, p. 302.*]

PROJECT AGREEMENT
(*KOYNA POWER PROJECT*)

AGREEMENT, dated April 8, 1959, between the STATE OF BOMBAY, acting by its Governor (hereinafter called Bombay) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by a loan agreement of even date herewith¹ (hereinafter called the Loan Agreement) between India (hereinafter called the Borrower) and the Bank, the Bank has agreed to make to the Borrower a loan in various currencies equivalent to twenty-five million dollars (\$25,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that Bombay agree to undertake certain obligations to the Bank as hereinafter in this Project Agreement set forth; and

WHEREAS Bombay, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

DEFINITIONS

Section 1.01. Wherever used in this Project Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement and in the Loan Regulations (as so defined) shall have the respective meanings therein set forth.

Article II

PARTICULAR COVENANTS OF BOMBAY

Section 2.01. (a) Bombay shall carry out the Project with due diligence and efficiency and in conformity with sound engineering and financial practices.

¹ See p. 132 of this volume.

(b) To assist it in carrying out the Project, during the period of construction of the Project Bombay shall, where necessary, employ suitably qualified and competent engineering consultants. The selection of the consultants and the nature and scope of their responsibilities shall be the subject of agreement between Bombay and the Bank.

(c) Bombay shall furnish to the Bank, promptly upon their preparation, the plans and specifications and the construction schedule for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(d) Bombay shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound utility accounting practices the operations and financial condition of the agency or agencies of Bombay responsible for the construction or operation of the Project or any part thereof; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the operations and financial condition of the agency or agencies responsible for the construction or operation of the Project or any part thereof.

(e) Bombay shall keep or cause to be kept all records and accounts in respect of the Project and all records and accounts in respect of its operation separate and independent from any other records and accounts of Bombay or of the agency or agencies responsible for the construction or operation of the Project.

Section 2.02. (a) Bombay and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request.

(b) Bombay and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan. Bombay shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the performance by Bombay of its obligations under this Project Agreement or the obligations to be performed by it pursuant to the provisions of the Loan Agreement, or which shall increase or threaten to increase materially the estimated cost of the Project.

Section 2.03. Except as shall be otherwise agreed by Bombay and the Bank, Bombay shall import or cause to be imported into the territories of the Borrower all goods purchased with the proceeds of the Loan and shall use them there or shall cause them to be used there exclusively in the carrying out of the Project. Bombay shall obtain title to all such goods free and clear of all incumbrances.

Section 2.04. Bombay shall not, without the prior consent of the Bank, sell or otherwise dispose of any goods purchased or paid for out of the proceeds of the Loan.

Section 2.05. Bombay shall cause its plants, equipment and property to be operated and maintained and from time to time shall cause all necessary renewals and repairs thereof to be made, all in accordance with sound engineering standards; and shall at all

times cause its plants and equipment to be operated in accordance with sound business and public utility practices.

Section 2.06. As and when the facilities included in the Project are commissioned for operation, Bombay shall transfer them to the Electricity Board (or to any other competent authority constituted for the purpose of operating the Project), and shall take all steps necessary to ensure that such transfer is made on terms and conditions which will enable Bombay to perform or cause to be performed its obligations under this Project Agreement in respect of the Project.

Section 2.07. Bombay shall satisfy the Bank that adequate arrangements have been made to insure the goods financed out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Borrower, and to their delivery to the site of, and installation in, the Project.

Section 2.08. Bombay shall cause the rates for the sale of electricity generated by the Project to be set and maintained at such levels as may be necessary to ensure that the earnings of the Electricity Board (or of such other authority as Bombay shall have constituted for the purpose of operating the Project) derived from the operation of the Project, after provision for all operating expenses including taxes, adequate depreciation and interest, and repayment of all loans and advances ascribable to the Project insofar as this is not covered by depreciation, are sufficient to make a reasonable contribution towards the cost of expansion of the power facilities of the Electricity Board (or of such other authority), including the expansion of the Project.

Article III

EFFECTIVE DATE; TERMINATION

Section 3.01. This Project Agreement shall come into force and effect on the Effective Date. If, pursuant to Section 9.04 of the Loan Regulations, the Bank shall terminate the Loan Agreement, the Bank shall promptly notify Bombay thereof and upon the giving of such notice, this Project Agreement and all obligations of the parties hereunder shall forthwith cease and determine.

Section 3.02. If and when the entire principal amount of the Loan shall have been paid or caused to be paid by the Borrower (or shall have been cancelled), together with the redemption premium, if any, on the redemption of all Bonds which shall have been called for redemption and all interest and other charges which shall have accrued on the Loan and the Bonds, the Project Agreement and all obligations of Bombay and of the Bank hereunder shall forthwith terminate.

Article IV

MISCELLANEOUS PROVISIONS

Section 4.01. No holder of any Bond other than the Bank shall by virtue of being the holder thereof be entitled to exercise any of the rights conferred, or be subject to any of the conditions or obligations imposed, upon the Bank under this Project Agreement.

Section 4.02. Any notice, demand or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated

by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are :

(a) For Bombay :

The Secretary, Public Works Department
State of Bombay
India

Alternative address for cablegrams and radiograms

Bomworks
Bombay

(b) For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N. W.
Washington 25, D. C.
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D. C.

Section 4.03. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement on behalf of Bombay may be taken or executed by a Secretary to the Government of Bombay in the Public Works Department or such other person or persons as Bombay shall designate in writing.

Section 4.04. Bombay shall furnish to the Bank sufficient evidence of the authority of the person or persons who will, on behalf of Bombay, take any action or execute any documents required or permitted to be taken or executed by Bombay pursuant to any of the provisions of this Project Agreement and the authenticated specimen signature of each such person.

Section 4.05. This Project Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

IN WITNESS WHEREOF the parties hereto have caused this Project Agreement to be signed in their respective names by their representatives thereunto duly authorized and delivered in the District of Columbia, United States of America, as of the day and year first above written.

The State of Bombay :

By S. G. BARVE

Authorized Representative

International Bank for Reconstruction and Development:

By W. A. B. ILIFF

Vice President