

No. 6773

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
INDIA**

**Development Credit Agreement—*Fourth DVC Project* (with related letter, annexed Development Credit Regulations No. 1 and Project Agreement between the Association and the Damodar Valley Corporation). Signed at Washington, on 14 February 1962**

*Official text: English.*

*Registered by the International Development Association on 11 June 1963.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
INDE**

**Contrat de crédit de développement — *Quatrième Projet relatif à la Damodar Valley Corporation* (avec lettre y relative et, en annexe, le Règlement n° 1 sur les crédits de développement et le Contrat relatif au Projet entre l'Association et la Damodar Valley Corporation). Signé à Washington, le 14 février 1962**

*Texte officiel anglais.*

*Enregistré par l'Association internationale de développement le 11 juin 1963.*

No. 6773. DEVELOPMENT CREDIT AGREEMENT<sup>1</sup>  
(*FOURTH DVC PROJECT*) BETWEEN INDIA AND THE  
INTERNATIONAL DEVELOPMENT ASSOCIATION.  
SIGNED AT WASHINGTON, ON 14 FEBRUARY 1962

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AGREEMENT, dated February 14, 1962, between INDIA, acting by its President (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the International Bank for Reconstruction and Development has previously financed the foreign exchange costs of projects forming a part of a development program in the Damodar Valley and has entered into a Loan Agreement with the Borrower, dated April 18, 1950,<sup>2</sup> a Project Agreement with Damodar Valley Corporation, dated April 18, 1950,<sup>2</sup> a Loan Agreement with the Borrower, dated January 23, 1953,<sup>3</sup> a Project Agreement with Damodar Valley Corporation, dated January 23, 1953,<sup>3</sup> a Loan Agreement with the Borrower, dated July 23, 1958<sup>4</sup> and a Project Agreement with Damodar Valley Corporation, dated July 23, 1958;<sup>4</sup>

WHEREAS the Borrower and Damodar Valley Corporation have requested the Association to assist in financing a power project in the Damodar Valley; and

WHEREAS the Association is willing to make a development credit available on the terms and conditions provided herein and in a project agreement of even date<sup>5</sup> herewith between the Association and the Damodar Valley Corporation;

NOW THEREFORE the parties hereto agree as follows :

*Article I*

DEVELOPMENT CREDIT REGULATIONS; SPECIAL DEFINITIONS

*Section 1.01.* The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961,<sup>5</sup> subject, however, to the modifications thereof set forth in Section 1.02

<sup>1</sup> Came into force on 7 November 1962, upon notification by the Association to the Government of India.

<sup>2</sup> United Nations, *Treaty Series*, Vol. 155, p. 117.

<sup>3</sup> United Nations, *Treaty Series*, Vol. 201, p. 145.

<sup>4</sup> United Nations, *Treaty Series*, Vol. 317, p. 3.

<sup>5</sup> See p. 194 of this volume.

of this Agreement (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations), with the same force and effect as if they were fully set forth herein.

*Section 1.02.* (a) Paragraph 5 of Section 9.01 of the said Development Credit Regulations No. 1 is amended to read as follows :

“ 5. The term ‘Borrower’ means India, acting by its President. ”

(b) Section 6.02 of the said Development Credit Regulations No. 1 is amended by inserting the words “ or the Project Agreement ” after the words “ the Development Credit Agreement ”.

*Section 1.03.* Unless the context otherwise requires, the following terms, wherever used in this Agreement or in the Regulations, shall have the following meanings :

(a) “ Damodar ” means Damodar Valley Corporation, a corporation organized and existing under the laws of India.

(b) “ Fourth Project Agreement ” means the Project Agreement (Fourth DVC Project) of even date herewith between the Association and Damodar and shall include any amendments made by agreement between the Association and Damodar.

(c) “ Participating Government ” means the Borrower and the States of Bihar and West Bengal and any other government which shall be added as a participating government by amendment of the Damodar Valley Corporation Act, 1948, or any successor of any of the foregoing.

## Article II

### THE CREDIT

*Section 2.01.* The Association agrees to make available to the Borrower, on the terms and conditions in this Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to eighteen million five hundred thousand dollars (\$18,500,000).

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

*Section 2.03.* Except as the Borrower and the Association shall otherwise agree :

(a) The Borrower shall be entitled, subject to the provisions of this Agreement, to withdraw from the Credit Account (i) amounts expended for the reasonable cost of goods to be financed out of the proceeds of the Credit, and (ii) if the Association shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of the foregoing.

(b) No withdrawals shall be made on account of (i) expenditures prior to January 1, 1962 or (ii) expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower.

*Section 2.04.* The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1 %) per annum on the principal amount of the Credit withdrawn and outstanding from time to time. The Borrower shall also pay to the Association a service charge at the same rate on the principal amount outstanding of any special commitment entered into by the Association pursuant to Section 4.02 of the Regulations.

*Section 2.05.* Service charges shall be paid semi-annually on February 1 and August 1 in each year.

*Section 2.06.* The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual instalments payable on each February 1 and August 1 commencing August 1, 1972 and ending February 1, 2012, each instalment to and including the instalment payable on February 1, 1982 to be one-half of one per cent ( $\frac{1}{2}$  of 1 %) of such principal amount, and each instalment thereafter to be one and one-half per cent ( $1\frac{1}{2}$  %) of such principal amount.

### Article III

#### USE OF PROCEEDS OF THE CREDIT

*Section 3.01.* The Borrower shall cause the proceeds of the Credit to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 1<sup>1</sup> to this Agreement. The specific goods to be financed out of the proceeds of the Credit and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

*Section 3.02.* Except as the Borrower and the Association shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Credit to be used in the territories of the Borrower exclusively in the carrying out and operation of the Project.

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<sup>1</sup> See p. 190 of this volume.

*Section 3.03.* The Project will be carried out by Damodar in accordance with the Fourth Project Agreement.

#### *Article IV*

##### PARTICULAR COVENANTS

*Section 4.01.* (a) The Borrower shall cause the Project to be carried out and completed with due diligence and efficiency and in conformity with sound engineering and financial practices.

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

(c) To assist in establishing accounting procedures consistent with commercial operation of Damodar power facilities, the Borrower shall cause Damodar to employ a suitably qualified firm of chartered accountants. The selection of the chartered accountants, the period of their employment, and the nature and scope of their responsibilities shall be subject to agreement between the Association and Damodar.

(d) The Borrower shall at all times make or cause to be made available to Damodar, promptly as needed, all sums which shall be required for the carrying out and completion of the Project, all such sums to be made available on terms and conditions satisfactory to the Borrower and the Association.

*Section 4.02.* (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit 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 Credit. 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 Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof.

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

*Section 4.03.* The principal of, and service charges on, the Credit 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 and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

*Section 4.04.* This Agreement and the Fourth Project Agreement 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, delivery or registration thereof.

*Section 4.05.* The Borrower shall cause to be provided the funds necessary to replace or repair any goods purchased in whole or in part with the proceeds of the Credit which shall be damaged, destroyed or lost.

### Article V

#### REMEDIES OF THE ASSOCIATION

*Section 5.01.* (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (b) of Section 5.02 of the Regulations or in Section 5.02 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time during the continuance thereof the Association, at its option, may declare the principal of the Credit 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 to the contrary notwithstanding.

*Section 5.02.* For the purposes of Section 5.02 (j) of the Regulations, the following additional event is specified: a default shall have occurred in the performance of any covenant or agreement of Damodar under the Fourth Project Agreement or under any other project agreement in force between Damodar and the Bank.

### Article VI

#### EFFECTIVE DATE; TERMINATION

*Section 6.01.* The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 8.01 (b) of the Regulations:

(a) The execution and delivery of the Fourth Project Agreement on behalf of Damodar shall have been duly authorized or ratified by all necessary corporate and governmental action.

(b) Damodar shall have employed a suitably qualified firm of chartered accountants pursuant to Section 4.01 (c).

(c) All necessary acts, consents and approvals to authorize the construction and operation of the Project by Damodar with all necessary powers and rights in connection therewith shall have been performed or given.

*Section 6.02.* The following are specified as additional matters, within the meaning of Section 8.02 (b) of the Regulations, to be included in the opinion or opinions to be furnished to the Association :

(a) that Damodar has full power and authority to construct and operate the Project and has all necessary rights and powers in connection therewith and that all acts, consents and approvals of each Participating Government necessary therefor have been duly and validly performed or given;

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

*Section 6.03.* A date ninety days after the date of this Agreement is hereby specified for the purposes of Section 8.04 of the Regulations.

### *Article VII*

#### MISCELLANEOUS

*Section 7.01.* The Closing Date shall be December 31, 1966, or such other date as may from time to time be agreed between the Borrower and the Association.

*Section 7.02.* The following addresses are specified for the purposes of Section 7.01 of the 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 Association :

International Development Association  
1818 H Street, N.W.  
Washington 25, D.C.  
United States of America

Alternative address for cablegrams and radiograms :

Indevas  
Washington, D.C.

*Section 7.03.* A Secretary to the Government of India in the Ministry of Finance is designated for the purposes of Section 7.03 of the Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Development Credit 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 B. K. NEHRU  
Authorized Representative

International Development Association :

By J. Burke KNAPP  
Vice President

## SCHEDULE 1

### DESCRIPTION OF THE PROJECT

#### A. *Durgapur Thermal Power Station*

The Durgapur thermal station is near Oyaria railway station about 100 miles north-west of Calcutta and adjacent to the Durgapur steel plant, in the Damodar Valley. To existing 2 × 75 MW installation will be added one hydrogen cooled turbo-generator with a maximum continuous capacity of about 140 MW, designed to operate on the unit system with its own condenser, circulating water and condensate pumps, steam generator, transformers and other auxiliary equipment.

The reheat turbine will operate at an inlet steam pressure of about 1800 p.s.i. at 1000°F and reheat to 1000°F.

The single steam generator will be semi-outdoor with an evaporative capacity of about 960,000 lbs. per hour. It will be the dry bottom type designed to burn low grade coal from nearby mines and middlings from coal washeries.

The turbo-generator will be directly connected to an outdoor type power transformer of about 165 MVA, which will step up the generator voltage to 138 kv. The high voltage side of the transformer will be connected with the high voltage busbar through 138 kv circuit breakers.

#### B. *Transmission System*

Transmission line construction will comprise about 5 miles of 132 kv double circuit line and about 12 miles of 33 kv line.



The substations at Durgapur, Bokaro, Chandrapura, Sindri, Kalipahari, Ramgarh, Luchipur, Ramkanali, Burdwan, Oyaria and Maithon will be modified and extended.

A central load dispatch and system control station will be constructed at Maithon.

It is expected that the Project will be completed by the end of 1965.

## LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBASSY OF INDIA  
WASHINGTON, D.C.

February 14, 1962

International Development Association  
1818 H. Street, N.W.  
Washington 25, D.C.

Gentlemen :

### Re : *Currency of Payment*

We refer to the Development Credit Agreement (Fourth DVC Project) of even date<sup>1</sup> between us and to Section 3.02 of the Regulations referred to therein. Pursuant to such Section, we hereby request your agreement as follows :

- (i) Except as hereinafter provided, the principal amount of, and service charges on, the Credit provided for in such Agreement shall be payable in the currency of the United Kingdom of Great Britain and Northern Ireland.
- (ii) If at any time we shall desire that, commencing with a given future payment date, such principal and service charges shall be payable in an eligible currency other than that specified in (i) (or other than one designated under this clause (ii) ) we shall deliver to the Association, not less than 3 nor more than 5 months prior to such payment date, a notice in writing to that effect and designating such other eligible currency, whereupon the currency so designated shall, commencing with such payment date, be the currency in which such principal and service charges shall be payable.
- (iii) If at any time the Association shall determine that a currency payable pursuant to the provisions of this letter is not an eligible currency, the Association shall so notify us in writing and furnish us with a list of eligible currencies.
- (iv) Within thirty days from the date of such notice we shall notify the Association in writing of our selection of a currency from such list in which payment shall be made, failing which the Association shall select a currency for such purpose from such list, whereupon, in either case, such principal and service charges shall, commencing with the payment date next succeeding such thirty day period, be payable in the currency so selected.

<sup>1</sup> See p. 178 of this volume.

- (v) Any designation or selection of a currency pursuant to the foregoing provisions shall be subject, in turn, to the provisions of this letter.
- (vi) For purposes of this letter, "eligible currency" means any currency of a member of the Association which the Association at the relevant time determines to be freely convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

India :  
By B. K. NEHRU  
Authorized Representative

*Confirmed:*

International Development  
Association :

By J. Burke KNAPP

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS WITH MEMBER  
GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 415, p. 68.*]

PROJECT AGREEMENT  
(*FOURTH DVC PROJECT*)

AGREEMENT, dated February 14, 1962, between INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and DAMODAR VALLEY CORPORATION (hereinafter called Damodar).

WHEREAS by an agreement of even date herewith (hereinafter called the Development Credit Agreement)<sup>1</sup> between India (hereinafter called the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to eighteen million five hundred thousand dollars (\$18,500,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Damodar agree to undertake certain obligations to the Association as hereinafter provided; and

<sup>1</sup> See p. 178 of this volume.

WHEREAS Damodar, in consideration of the Association's entering into the Development Credit 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 Agreement, unless the context shall otherwise require, the several terms defined in the Development Credit Agreement and in the Regulations<sup>1</sup> (as so defined) shall have the respective meanings therein set forth.

### *Article II*

#### PARTICULAR COVENANTS OF DAMODAR

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

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

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

(d) Damodar shall maintain records (either as provided by the Damodar Valley Corporation Act, 1948, as amended, or, where necessary, supplementary records) adequate to identify the goods financed out of the proceeds of the Credit, 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 Damodar (including the respective financial results of its power, irrigation and flood control operations), shall enable the Association's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project, the goods, and the operations and financial condition of Damodar.

(e) To assist in establishing accounting procedures consistent with commercial operation of its power facilities, Damodar shall employ a suitably qualified firm of chartered accountants. The selection of the chartered accountants, the period of their em-

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<sup>1</sup> See p. 194 of this volume.

ployment, and the nature and scope of their responsibilities shall be the subject of agreement between the Association and Damodar.

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

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

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

*Section 2.04.* Damodar shall not, without the prior consent of the Association, sell or otherwise dispose of any goods purchased or paid for in whole or in part out of the proceeds of the Credit.

*Section 2.05.* (a) Damodar shall satisfy the Association that adequate arrangements have been made to insure the goods financed out of the proceeds of the Credit against risks incident to their purchase and importation into the territories of the Borrower and to the delivery thereof to the site of the Project.

(b) In addition, Damodar shall insure against such risks and in such amounts as shall be consistent with sound business and public utility practices.

*Section 2.06.* (a) Damodar shall take all steps within its power to maintain its existence and right to carry on operations and shall, except as the Association shall otherwise agree, take all steps necessary to maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business.

(b) Damodar shall operate and maintain its plants, equipment and property, and from time to time make all necessary renewals and repairs thereof, all in accordance with sound engineering standards; and shall at all times manage its affairs, operate its plants and equipment and maintain its financial position in accordance with sound business and public utility practices.

*Section 2.07.* Damodar shall set and maintain rates for the sale of electricity at such levels as may be necessary to provide revenues sufficient to cover all operating expenses of its power facilities, including adequate maintenance, straight-line depreciation and taxes and to provide a reasonable return on the net fixed power assets in operation.

*Article III*

## EFFECTIVE DATE; TERMINATION

*Section 3.01.* This Agreement shall come into force and effect on the Effective Date. If, pursuant to Section 8.04 of the Regulations, the Association shall terminate the Development Credit Agreement, the Bank shall promptly notify Damodar thereof and upon the giving of such notice, this 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 Credit shall have been paid or caused to be paid by the Borrower (or shall have been cancelled), together with service charges which shall have accrued on the Credit, this Agreement and all obligations of Damodar and of the Association hereunder shall forthwith terminate.

*Article IV*

## MISCELLANEOUS PROVISIONS

*Section 4.01.* Any notice, demand or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this 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 demand or request. The addresses so specified are :

(a) For Damodar :

Secretary, Damodar Valley Corporation  
Anderson House  
Calcutta 27  
India

Alternative address for cablegrams and radiograms :

Davallec  
Calcutta

(b) For the Association :

International Development Association  
1818 H Street, N.W.  
Washington 25, D.C.  
United States of America

Alternative address for cablegrams and radiograms :

Indevas  
Washington, D.C.

*Section 4.02.* Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of Damodar may be taken or executed by the Chairman of Damodar or such other person or persons as Damodar shall designate in writing.

*Section 4.03.* Damodar shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of Damodar, take any action or execute any documents required or permitted to be taken or executed by Damodar pursuant to any of the provisions of this Agreement and the authenticated specimen signature of each such person.

*Section 4.04.* This 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 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.

International Development Association :

*By* J. Burke KNAPP  
Vice President

Damodar Valley Corporation :

*By* B. K. NEHRU  
Authorized Representative

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