

No. 6941

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDIA**

Development Credit Agreement—*Second Koyna Power Project* (with related letter, annexed Development Credit Regulations No. 1 and Project Agreement between the Association and the State of Maharashtra). Signed at Washington, on 8 August 1962

Official text: English.

Registered by the International Development Association on 24 September 1963.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
INDE**

Contrat de crédit de développement — *Second projet d'aménagement hydro-électrique de la Koyna* (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 l'État de Maharashtra). Signé à Washington, le 8 août 1962

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 24 septembre 1963.

No. 6941. DEVELOPMENT CREDIT AGREEMENT¹ (*SECOND KOYNA POWER PROJECT*) BETWEEN INDIA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 8 AUGUST 1962

AGREEMENT, dated August 8, 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 the first stage of the Koyna hydroelectric development and has entered into a loan agreement with the Borrower and a project agreement with the State of Bombay (now the State of Maharashtra), both dated April 8, 1959 ;²

WHEREAS the Borrower and the State of Maharashtra have requested the Association to assist in the financing of the second stage of the Koyna hydroelectric development ;

WHEREAS the State of Maharashtra will, with the Borrower's assistance, carry out the second stage of the Koyna hydroelectric development and, as part of such assistance, the Borrower will make available to the State of Maharashtra the proceeds of the development credit provided for herein ; 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 date³ herewith between the State of Maharashtra and the Association ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

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, 1961,³ with the same force and effect as if they were fully set forth herein, subject, however, to the following

¹ Came into force on 24 October 1962, upon notification by the Association to the Government of India.

² United Nations, *Treaty Series*, Vol. 348, p. 131.

³ See p. 352 of this volume.

modifications thereof (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations) :

(a) Section 6.02 is amended by inserting the words "or the Project Agreement" after the words "the Development Credit Agreement".

(b) Paragraph 5 of Section 9.01 is amended to read as follows :

"5. The term 'Borrower' means India, acting by its President."

Section 1.02. Unless the context otherwise requires, the following terms wherever used in this Agreement or the Regulations shall have the following meanings :

(a) "Electricity Board" means Maharashtra 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) "Maharashtra" means the State of Maharashtra, a state of India, or any successor thereof.

(c) "Project Agreement" means the Project Agreement (*Second Koyna Power Project*) between Maharashtra and the Association and shall include any amendments made by agreement between Maharashtra and the Association.

(d) "Koyna system" means the Koyna hydroelectric development located about 130 miles south-east of the City of Bombay and shall include all present and future power generating and transmission facilities required for or associated with it.

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, development credit in an amount in various currencies equivalent to seventeen million five hundred thousand dollars (\$17,500,000).

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 April 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. Withdrawals from the Credit Account shall be in such freely convertible currency or currencies as the Association shall from time to time reasonably select.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($3/4$ 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 2.06. Service charges shall be paid semi-annually on January 15 and July 15 in each year.

Section 2.07. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual instalments payable on each January 15 and July 15 commencing January 15, 1973 and ending July 15, 2012, each instalment to and including the instalment payable on July 15, 1982 to be one-half of one percent ($1/2$ of 1%) of such principal amount, and each instalment thereafter to be one and one-half percent ($1\ 1/2\%$) 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 the Schedule¹ 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.

¹ See p. 348 of this volume.

Section 3.03. The Project will be carried out by Maharashtra in accordance with the Project Agreement.

Article IV

PARTICULAR COVENANTS

Section 4.01. (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 Maharashtra to perform all the covenants and agreements on the part of Maharashtra to be performed as set forth in the Project Agreement and shall not take, or permit any agency of the Borrower to take, any action that would prevent or interfere with the performance by Maharashtra of such covenants and agreements.

(c) The Borrower shall at all times make or cause to be made available to Maharashtra, 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, 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 Project Agreement shall be free from any taxes 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.

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 of the Regulations, the following additional event is specified : a default shall have occurred in the performance of any covenant or agreement of Maharashtra under the Project Agreement or under the project agreement between the State of Bombay (now Maharashtra) and the Bank, dated April 8, 1959.

Article VI

EFFECTIVE DATE ; TERMINATION

Section 6.01. The following events are specified for the purposes of Section 8.01 (b) of the Regulations :

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

(b) Except as the Association may otherwise agree, all necessary acts, consents and approvals to be performed or given by the Borrower and Maharashtra 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 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 the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, Maharashtra and constitutes a valid and binding obligation of Maharashtra in accordance with its terms.

(b) that all acts, consents and approvals of the Borrower and Maharashtra 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 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 June 30, 1968, 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
Department of Economic Affairs
New Delhi, India

Alternative address for cablegrams and radiograms :

Ecofairs
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 A. K. RAY
Authorized Representative

International Development Association :

By Eugene R. BLACK
President

SCHEDULE

DESCRIPTION OF THE PROJECT

The Project, which comprises Stage II of the Koyna system, consists of :

- (i) Continuing work on a gravity type dam, presently under construction across the Koyna river, to raise its height to the ultimate elevation of 2,180 feet above project datum. The dam will create a reservoir with a gross capacity of approximately 98,000 million cubic feet. Water from the reservoir will be diverted by tunnel and penstocks through the continental divide to an underground power house and after passing through the turbines will flow through a tailrace tunnel to the Vashisti river.
- (ii) Installation in the underground power house, constructed as a part of Stage I, of four 75 MW generating sets with the necessary transformers and associated equipment.
- (iii) Construction of a power house at the base of the Koyna dam, complete with two 20 MW generating sets, transformers, switchyard and associated equipment.
- (iv) Extension of the switchyard connected with the underground power house and the construction of a double circuit 220 kv transmission line about 45 miles long with terminal facilities at the proposed aluminum factory at Jaigad.
- (v) A 220 kv single circuit transmission line, with associated substations, from Koyna toward Bombay, the route and specifications to be agreed between Maharashtra and the Association.
- (vi) Load dispatching facilities.

The Project is expected to be completed by the end of 1967.

LETTER RELATING TO DEVELOPMENT CREDIT AGREEMENT

EMBASSY OF INDIA
WASHINGTON, D.C.

August 8, 1962

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

Credit No. 24 IN
Re : *Currency of Payment*

Gentlemen :

We refer to the Development Credit Agreement (*Second Koyna Power Project*) of even date¹ 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 three nor more than five 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.
- (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 con-

¹ See p. 336 of this volume.

vertible 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 A. K. RAY
Authorized Representative

Confirmed :

International Development
Association :

By Alexander STEVENSON

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

(*SECOND KOYNA POWER PROJECT*)

AGREEMENT, dated August 8, 1962, between the STATE OF MAHARASHTRA, acting by its Governor (hereinafter called Maharashtra) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS by a development credit agreement of even date¹ herewith (hereinafter called the Development Credit Agreement) 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 seventeen million five hundred thousand dollars (\$17,500,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Maharashtra agree to undertake certain obligations to the Association as hereinafter in this Project Agreement set forth ; and

WHEREAS Maharashtra, 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 :

¹ See p. 336 of this volume.

Article I

DEFINITIONS

Section 1.01. Wherever used in this Project Agreement, unless the context shall otherwise require, the several terms defined in the Development Credit Agreement shall have the respective meanings therein set forth.

Article II

PARTICULAR COVENANTS OF MAHARASHTRA

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

(b) To assist it in carrying out the Project, during the period of construction of the Project Maharashtra 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 Maharashtra and the Association.

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

(d) Maharashtra shall maintain or cause to be maintained 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 the agency or agencies of Maharashtra responsible for the carrying out of the Project or any part thereof; shall enable the Association's representatives to inspect the Project, the goods and any relevant records and documents and all other plants, sites, works, properties and equipment of Maharashtra utilized for the generation, transmission and distribution of electric power; 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 the agency or agencies responsible for the carrying out of the Project or any part thereof.

Section 2.02. (a) Maharashtra 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.

(b) Maharashtra and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit. Maharashtra 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 by Maharashtra of its obligations under this Project Agreement or the obligations to be performed by it pursuant to the provisions of the Credit 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 Maharashtra and the Association, Maharashtra : (a) shall use or cause to be used all goods purchased with the proceeds of the Credit exclusively in the carrying out of the Project ; (b) shall obtain title to all such goods free and clear of all incumbrances ; and (c) shall not sell or otherwise dispose of any goods purchased or paid for out of the proceeds of the Credit.

Section 2.04. Maharashtra shall insure or cause to be insured with responsible insurers all imported goods financed out of the proceeds of the Credit. Such insurance shall cover such marine, transit and other hazards incident to purchase and importation of such goods into the territories of the Borrower and delivery thereof to the sites of the Project, and shall be for such amounts, as shall be consistent with sound commercial practices. Such insurance shall be payable in the currency in which the cost of the goods insured thereunder shall be payable or in any convertible currency.

Section 2.05. As and when each of the facilities included in the Project is commissioned for operation, Maharashtra shall transfer it for operation and maintenance to the Electricity Board and shall take all steps necessary to ensure that such transfer is made on terms and conditions which will enable Maharashtra to perform or cause to be performed its obligations under this Project Agreement in respect of the Project or the Koyna system.

Section 2.06. (a) Maharashtra shall cause the Electricity Board : (i) to operate and maintain the Koyna system and all plants, equipment and property included therein and from time to time to make all necessary renewals and repairs thereof, all in accordance with sound engineering and public utility practices ; (ii) at all times to manage its affairs, operate its plants and equipment and maintain its financial position with respect to the Koyna system in accordance with sound business and public utility practices ; and (iii) to take out and maintain insurance with respect to the Koyna system against such risks and in such amounts as shall be consistent with sound business and public utility practices.

(b) Maharashtra shall : (i) cause the Electricity Board at all times to maintain records and accounts adequate to reflect the operations and financial condition of the Electricity Board with respect to the Koyna system in accordance with consistently maintained sound utility accounting practices ; (ii) enable the Association's representatives to inspect any relevant records and documents of the Electricity Board ; (iii) cause the financial statements (balance sheet and related statement of earnings and expenses) of the Electricity Board annually to be audited and certified in accordance with audit procedures satisfactory to the Association ; and (iv) cause certified copies of such audited statements to be transmitted to the Association promptly after their preparation and in any case not later than six months after the close of each financial year of the Electricity Board.

Section 2.07. Except as otherwise agreed between Maharashtra and the Association, Maharashtra shall cause the rates for the sale of electricity generated by the Koyna system to be set and maintained at such levels as may be necessary to provide : (a) revenues sufficient to cover all operating expenses of the Koyna system, including adequate

maintenance and depreciation and taxes, and (b) a reasonable return on facilities of the Koyna system.

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 8.04 of the Regulations, the Association shall terminate the Development Credit Agreement, the Association shall promptly notify Maharashtra 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 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 Project Agreement and all obligations of Maharashtra 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 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 Maharashtra :

The Secretary
Irrigation and Power Department
State of Maharashtra
Bombay 32
India

Alternative address for cablegrams and radiograms :

Irripoma
Bombay

(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 Project Agreement on behalf of Maharashtra may be taken or executed by a Secretary to the Government of Maharashtra in the Irrigation and Power Department or such other person or persons as Maharashtra shall designate in writing.

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

Section 4.04. 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 Maharashtra :

By N. G. K. MURTI
Authorized Representative

International Development Association :

By Eugene R. BLACK
President