

No. 7753

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDIA**

Development Credit Agreement—*Second Telecommunications Project* (with related letter and annexed Development Credit Regulations No. 1). Signed at Washington, on 6 July 1964

Official text: English.

Registered by the International Development Association on 10 May 1965.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
INDE**

Contrat de crédit de développement — *Deuxième projet relatif aux télécommunications* (avec lettre y relative et, en annexe, le Règlement n° 1 sur les crédits de développement). Signé à Washington, le 6 juillet 1964

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 10 mai 1965.

No. 7753. DEVELOPMENT CREDIT AGREEMENT¹ (*SECOND TELECOMMUNICATIONS PROJECT*) BETWEEN INDIA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 6 JULY 1964

AGREEMENT, dated July 6, 1964, between INDIA, acting by its President (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

Article I

CREDIT REGULATIONS

Section 1.01. The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961,² subject, however, to the following modifications thereof (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 :

(a) Section 3.01 is deleted and the following new section is substituted therefor :

“SECTION 3.01. *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (a) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of the proceeds of the Credit shall be paid in the respective currencies of the countries from which such goods are acquired.

“ (b) The proceeds of the Credit shall be withdrawn from the Credit Account :

“ (i) on account of expenditures in currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower, in such currency or currencies as the Association shall from time to time reasonably select;

“ (ii) in all other cases, in the currency in which the cost of the goods financed out of such proceeds has been paid or is payable.

¹ Came into force on 4 August 1964, upon notification by the Association to the Government of India.

² See p. 68 of this volume.

“(c) The Borrower and the Association may from time to time agree on any other currency in which withdrawals shall be made.”

(b) A new Section 3.04 is inserted after Section 3.03 as follows :

“SECTION 3.04. *Purchase of Currency of Withdrawal with Other Currency.* If withdrawal shall be made in any currency which the Association shall have purchased with another currency for the purpose of such withdrawal, the portion of the Credit so withdrawn shall be deemed to have been withdrawn from the Credit Account in such other currency for the purposes of Section 3.03.”

(c) Section 3.04 is renumbered as Section 3.05.

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

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

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 thirty-three million dollars (\$33,000,000).

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, the Borrower shall be entitled, subject to the provisions of this Agreement and the Regulations, to withdraw from the Credit Account :

(a) the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower and the Association of such amounts as shall have been paid for the reasonable cost of locally manufactured goods to be financed under this Agreement, such percentage or percentages to represent the foreign exchange component of such cost; and

(b) such amounts as shall have been paid (other than for local currency expenditures) for the reasonable cost of imported goods to be financed under this Agreement and, if the Association shall so agree, such amounts as shall be required by the Borrower to meet payments to be made for the reasonable cost of such goods;

provided, however, that no withdrawals shall be made on account of : (i) expenditures prior to January 1, 1964; or (ii) expenditures for locally manufactured goods major contents of which have been manufactured or purchased in the territories of any country (other than Switzerland) which is not a member of the International Bank for Reconstruction and Development.

As used in this Section, the term “ local currency expenditures ” means 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 of any special commitment entered into by the Association pursuant to Section 4.02 of the Regulations and outstanding from time to time.

Section 2.05. Service charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.06. The Borrower shall repay the principal amount of the Credit in semi-annual instalments payable on each January 15 and July 15 commencing January 15, 1975 and ending July 15, 2014, each instalment to and including the instalment payable on July 15, 1984, 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 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. 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.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall cause the Project to be carried out, operated and maintained with due diligence and efficiency and in conformity with sound engineering, public utility and financial practices.

(b) Upon request from time to time by the Association, the Borrower shall promptly furnish or cause to be furnished to the Association the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall request.

(c) The Borrower shall at all times make or cause to be made available promptly as needed all sums which shall be required for the carrying out of the Project.

(d) The Borrower shall: (i) 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 accounting practices the operations and financial condition with respect to the Project of the agency or agencies of the Borrower responsible for the carrying out of the Project or for the operation of the telecommunications facilities of the Borrower, or any part thereof; (ii) enable the Association's representatives to inspect the Project, the goods, the Telecommunications Branch of the Posts and Telegraphs Department of the Borrower, the Indian Telephone Industries Limited, the Hindustan Cables Limited, the Hindustan Teleprinters Limited, any agency or agencies of the Borrower responsible for the carrying out of the Project or the operation of the telecommunications facilities of the Borrower to which the Program referred to in Schedule 1¹ to this Agreement relates, or any part thereof, and any relevant records and documents; and (iii) furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the Project, and the goods, and the operations and financial condition with respect to the Project of the agency or agencies of the Borrower responsible for the carrying out of the Project or the operation of the telecommunications facilities of the Borrower to which the Program referred to in Schedule 1 to this Agreement relates, or any part thereof.

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

¹ See p. 64 of this volume.

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 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, issue, delivery or registration thereof.

Section 4.05. (a) Except as the Borrower and the Association shall otherwise agree, the Borrower shall insure or cause to be insured the goods financed out of the proceeds of the Credit against such risks and in such amounts as shall be consistent with sound business and public utility practices.

(b) In particular, the Borrower shall satisfy the Association that adequate arrangements have been made to insure the imported goods financed out of the proceeds of the Credit against risks incident to their purchase and importation into the territories of the Borrower.

Section 4.06. The Borrower shall operate and maintain its telecommunications facilities, and from time to time make all necessary renewals and repairs thereof, all in accordance with sound public utility and engineering practices.

*Article V*MODIFICATION OF DEVELOPMENT CREDIT AGREEMENT
(*Telecommunications Project*) DATED SEPTEMBER 14, 1962¹

Section 5.01. The Development Credit Agreement (*Telecommunications Project*) between India and the Association, dated September 14, 1962,¹ is amended as follows :

1. By the deletion of Section 5.02 and the substitution therefor of a new Section 5.02 reading exactly like Section 6.02 of this Agreement.

2. By the deletion of Schedule 1 to said Development Credit Agreement as amended and the substitution therefor of a new Schedule 1 reading exactly like Schedule 1 to this Agreement.

Article VI

REMEDIES OF THE ASSOCIATION

Section 6.01. (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 6.02 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 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 6.02. For the purposes of Section 5.02 of the Regulations, the following additional events are specified : (a) there shall not have been made from time to time such adjustments in the telecommunications tariffs of the Borrower as may be necessary to provide funds sufficient (i) to cover all cash operating expenses of its telecommunications facilities, including adequate maintenance, capital-at-charge payments and gross contributions to the Renewal Reserve Fund for such facilities, and (ii) to meet, together with withdrawals from the Renewal Reserve Fund, a reasonable portion of the cost of the expansion and replacement of such facilities; and (b) a review of such tariffs shall not have been made when necessary but in any case at least once a year, in order to verify that such tariffs are appropriate to provide the Borrower with such funds.

¹ United Nations, *Treaty Series*, Vol. 448, p. 3.

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 to the Government of India
Ministry of Finance, Department of Economic Affairs
New Delhi, India

Alternative address for cables and radiograms :

Ecofairs
New Delhi

For the Association :

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cables 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.

Section 7.04. A date sixty days after the date of this Agreement is hereby specified for the purposes of Section 8.04 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 George D. WOODS
President

SCHEDULE 1

DESCRIPTION OF THE PROJECT

The Project is the Program which is included in the Borrower's Third Five-Year Plan (ending March 31, 1966) for the rehabilitation, modernization and expansion of the telecommunications facilities owned and operated by the Borrower.

The Project comprises the following main items :

I. *Urban Telephone Service*

- (a) installation of about 625,000 new telephone sets, of which about 350,000 will be additions and the rest replacement of existing sets;
- (b) installation of about 6,000 new private branch exchanges;
- (c) installation of new central automatic exchanges in various locations, totalling about 375,000 lines, of which about 20,000 will be in replacement of existing automatic exchanges;
- (d) installation of new manual exchanges in various locations totalling about 75,000 lines, of which about 29,000 would be in replacement of existing manual exchanges; and
- (e) improvement and expansion of the urban networks.

II. *Interurban Telephone Service*

- (a) installation of about 6,100 kilometers of coaxial cable and about 2,600 kilometers of radio links with related accessory equipment;
- (b) construction of about 20,000 kilometers of new pole lines and a substantial increase in the number of channels on the existing and new pole lines through the installation of new carrier equipment; and
- (c) expansion of the capacity of the automatic trunk exchanges and of the manual trunk switchboards.

III. *Telegraph Service*

- (a) construction of about 2,000 new telegraph offices;
- (b) installation of about 3,100 teleprinters, of which more than half will be on subscribers' premises to provide telex service; and
- (c) expansion of automatic exchanges for telegraph and telex service.

IV. *Railway Telecommunications*

Expansion of the existing telecommunications system serving the Indian State Railways through the installation of about 2,665 kilometers of new cable and related equipment.

LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBASSY OF INDIA
WASHINGTON, D.C.

July 6, 1964

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

Re : *Currency of Repayment*

Gentlemen :

We refer to the Development Credit Agreement (*Second Telecommunications Project*) of even date¹ herewith 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.

¹ See p. 50 of this volume.

- (vi) For the 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 Escott REID

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.*]