

No. 7783

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
INDIA**

**Development Credit Agreement—*Eighth Railway Project*  
(with related letter and annexed Development Credit  
Regulations No. 1). Signed at Washington, on 26 Octo-  
ber 1964**

*Official text: English.*

*Registered by the International Development Association on 18 May 1965.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
INDE**

**Contrat de crédit de développement — *Huitième Projet  
relatif au réseau ferroviaire* (avec lettre y relative et, en  
annexe, le Règlement n° 1 sur les crédits de développe-  
ment). Signé à Washington, le 26 octobre 1964**

*Texte officiel anglais.*

*Enregistré par l'Association internationale de développement le 18 mai 1965.*

No. 7783. DEVELOPMENT CREDIT AGREEMENT<sup>1</sup> (*EIGHTH RAILWAY PROJECT*) BETWEEN INDIA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 26 OCTOBER 1964

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AGREEMENT, dated October 26, 1964, 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 six projects forming a part of the programs for rehabilitation, modernization, expansion and increase in capacity of the Railways owned and operated by the Borrower and has entered into loan agreements with the Borrower dated August 18, 1949,<sup>2</sup> July 12, 1957,<sup>3</sup> September 16, 1958,<sup>4</sup> July 15, 1959,<sup>5</sup> July 29, 1960,<sup>6</sup> and October 13, 1961<sup>7</sup> providing for such projects;

WHEREAS the Association has previously assisted in financing the foreign exchange cost of a seventh project forming part of the Program, included in the Borrower's Third Five-Year Plan, for the rehabilitation, modernization, expansion and increase in the capacity of, and more effective utilization of, the Railways, and has entered into a development credit agreement with the Borrower dated March 22, 1963.<sup>8</sup>

WHEREAS the Borrower has again requested the Association to assist in financing an eighth railway project; and

WHEREAS the Association is willing to make a development credit available for such eighth railway project on the terms and conditions hereinafter provided;

Now THEREFORE the parties hereto hereby agree as follows :

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<sup>1</sup> Came into force on 19 November 1964, upon notification by the Association to the Government of India.

<sup>2</sup> United Nations, *Treaty Series*, Vol. 154, p. 269.

<sup>3</sup> United Nations, *Treaty Series*, Vol. 288, p. 135.

<sup>4</sup> United Nations, *Treaty Series*, Vol. 323, p. 235.

<sup>5</sup> United Nations, *Treaty Series*, Vol. 346, p. 33.

<sup>6</sup> United Nations, *Treaty Series*, Vol. 377, p. 153.

<sup>7</sup> United Nations, *Treaty Series*, Vol. 418, p. 3.

<sup>8</sup> United Nations, *Treaty Series*, Vol. 477, p. 3.

*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>1</sup> 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.

“ (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. ”

<sup>1</sup> See p. 260 of this volume.

*Section 1.02.* Wherever used in this Agreement or in the Schedule<sup>1</sup> thereto, unless the context otherwise requires, the term "Railways" means the railways owned and operated by the Borrower and includes all railway property, equipment and materials of the Borrower.

## *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 sixty-two million dollars (\$62,000,000).

*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 :

(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 July 1, 1964, 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 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 March 15 and September 15 in each year.

*Section 2.06.* The Borrower shall repay the principal amount of the Credit in semi-annual payments payable on each March 15 and September 15

<sup>1</sup> See p. 258 of this volume.

commencing September 15, 1974 and ending March 15, 2014, each instalment to and including the instalment payable on March 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 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 Schedule 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 of the Project.

### *Article IV*

#### PARTICULAR COVENANTS

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

(b) 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.

(c) 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.

(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 of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof or the operation of the Railways; (ii) enable the

Association's representatives to inspect the Project, the goods, the Railways 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 administration, operations and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof or the operation of the Railways.

*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 and the operations, administration and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part 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.

## 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 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.

### *Article VI*

#### MISCELLANEOUS

*Section 6.01.* The Closing Date shall be September 30, 1965 or such other date as may from time to time be agreed between the Borrower and the Association.

*Section 6.02.* 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 6.03.* 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 6.04.* 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 Braj Kumar NEHRU  
Authorized Representative

International Development Association :

By George D. WOODS  
President

### SCHEDULE

#### DESCRIPTION OF THE PROJECT

The Project is the Program, which is included in the Borrower's Third Five-Year Plan, for the rehabilitation, modernization, expansion and increase in the capacity of, and more effective utilization of, the Railways.

The part of the Project to be financed with the proceeds of the Credit is the acquisition, for use by the Borrower on the Railways, of electric locomotives, components for electric, diesel and steam locomotives, railcars, rolling stock, signalling and telecommunications equipment, and other railway materials and equipment and services connected therewith, with the prime object of increasing, and improving the utilization of, the carrying capacity of the Railways.

### LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBASSY OF INDIA  
WASHINGTON, D.C.

October 26, 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 (*Eighth Railway Project*) of even date 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 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.*]