

No. 8199

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDIA**

Development Credit Agreement—*Second Industrial Imports Project* (with related letter and annexed Development Credit Regulations No. 1). Signed at Washington, on 11 August 1965

Official text: English.

Registered by the International Development Association on 26 May 1966.

**ASSOCIATION INTERNATIONALE DE DÉVELOPPEMENT
et
INDE**

Contrat de crédit de développement — *Deuxième projet d'importation de biens pour l'industrie* (avec lettre y relative et, en annexe, le Règlement n° 1 sur les crédits de développement). Signé à Washington, le 11 août 1965

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 26 mai 1966.

No. 8199. DEVELOPMENT CREDIT AGREEMENT¹ (*SECOND INDUSTRIAL IMPORTS PROJECT*) BETWEEN INDIA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 11 AUGUST 1965

AGREEMENT, dated August 11, 1965, between INDIA, acting by its President (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

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, 1961,² with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations) :

(a) Section 2.02 is deleted and the following new Section is substituted therefor :

“SECTION 2.02. *Service Charges.* Service charges at the rate specified in the Development Credit Agreement shall be payable respectively (i) on the principal amount of the Credit withdrawn from the Credit Account and outstanding from time to time, and (ii) on the principal amount of any special commitment entered into by the Association pursuant to Section 4.02 and outstanding from time to time.”

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 *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (a) Except as the Borrower and the Association shall otherwise agree, the cost of goods acquired out of the proceeds of the Credit shall be paid in the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

¹ Came into force on 10 September 1965, upon notification by the Association to the Government of India.

² See p. 296 of this volume.

“(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 acquired 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.”

(c) 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.”

(d) Section 3.04 is renumbered as Section 3.05.

(e) Section 8.04 is deleted.

(f) 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. Except where the context shall otherwise require, the following terms shall have the following meanings wherever used in this Agreement or any Schedule thereto :

(i) The term “Specified Enterprises” shall mean such firms as shall be agreed upon by the Borrower and the Association in the manufacturing industries producing the following types of capital equipment : (a) commercial vehicles and automotive components; (b) machine tools (machinery to produce other capital equipment, including lathes, planing, milling, lapping and boring machines); (c) cutting tools (metal-cutting or -working units of machine tools such as twist drills, tool bits and grinding wheels, but excluding hand tools such as files and chisels); (d) electric equipment (transformers, motors, switchgear, cables and wires); and (e) heavy construction equipment.

(ii) The term “rupees” and the letters “Rs.” mean currency 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 Development Credit Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to one hundred million dollars (\$100,000,000).

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 and the Regulations, to withdraw from the Credit Account (i) amounts expended for the reasonable cost of goods to be acquired 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 expenditures prior to January 1, 1965.

(c) No withdrawals shall be made on account of 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 rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum 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 1 and July 1 in each year.

Section 2.06. The Borrower shall repay the principal amount of the Credit in semi-annual instalments payable on each January 1 and July 1 commencing January 1, 1976 and ending July 1, 2015, each instalment to and including the instalment payable on July 1, 1985 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 the provision of the foreign exchange required to cover the cost of acquiring the goods needed to carry out the Project. The specific goods to be acquired out of the proceeds of the Credit, the enterprises which shall acquire such goods, 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 acquired out of the proceeds of the Credit to be imported into the territories of the Borrower and to be used in the carrying out of the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall carry out, or cause to be carried out, the Project with due diligence and efficiency.

(b) The Borrower shall : (i) promptly upon receipt of appropriate applications issue, or cause to be issued, such import licenses as shall be required to carry out the Project; (ii) make available, or cause to be made available, promptly as needed all foreign exchange which shall be required to carry out the Project; and (iii) with respect to locally produced materials which are subject to allocation make, or cause to be made, allocations of such materials promptly and in such quantities as shall be required to carry out the Project.

(c) Upon request from time to time by the Association, the Borrower shall promptly furnish to the Association the programs and plans 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 acquired out of the proceeds of the Credit, to disclose the use thereof in the Project and to record the progress of the Project; (ii) enable the Association's representatives to inspect the relevant records and documents related to the Project, the goods acquired out of the proceeds of the Credit, the Specified Enterprises and the other enterprises which shall acquire goods out of the proceeds of the Credit; and (iii) furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the Project, the program (referred to in Schedule 1 to this

Agreement) of which the Project is a part, the Specified Enterprises and the other enterprises which shall acquire goods out of the proceeds of the Credit, the goods acquired out of the proceeds of the Credit and the expenditure of the proceeds of the Credit.

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 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. Except as the Borrower and the Association shall otherwise agree, the Specified Enterprises and the other enterprises which shall acquire goods out of the proceeds of the Credit shall not, on the ground that they are participating in the Project, be subject to any conditions or requirements not imposed on other enterprises.

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.

Section 5.02. The Borrower and the Association hereby agree that for the purposes of the development credit agreement (*Industrial Imports Project*) dated June 9, 1964¹ between the Borrower and the Association and this Development Credit Agreement an event referred to in paragraph (b) of Section 5.02 of the Development Credit Regulations No. 1 of the Association applicable to either such agreement shall be deemed to be an event under paragraph (b) of Section 5.02 of the Development Credit Regulations No. 1 of the Association applicable to the other such agreement.

Article VI

MISCELLANEOUS

Section 6.01. Except as the Borrower and the Association shall otherwise agree (i) the Closing Date in respect of amounts for equipment referred to in paragraph 3 (c) of Schedule 1 to this Agreement shall be June 30, 1967, and (ii) the Closing Date in respect of all other amounts in the Credit Account shall be March 31, 1967.

Section 6.02. If this Development Credit Agreement shall not have come into force and effect by September 30, 1965, this Development Credit Agreement and all obligations of the parties hereunder shall terminate unless the Association, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Association shall promptly notify the Borrower of such later date.

Section 6.03. 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

¹United Nations, *Treaty Series*, Vol. 506, p. 31.

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 6.04. 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 Braj Kumar NEHRU
Authorized Representative

International Development Association :

By Simon ALDEWERELD
Vice President

SCHEDULE 1

DESCRIPTION OF PROJECT

1. The Project forms part of a program of the Borrower to increase the utilization of existing productive capacity and existing capital equipment in India by increasing the availability of foreign exchange for the import of materials, components, spare parts and miscellaneous items of manufacturing equipment.

2. The Project consists of : (i) the import of materials, components and spare parts required to make possible certain levels of production during the period April 1, 1965 to March 31, 1966 (" period 1965/66 ") by the Specified Enterprises and to provide the basis for further increases in production thereafter; (ii) the import of spare parts required for the maintenance of existing heavy construction equipment and capital equipment of the types produced by the Specified Enterprises; and (iii) the import of some miscellaneous items of capital equipment by the Specified Enterprises.

3. More specifically the Project has the following objectives :

- (a) The achievement during the period 1965/66 by the Specified Enterprises of the following approximate levels of production : 35,000 trucks and buses for the civilian market; Rs. 400 million worth of automotive components; Rs. 260 million worth of machine tools; Rs. 135 million worth of cutting tools; 1.8 million h.p. of electric motors; 4 million KVA of electric transformers; Rs. 170 million worth of electric switchgear; Rs. 80 million worth of electric stampings; Rs. 750 million worth of cables and wires; and Rs. 150 million worth of heavy construction equipment. The production targets stated in rupees are based on the present level of ex-factory prices.
- (b) Providing the basis for further increases in production during the period April 1, 1966 to March 31, 1967 to the following approximate levels : 40,000 trucks and buses for the civilian market; Rs. 500 million worth of automotive components; Rs. 330 million worth of machine tools; Rs. 150 million worth of cutting tools; 2.3 million h.p. of electric motors; 5 million KVA of electric transformers; Rs. 270 million worth of electric switchgear; Rs. 90 million worth of electric stampings; Rs. 1100 million worth of cables and wires; and Rs. 180 million worth of heavy construction equipment. The production targets stated in rupees are based on the present level of ex-factory prices.
- (c) The acquisition and operation by the Specified Enterprises of imported balancing equipment required to eliminate bottlenecks in productive facilities and to make possible increased utilization of such facilities.
- (d) The attainment during the period 1965/66 of levels of domestic production and imports of spare parts which together will make it possible to keep in, or put back into, operation commercial vehicles, construction equipment and other capital equipment of the types produced by the Specified Enterprises.

LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBASSY OF INDIA
WASHINGTON, D.C.

August 11, 1965

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

Re : *Currency of Repayment*

Dear Sirs :

We refer to the Development Credit Agreement (*Second Industrial Imports 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 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 than one theretofore designated pursuant to this clause (ii) or selected pursuant to clause (iv), 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) 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.

¹ See p. 278 of this volume.

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 Simon ALDEWERELD

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.*]