

No. 8467

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDIA**

**Development Credit Agreement—*Nintb Railway Project*
(with related letter and annexed Development Credit
Regulations No. 1). Signed at Washington, on 29 June
1966**

Official text: English.

Registered by the International Development Association on 14 December 1966.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
INDE**

**Contrat de crédit de développement — *Neuvième projet
relatif aux chemins de fer* (avec lettre y relative et, en
annexe, le Règlement n° 1 sur les crédits de développe-
ment). Signé à Washington, le 29 juin 1966**

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 14 décembre 1966.

No. 8467. DEVELOPMENT CREDIT AGREEMENT¹ (*NINTH RAILWAY PROJECT*) BETWEEN INDIA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 29 JUNE 1966

AGREEMENT, dated June 29, 1966, 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;² July 12, 1957;³ September 16, 1958;⁴ July 15, 1959;⁵ July 29, 1960⁶ and October 13, 1961⁷ providing for such projects;

WHEREAS the Association has previously assisted in financing the foreign exchange costs of two projects 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 development credit agreements with the Borrower dated March 22, 1963⁸ and October 26, 1964;⁹

WHEREAS the Borrower has requested the Association to assist in financing a ninth railway project; and

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

NOW THEREFORE the parties hereto hereby agree as follows :

¹ Came into force on 3 August 1966, upon notification by the Association to the Government of India.

² United Nations, *Treaty Series*, Vol. 154, p. 269.

³ United Nations, *Treaty Series*, Vol. 288, p. 135.

⁴ United Nations, *Treaty Series*, Vol. 323, p. 235.

⁵ United Nations, *Treaty Series*, Vol. 346, p. 33.

⁶ United Nations, *Treaty Series*, Vol. 377, p. 153.

⁷ United Nations, *Treaty Series*, Vol. 418, p. 3.

⁸ United Nations, *Treaty Series*, Vol. 477, p. 3.

⁹ United Nations, *Treaty Series*, Vol. 535, p. 245.

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, 1961,¹ 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) The second sentence of Section 2.02 is amended by deleting the words “ at the same rate ” and substituting therefor the words “ at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum ”.

(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 Credits 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 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. ”

(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.

¹See p. 294 of this volume.

(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. Wherever used in this Development Credit Agreement, 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 the Development Credit Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to sixty-eight million dollars (\$68,000,000).

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, the Development Credit Agreement.

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

(a) The Borrower shall be entitled, subject to the provisions of the Development Credit 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 December 1, 1965, 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-fourth 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.

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

Section 2.06. The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 15 and August 15 commencing August 15, 1976 and ending February 15, 2016 each installment to and including the installment payable on February 15, 1986 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment 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 imported into and 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 carry out the Project and conduct the operations of the Railways with due diligence and efficiency and in conformity with sound engineering, financial and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(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: (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, 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, 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. The Development Credit 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

TERMINATION; MISCELLANEOUS

Section 6.01. If this Development Credit Agreement shall not have come into force and effect by August 15, 1966, the 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 6.02. The Closing Date shall be April 30, 1967 or such other date as may from time to time be agreed between the Borrower and the Association.

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

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 B. K. NEHRU
Authorized Representative

International Development Association :

By George D. WOODS
President

SCHEDULE

DESCRIPTION OF THE PROJECT

The Project is the Railways' Program for the modernization, expansion and increase in the carrying capacity and effective utilization of the Railways, involving an investment program estimated to cost approximately \$690 million equivalent, during the thirteen-month period from December 1, 1965 to December 31, 1966. Such carrying capacity will be increased over such period by approximately 5%, from 206 to 216 million originating tons.

The Program includes, *inter alia*, the acquisition of about 90 electric locomotives and 85 diesel locomotives (together equivalent to approximately 420 steam units), 200 steam locomotives, 275 electric multiple units, 30 diesel railcars, 1060 passenger coaches, 33,000 wagons, as well as cranes, equipment for signalling, telecommunications, electrification, workshops, track, and other railway materials and equipment and services. The Program also includes the establishment of an economic section.

LETTER RELATING TO THE DEVELOPMENT AGREEMENT

EMBASSY OF INDIA
WASHINGTON, D.C.

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

June 29, 1966

Re : *Credit No. 88 IN (Ninth Railway Project)*
Currency of Payment

Gentlemen :

We refer to the Development Credit Agreement (*Ninth 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 specified in (i) or other than one designated under 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) 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 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.*]