

No. 8484

---

**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
INDIA**

**Development Credit Agreement—*Beas Equipment 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 21 December 1966.*

---

**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT**

et  
**INDE**

**Contrat de crédit de développement — *Projet d'aménagement  
de la Beas* (avec lettre y relative et, en annexe, le Règle-  
ment n° 1 sur les crédits de développement). Signé à  
Washington, le 29 juin 1966**

*Texte officiel anglais.*

*Enregistré par l'Association internationale de développement le 21 décembre 1966.*

No. 8484. DEVELOPMENT CREDIT AGREEMENT<sup>1</sup> (*BEAS EQUIPMENT 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

(1) On September 19, 1960, the Governments of India and Pakistan, and the International Bank for Reconstruction and Development (hereinafter called the Bank), signed The Indus Waters Treaty of 1960,<sup>2</sup> governing the use of waters on the Indus system of rivers ;

(2) The Indus settlement also envisaged that the Government of the United States of America would lend \$33 million, and the Bank \$23 million, to India towards the foreign exchange cost of imported equipment and services required to develop hydro-electric power from the River Beas, to extend irrigation in the Punjab and the Rajasthan and for associated construction ;

(3) The United States of America, through its Agency for International Development (hereinafter called AID), has agreed to lend \$33 million to India to help finance the acquisition of the imported equipment and services required for part of the works included in paragraph (2) above ; and

(4) India, the Bank and the Association have agreed that the Association, instead of the Bank, should undertake the lending to India in an amount equivalent to \$23 million. The Association is willing to make a development credit available for the purposes stated in paragraph (2) above on the terms and conditions hereinafter provided,

NOW THEREFORE the parties hereto hereby agree as follows :

---

<sup>1</sup> Came into force on 31 October 1966, upon notification by the Association to the Government of India.

<sup>2</sup> United Nations, *Treaty Series*, Vol. 419, p. 125.

*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) 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 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."

(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."

<sup>1</sup> See p. 114 of this volume.

*Section 1.02.* Wherever used in this Development Credit Agreement, unless the context otherwise requires, the term "AID Agreement" means the agreement referred to in Section 6.01.

## 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 twenty-three million dollars (\$23,000,000).

*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) such amounts as shall have been 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 September 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.* 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.

*Section 2.05.* Service charges shall be payable semi-annually on February 1 and August 1 in each year.

*Section 2.06.* The Borrower shall repay the principal amount of the Credit in semi-annual payments payable on each February 1 and August 1 commencing February 1, 1977, and ending August 1, 2016, each installment to and including the installment payable on August 1, 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 for the works referred to in paragraph (2) of the preamble 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 for the construction of the works referred to in paragraph (2) of the preamble to this Agreement.

*Article IV*

## PARTICULAR COVENANTS

*Section 4.01.* (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 inspect any and all goods paid for out of the proceeds of the Credit and any relevant records and documents and shall furnish the Association all such information as the Association shall reasonably request relating to the use of such goods.

(d) 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 4.02.* 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 4.03.* The Development Credit Agreement shall be free from 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.

*Section 5.02.* Pursuant to paragraph (j) of Section 5.02 of the Regulations, the following is specified as an additional event for the purpose of said Section :

The right of the Borrower to withdraw the proceeds of the loan provided for in the AID Agreement shall have been in whole or in part suspended or terminated by AID before the full amount of such loan shall have been withdrawn by the Borrower.

#### *Article VI*

##### EFFECTIVE DATE ; TERMINATION

*Section 6.01.* The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 8.01 (b) of the Regulations :

The Borrower and AID shall have entered into an agreement, providing for a loan by AID to the Borrower in an aggregate principal amount of thirty-three million dollars (\$33,000,000) for financing part of the foreign exchange cost of the imported equipment and services referred to in paragraph (3) of the preamble to this Agreement, and the conditions precedent to the issuance of the first Letter of Commitment or the disbursement of loan funds contained in such agreement shall have been fulfilled, subject only to the effectiveness of this Development Credit Agreement.

*Section 6.02.* If this Development Credit Agreement shall not have come into force and effect by September 30, 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 the purposes of this Section. The Association shall promptly notify the Borrower of such later date.

*Article VII*

MISCELLANEOUS

*Section 7.01.* The Closing Date shall be December 31, 1972, 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.

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

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.*]

LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBASSY OF INDIA  
WASHINGTON, D.C.

June 29, 1966

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

Re : *Credit No. 89 IN (Beas Equipment Project)*  
*Currency of Payment*

Gentlemen :

We refer to the Development Credit Agreement (*Beas Equipment 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) 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