

No. 8128

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
INDIA**

Loan Agreement—*Power Transmission Project* (with annexed Loan Regulations No. 3). Signed at Washington, on 11 June 1965

Official text: English.

Registered by the International Bank for Reconstruction and Development on 24 February 1966.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
INDE**

Contrat d'emprunt — *Projet relatif au transport de l'énergie électrique* (avec, en annexe, le Règlement n° 3 sur les emprunts). Signé à Washington, le 11 juin 1965

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 24 février 1966.

No. 8128. LOAN AGREEMENT¹ (*POWER TRANSMISSION PROJECT*) BETWEEN INDIA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 11 JUNE 1965

AGREEMENT, dated June 11, 1965, between INDIA acting by its President (hereinafter called the Borrower), and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961,² subject, however, to the modifications thereof set forth in Section 1.02 of this Agreement (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. For the purposes of this Agreement the provisions of the Loan Regulations shall be deemed to be modified as follows :

- (a) Section 2.02 is deleted.
- (b) Section 4.01 is deleted.
- (c) Sections 9.03 and 9.04 are deleted.
- (d) Paragraph 5 of Section 10.01 is amended to read as follows :

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

Section 1.03. Wherever used in this Agreement or any Schedule thereto :

(a) The term “ State ” shall mean any one of the following 14 States of India : Andhra Pradesh, Assam, Bihar, Gujarat, Kerala, Madhya Pradesh, Madras, Maharashtra, Mysore, Orissa, Punjab, Rajasthan, Uttar Pradesh, West Bengal; and the term “ States ” shall mean (except where otherwise indicated) all of such 14 States.

¹ Came into force on 27 July 1965, upon notification by the Bank to the Government of India.

² See p. 82 of this volume.

(b) The term "Board" shall mean any one of the State Electricity Boards established pursuant to the Electricity (Supply) Act, 1948, of India, in one of the States, and the Delhi Electricity Supply Undertaking, and the term "Boards" shall mean (except where otherwise indicated) all of such 14 Boards and the Delhi Electricity Supply Undertaking.

(c) The term "Agency" shall mean any one of the following :

- (i) The Tata Power Company, Ltd.
- (ii) The Ahmedabad Electricity Company, Ltd.
- (iii) The Goa, Daman and Diu Electricity Department
- (iv) The Himachal Pradesh Electricity Department

and the term "Agencies" shall mean (except where otherwise indicated) all of such companies and departments.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to seventy million dollars (\$70,000,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and, whenever this Loan Agreement comes into force and effect in respect of a part of the Loan in accordance with Sections 7.02, 7.03 or 7.04 of this Agreement, the Bank shall credit to the Loan Account such part of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations.

Section 2.03. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Agreement and the Loan Regulations, to withdraw from the Loan Account

- (a) such amounts as shall have been paid (other than for local currency expenditures) for the reasonable cost of imported goods to be acquired out of the proceeds of the Loan and, if the Bank shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of such goods; and
- (b) such amounts as shall be the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower and the Bank of such amounts as shall have been paid for the reasonable cost of locally manufactured goods to be acquired out of the proceeds of the Loan, such percentage or percentages to represent the foreign exchange component of such cost;

provided, however, that no withdrawals shall be made on account of (i) expenditures prior to October 1, 1964; (ii) expenditures in the territories of any country (except Switzerland) which is not a member of the Bank or for goods produced in (including services supplied from) such territories; or (iii) expenditures for locally manufactured goods the major contents of which have been manufactured or purchased in the territories of any country (except Switzerland) which is not a member of the Bank.

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. (a) The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ($\frac{3}{8}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

(b) Such commitment charge shall accrue

- (i) as to the part or parts of the Loan in respect of which this Loan Agreement shall come into force and effect within 60 days after the date of this Agreement, from a date 60 days after the date of this Agreement, and
- (ii) as to all other parts of the Loan, from the respective dates on which this Loan Agreement shall come into force and effect in respect of such parts of the Loan,

to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account or shall be cancelled.

Section 2.05. The Borrower shall pay interest at the rate of five and one-half per cent ($5\frac{1}{2}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.06. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on May 15 and November 15 in each year.

Section 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

Section 2.09. Pursuant to the second sentence of Section 3.02 of the Loan Regulations, the Borrower and the Bank agree that any withdrawals (i) pursuant to Section 2.03 (b) of this Agreement and (ii) on account of any expenditures

in the currency of the Borrower or for goods produced in the territories of the Borrower, shall be made in such currency or currencies as the Bank shall reasonably elect.

Article III

USE OF PROCEEDS OF LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan 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 Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

Section 3.02. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall cause all goods acquired wholly or partly out of the proceeds of the Loan to be used in the territories of the Borrower exclusively in the carrying out of the Project.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. A Secretary to the Government of India in the Ministry of Finance is designated as the authorized representative of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) The Borrower shall carry out the Project, or cause it to be carried out, with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) The Borrower shall at all times make available, or cause to be made available, to the Boards, promptly as needed, all sums which shall be required for the carrying out of the Project, all such sums to be made available on terms and conditions satisfactory to the Borrower and the Bank.

(c) The Borrower shall take or cause to be taken all action which shall be necessary on its part to enable the Boards and Agencies to carry out the Project and shall not take, or permit any agency of the Borrower to take, any action that would prevent or interfere with the prompt carrying out of the Project by the Boards and Agencies.

(d) The Borrower shall exercise its rights in relation to each Board and Agency in such manner as to protect the interests of the Borrower and the Bank and in particular to cause each Board and Agency to carry out its respective obligations under the undertakings referred to in Sections 7.03 and 7.04 of this Agreement.

(e) 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.

(f) The amount of foreign exchange to be made available out of the proceeds of the Loan to each one of the Boards and Agencies and the amount of foreign exchange to be used out of the proceeds of the Loan for the acquisition of computer and system analyzer equipment and for consultants' services shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

Section 5.02. The Borrower shall cause each one of the Boards and Agencies

- (i) to carry out its part of the Project under the general supervision of the Borrower with due diligence and efficiency and in accordance with sound engineering and financial standards;
- (ii) to obtain the goods to be acquired out of the proceeds of the Loan free and clear of all encumbrances, and to use such goods exclusively in the carrying out of the Project;
- (iii) to furnish to the Bank through the Borrower promptly upon their approval by the Borrower the plans, specifications, economic justification and construction schedule for its part of the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request;
- (iv) in such cases as the Bank, in consultation with the Borrower, may deem necessary, to employ suitably qualified and competent consultants to assist such Board or Agency in carrying out its undertakings with respect to

- (a) the construction of the Project and (b) financial and accounting practices;
- (v) to maintain records adequate to identify the goods acquired out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of its part of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound utility accounting practices the operations and financial condition of such Board or Agency;
 - (vi) to allow the Bank to inspect the goods acquired out of the proceeds of the Loan and the sites, works and construction included in the Project, the operation thereof and any relevant records and documents;
 - (vii) to insure with responsible insurers all imported goods acquired out of the proceeds of the Loan; such insurance shall cover such marine, transit and other risks incident to purchase and importation of such goods into the territories of the Borrower and delivery thereof to the site of the Project, and shall be for such amounts as shall be consistent with sound business practices; except as the Bank shall otherwise agree, any indemnity under such insurance shall be payable in the currency in which the cost of the goods insured thereunder shall be payable or in a freely convertible currency;
 - (viii) in addition to insure against such risks and in such amounts as shall be consistent with sound business and public utility practices or to make other adequate arrangements to cover promptly any damage or losses resulting from such risks;
 - (ix) to inform the Borrower and the Bank promptly of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the carrying out of the Project, or which shall increase or threaten to increase materially the estimated cost of the Project;
 - (x) to give all such information as the Borrower and the Bank shall reasonably request relating to the foregoing and to the financial condition, the operations and administration of such Board or Agency;
 - (xi) to have its financial statements (balance sheet and related statement of earnings and expenses) audited and certified in accordance with audit procedures satisfactory to the Bank, and submitted to the Bank within six months after the end of each financial year.

Section 5.03. (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan 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 Loan. 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 Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Section 5.04. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any pledge of commercial goods to secure a debt maturing not more than one year after its date and to be paid out of the proceeds of sale of such commercial goods; or (iii) any pledge by the Reserve Bank of India of any of its assets in the ordinary course of its banking business to secure any indebtedness maturing not more than one year after its date.

Section 5.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 5.06. The Loan Agreement and the Bonds 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 and the Borrower shall pay all such taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

Section 5.07. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan 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 Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds 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 or in the Bonds to the contrary notwithstanding.

Section 6.02. For the purposes of Section 5.02 of the Loan Regulations, the following additional events are specified :

- (a) a default shall have occurred in the payment of principal, interest, service charges or any other payment required under any development credit agreement between the Borrower and the International Development Association;
- (b) a default shall have occurred, on the part of any one or more of the Boards or Agencies, in the performance of any undertaking referred to in Section 7.03 and 7.04 of this Agreement.

Article VII

EFFECTIVE DATES; TERMINATION

Section 7.01. This Loan Agreement shall not in any event come into force and effect in respect of any part of the Loan until the Bank shall have dispatched to the Borrower notice of its acceptance of the evidence provided for in Sections 9.01 and 9.02 of the Loan Regulations.

Section 7.02. Except as the Borrower and the Bank shall otherwise agree, this Loan Agreement shall come into force and effect in respect of the entire

Project, and in respect of the part of the Loan to be used for the acquisition of computer and system analyzer equipment and for consultants' services, when the Bank dispatches to the Borrower notice of its acceptance of the evidence provided for in Sections 9.01 and 9.02 of the Loan Regulations.

Section 7.03. Except as the Borrower and the Bank shall otherwise agree, and subject to Section 7.01 hereof, this Loan Agreement shall come into force and effect in respect of the part of the Loan to be made available to any one of the Boards when :

- (a) the Borrower shall have obtained from such Board and submitted to the Bank an undertaking, satisfactory to the Bank and (except with respect to the Delhi Electricity Supply Undertaking) endorsed by the State in which such Board is established,
 - (i) that such Board shall have in operation not later than April 1, 1966 and maintain thereafter a commercial system of accounts by using forms such as those prescribed by the Comptroller and Auditor General of India in July 1963; provided that if at the time such undertaking is given the Board already has such a system of accounts in operation, submission to the Bank of a statement by the Board to that effect will suffice;
 - (ii) that such Board shall take all steps necessary to earn, at the earliest possible date, and to maintain thereafter, a reasonable return on its capital base; and
- (b) the Borrower shall have obtained from such Board and submitted to the Bank an undertaking, in a form to be agreed upon between the Borrower and the Bank and (except with respect to the Delhi Electricity Supply Undertaking) endorsed by the State in which such Board is established, to perform all acts referred to in Section 5.02 of this Agreement; and
- (c) the Bank dispatches to the Borrower notice of its acceptance of such undertakings.

Section 7.04. Except as the Borrower and the Bank shall otherwise agree, and subject to Section 7.01 hereof, this Loan Agreement shall come into force and effect in respect of the part of the Loan to be made available to any one of the Agencies when :

- (a) the Borrower shall have obtained from such Agency and submitted to the Bank an undertaking, in a form to be agreed upon between the Borrower and the Bank, to perform all acts referred to in Section 5.02 of this Agreement; and
- (b) the Bank dispatches to the Borrower notice of its acceptance of such undertaking.

Section 7.05. (a) If this Loan Agreement shall not have come into force and effect by July 31, 1965 with respect to the Project and the part of the Loan to be used for the acquisition of computer and system analyzer equipment and for consultants' services (pursuant to Section 7.02 hereof), this Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this paragraph.

(b) If this Loan Agreement shall have come into force and effect in accordance with Section 7.02 of this Agreement, but if by September 30, 1965 there shall be a portion of the Loan in respect of which this Loan Agreement shall not have come into force and effect, then all obligations of the parties hereunder with respect to such portion of the Loan shall terminate and such portion of the Loan shall be deemed to be cancelled pursuant to Article V of the Loan Regulations, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this paragraph.

(c) If the Bank establishes a later date for the purposes of paragraph (a) or paragraph (b) of this Section, it shall promptly notify the Borrower of such later date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1968, or such other date or dates as may from time to time be agreed between the Borrower and the Bank.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

The Secretary
Ministry of Finance of India
Department of Economic Affairs
New Delhi, India

Alternative address for cables and radiograms :

Ecofairs
New Delhi

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cables and radiograms :

Intbafrad

Washington, D.C.

Section 8.03. A Secretary to the Government of India in the Ministry of Finance is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan 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 Bank for Reconstruction and Development :

By J. Burke KNAPP
Vice President

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal expressed in dollars) *</i>
November 15, 1971	\$ 945,000	May 15, 1982	\$1,665,000
May 15, 1972	970,000	November 15, 1982	1,715,000
November 15, 1972	995,000	May 15, 1983	1,760,000
May 15, 1973	1,025,000	November 15, 1983	1,810,000
November 15, 1973	1,050,000	May 15, 1984	1,860,000
May 15, 1974	1,080,000	November 15, 1984	1,910,000
November 15, 1974	1,110,000	May 15, 1985	1,960,000
May 15, 1975	1,140,000	November 15, 1985	2,015,000
November 15, 1975	1,170,000	May 15, 1986	2,070,000
May 15, 1976	1,205,000	November 15, 1986	2,130,000
November 15, 1976	1,235,000	May 15, 1987	2,185,000
May 15, 1977	1,270,000	November 15, 1987	2,245,000
November 15, 1977	1,305,000	May 15, 1988	2,310,000
May 15, 1978	1,340,000	November 15, 1988	2,370,000
November 15, 1978	1,380,000	May 15, 1989	2,435,000
May 15, 1979	1,415,000	November 15, 1989	2,505,000
November 15, 1979	1,455,000	May 15, 1990	2,575,000
May 15, 1980	1,495,000	November 15, 1990	2,645,000
November 15, 1980	1,535,000	May 15, 1991	2,715,000
May 15, 1981	1,580,000	November 15, 1991	2,800,000
November 15, 1981	1,620,000		

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	½%
More than three years but not more than six years before maturity	1%
More than six years but not more than twelve years before maturity	1½%
More than twelve years but not more than seventeen years before maturity	2½%
More than seventeen years but not more than twenty-two years before maturity	3½%
More than twenty-two years but not more than twenty-four years before maturity	4½%
More than twenty-four years before maturity	5½%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of :

1. The construction by the Boards and Agencies of about 8,000 miles of transmission lines for operation at different voltages between 66 kv and 400 kv, divided approximately as follows :

- a. nominally 66 kv = about 130 miles
- b. nominally 132 kv = about 2600 miles
- c. nominally 220 kv = about 4700 miles
- d. nominally 400 kv = about 420 miles

2. The construction or extension by the Boards and Agencies of about 300 substations operating at voltages between 33 kv and 400 kv.

3. The acquisition by the Borrower of equipment to extend the range of computers and system analyzers presently in operation.

The Project is expected to be completed by June 30, 1968.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961

LOAN REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 414, p. 268.*]