

**No. 8888**

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**DENMARK  
and  
INDIA**

**Agreement on a Danish Government Loan to India. Signed at  
Copenhagen, on 30 May 1963**

**Exchange of letters relating to the above-mentioned Agree-  
ment. Copenhagen, 9 and 12 July 1963**

*Official texts: Danish and English.*

*Registered by Denmark on 1 January 1968.*

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**DANEMARK  
et  
INDE**

**Accord relatif à l'octroi d'un prêt du Gouvernement danois à  
l'Inde. Signé à Copenhague, le 30 mai 1963**

**Échange de lettres concernant l'Accord susmentionné. Copen-  
hague, 9 et 12 juillet 1963**

*Textes officiels danois et anglais.*

*Enregistrés par le Danemark le 1<sup>er</sup> janvier 1968.*

No. 8888. AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENTS OF DENMARK AND INDIA ON A DANISH GOVERNMENT LOAN TO INDIA. SIGNED AT COPENHAGEN, ON 30 MAY 1963

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The Government of Denmark and the Government of India, desiring to strengthen the traditional co-operation and cordial relations between their countries, have agreed that, as a contribution to India's Third Five Year Plan, a Danish Government Loan will be extended to India in accordance with the following provisions.

*Article I*

DISBURSEMENT OF THE LOAN

(1) The Government of Denmark agrees to lend to the Government of India an amount of Danish kroner 15 million on the terms and conditions set forth in this Agreement.

(2) The Government of Denmark will disburse the loan in accordance with successive withdrawals from a loan account to be opened for the Government of India with Danmarks Nationalbank, Copenhagen.

(3) The Government of India will be entitled to draw from the loan account such amounts in Danish kroner as will be required to cover payments due for goods imported from Denmark in accordance with Article III of this Agreement.

(4) Withdrawals from the loan account referred to in paragraph 2 above may begin from the date when this Agreement comes into force. The Government of India will endeavour to ensure that the amounts drawn against the loan account on April 1, 1964, will not exceed Danish kroner 7,500,000 unless the two Governments agree that this limit may be exceeded.

(5) Importers in India will conclude contracts for supplies with Danish exporters for the equipment, etc. referred to in Article III, paragraph 1 of this Agreement and make payments to Danish suppliers in the usual manner. Copies of contracts so concluded shall be made available by the Government of India to the Danish Ministry of Foreign Affairs. After payments have been made under such contracts, the Government of India, when wishing to draw against the loan account, will deliver to the Danish Ministry of Foreign Affairs an application for reimbursement containing the following particulars :

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<sup>1</sup> Came into force on 30 May 1963, upon signature, in accordance with article V (2).

- (a) the amount to be drawn;
- (b) a statement to the effect that the amount has been paid for goods imported from Denmark in accordance with Article III below;
- (c) the date on which the order for the goods was placed;
- (d) the dates on which the payments were made;
- (e) the names and addresses of the Indian importers and of the Danish suppliers of the goods; and
- (f) the destination and end-use of the goods.

### *Article II*

#### SERVICING OF THE LOAN

(1) The Government of India will pay interest on the loan at the rate of 5 per cent per annum.

(2) Such interest is payable on the balance outstanding at any time and will be calculated as from the date on which each part of the loan is disbursed. Interest falls due for payment on April 1 and October 1 of each year and will be computed on the basis of years of 360 days and months of 30 days.

(3) The loan is repayable in semi-annual instalments of the equivalent of Danish kroner 750,000, payable on April 1 and October 1 of each year, the first instalment falling due on April 1, 1965.

(4) Interest and instalments shall be paid in Indian rupees into a Special Account to be opened for the Government of Denmark with the Reserve Bank of India. Rupee amounts due shall be computed on the basis of the par value of rupee and Danish kroner on the date the payment is due as reported to the International Monetary Fund.

### *Article III*

#### THE USE OF THE LOAN BY INDIA

(1) The Government of India will use the proceeds of the loan to finance imports from Denmark of Danish machinery and other Danish capital goods needed for the implementation of India's Third Five Year Plan on the basis of the following list :

Equipment for cement plants.

Equipment for milk powder manufacturing plants.

Dairy plants.

Equipment for solvent extraction plants.

Spray driers for extraction of protein from ground nut kernels.

The Indian Government agrees that Indian imports from Denmark, financed under this Agreement, should be distributed as far as possible over all the items

mentioned above. Total disbursements must not exceed the amount of Danish kroner 15 million referred to in Article I, paragraph 1.

(2) The terms of payment stipulated in contracts concluded between Indian importers and Danish suppliers shall be on a cash basis in the normal sense of this term.

#### *Article IV*

##### THE USE OF INTEREST AND REPAYMENTS BY DENMARK

(1) The rupees accruing to the Government of Denmark from repayments of principal and payments of interest in accordance with Article II shall be held available to the Government of Denmark for local rupee expenditures incurred through mutually agreed social and economic assistance projects in India. For three such projects, viz. (1) the Folk School in Mysore, sponsored by the "Mellemfolkeligt Samvirke", (2) the Anti-Leprosy Centre in Srikakulam, Andhra Pradesh, sponsored by the Danish "Save the Child" Organization, and (3) the planned Danish Indian project in agricultural development, the agreements concluded between the two Governments are attached to this Agreement. The two Governments expect eventually to conclude further agreements on technical or humanitarian assistance programmes the rupee expenditure of which will be drawn from the same rupee account of the Danish Government.

(2) In the event that the need for rupee for the Danish assistance projects in India proves to be insufficient to secure the utilisation, at a reasonable rate, of the rupees accruing to the Danish Government's account, the two Governments will enter into consultation with a view to increasing the rate at which the Danish rupee assets are utilised.

(3) Since the first instalment of repayment will fall due on April 1, 1965, the Danish assistance projects mentioned in Article IV, paragraph 1, will need some other source for rupees for local expenditure in India during the period from the signature of this Agreement until April 1, 1965. To meet this need for rupees, the Danish Government is free to choose between the following alternative procedures: (1) In the first instance, the Government of Denmark will transfer the required amounts in Danish kroner to the Special Account referred to in Article II, paragraph 4. As and when the amounts flowing into the Special Account through the Indian Government's repayments of principal and payments of interest on the loan have become more than sufficient to meet the current local expenditure for the assistance projects, the Government of India will, upon request, authorize the Government of Denmark successively to repatriate such excess amounts up to a total corresponding to the amounts transferred from Denmark between the date of this Agreement and April 1, 1965. (2) The Indian Government will, upon request by the Danish Government, authorize

the Danish assistance projects referred to in Article IV, paragraph 1, to cover their need for rupees for local expenditure in India by overdrafts from Indian banks during the period from the date of this Agreement until April 1, 1965.

*Article V*

OTHER PROVISIONS

(1) Any dispute arising between the two Governments regarding the interpretation of the conditions governing the disbursement and servicing of the Danish loan to be expended to the Government of India in pursuance of this Agreement shall be settled in a manner mutually agreed between the two Governments.

(2) This Agreement shall take effect on the date of its signature.

(3) All correspondence and all communications regarding the operation of this loan shall be addressed by the Government of India to the Danish Ministry of Foreign Affairs, Copenhagen.

IN WITNESS WHEREOF the undersigned, being duly authorized by their respective Governments, have signed this Agreement.

DONE at Copenhagen on May 30, 1963, in the Danish and English languages, both versions being equally authentic.

For the Government of the Kingdom of Denmark :  
Per HÆKKERUP

For the Government of India :  
K. M. KANNAMPILLY

EXCHANGE OF LETTERS<sup>1</sup> BETWEEN THE GOVERNMENT  
OF DENMARK AND THE GOVERNMENT OF INDIA  
RELATING TO THE AGREEMENT OF 30 MAY 1963<sup>2</sup> ON  
A DANISH GOVERNMENT LOAN TO INDIA. COPEN-  
HAGEN, 9 AND 12 JULY 1963

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## I

## MINISTRY OF FOREIGN AFFAIRS

Copenhagen, 9 July, 1963

Sir,

In connection with the loan agreement between India and Denmark signed on May 30, 1963, I have the honour to request your confirmation of the two points below :

(1) It is understood that the Rupee amounts accumulated in the Reserve Bank of India for account of the Danish Government and intended for use in India for mutually agreed social and economic projects will be given the same treatment by the Indian authorities as foreign exchange transferred to India through normal banking channels.

(2) Goods to be purchased in Denmark under the terms of this agreement will be shipped to India in accordance with the recognized principle of shipper's choice. The importer will, in other words, be free to make arrangements for the shipment of purchases made in Denmark by any shipping service of his choice, based upon commercial practice.

Please accept, Sir, the assurances of my highest consideration.

Per HÆKKERUP  
Minister of Foreign Affairs

His Excellency Mr. K. M. Kannampilly  
Ambassador of India  
Copenhagen

<sup>1</sup> Came into force on 12 July 1963, the date of the letter in reply.

<sup>2</sup> See p. 5 of this volume.

## II

## EMBASSY OF INDIA

12th July, 1963

Your Excellency,

I have the honour to acknowledge receipt of your letter No. TA. 104.0.8. of 9th July, 1963, which reads as follows :

[See letter I]

I have the honour to confirm that the foregoing correctly sets out the understanding reached between our two Governments.

With renewed assurances of my highest consideration.

K. M. KANNAMPILLY  
Ambassador

His Excellency Mr. Per Hækkerup  
Foreign Minister, Government of Denmark  
Copenhagen

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