

No. 9230

**DENMARK
and
INDIA**

**Agreement on a Third Danish Government Loan to India
(with exchange of letters). Signed at Copenhagen, on
29 April 1968**

Official text : English.

Registered by Denmark on 9 September 1968.

**DANEMARK
et
INDE**

**Accord relatif à un troisième prêt du Gouvernement danois à
l'Inde (avec échange de lettres). Signé à Copenhague, le
29 avril 1968**

Texte officiel anglais.

Enregistré par le Danemark le 9 septembre 1968.

No. 9230. AGREEMENT¹ BETWEEN THE GOVERNMENTS OF DENMARK AND INDIA ON A THIRD DANISH GOVERNMENT LOAN TO INDIA. SIGNED AT COPENHAGEN, ON 29 APRIL 1968

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 Development Plans, a Third Danish Government Loan will be extended to India in accordance with the following provisions.

Article I

THE CREDIT

The Government of Denmark (hereinafter called the Lender) agrees to make available to the Government of India (hereinafter called the Borrower) a development credit in an amount of forty (40) million Danish kroner. This amount will be available for the procurement of capital equipment, components, spare parts and services as described in Article VI of this Agreement.

Article II

CREDIT ACCOUNT

Section 1. An account designated "Government of India Third Special Account" (hereinafter called Special Account) will be opened with Danmarks Nationalbank (acting as agent for the Lender) in favour of the Borrower or the Chief Accounting Officer to the High Commissioner for India in the United Kingdom, London (acting as agent for the Borrower). The Lender will ensure that sufficient money is always available in the Special Account to enable the Borrower to effect punctual payment for the goods and services referred to in sub-section 2, provided that the amounts successively made available to the Borrower shall not, in the aggregate, exceed the loan amount specified in Article I.

Section 2. The Borrower (or the Chief Accounting Officer to the High Commissioner for India in the United Kingdom, London, acting as agent for the Borrower) shall be entitled, subject to the provisions of this Agreement, to withdraw from the Special Account amounts needed for the payment of equipment or services procured under the credit.

¹ Came into force on 29 April 1968 by signature, in accordance with article XIV (1).

Article III

RATE OF INTEREST

The Loan will be free of interest.

Article IV

REPAYMENT

Section 1. The Borrower shall repay to the Lender the principal of the credit withdrawn from the Special Account in thirty-five (35) semi-annual instalments each of 1,100,000 Danish kroner commencing on April 1, 1975, and one final instalment of 1,500,000 Danish kroner payable on October 1, 1992.

Section 2. The Borrower shall have the right to repay in advance of maturity all or any part of the principal amount of one or more maturities of the credit specified by the Borrower.

Article V

PLACE OF PAYMENT

The Borrower will repay the Loan in convertible Danish kroner to Danmarks Nationalbank to the credit of the current account of the Ministry of Finance with Danmarks Nationalbank.

Article VI

THE USE OF THE LOAN BY INDIA

Section 1. The Government of India will use the proceeds of the loan to finance imports (including transport charges from Denmark to India where necessary) from Denmark of Danish capital equipment, components and spare parts included in the following list, or services needed for the implementation of India's Development Plans :

- (i) Equipment for fisheries schemes, e.g. Marine Diesel Engines, etc.
- (ii) Refrigeration equipment;
- (iii) Cement machinery;
- (iv) Machinery and equipment for cattle, poultry and other livestock development and industries;
- (v) Dairy equipment;
- (iv) Equipment for Research and Technical Institutions;
- (vii) Equipment for Wood Working, crankshaft grinding machines and other Machine Tools required in the small scale industry sector;

- (viii) Spare parts for Danish capital equipment for use in India;
- (ix) Components for the capital goods production and other manufacturing programmes in India;
- (x) Such other equipment as may be decided upon by mutual agreement between the two Governments.

The Indian Government agrees that Indian imports from Denmark, financed under this Agreement, should be distributed as far as possible over all the items listed above. Total disbursements shall not exceed the amount of Danish kroner 40 million referred to in Article I.

Section 2. The terms of payment stipulated in contracts or documentation to the effect that a firm order has been placed with a Danish exporter for supplies or services of the nature described above shall be considered as normal and proper whenever such contracts contain no clauses involving special credit facilities from Danish exporters.

Section 3. The concurrence of the Lender as to the eligibility of a contract under the Loan shall not be interpreted in such a manner as to imply that the Lender takes upon himself any responsibility for the proper implementation or subsequent operation of such contracts.

Section 4. The proceeds of the Loan may be used only for payment of supplies and services contracted for after the entry into force of the Agreement.

Section 5. The Borrower may draw on the Loan Account with Danmarks Nationalbank referred to in Article II for up to three years after the entry into force of the Agreement or such other date as shall be agreed upon by the Lender and the Borrower.

Section 6. If the proceeds of the Loan have not been fully utilized within the time limit stipulated in Section 5 above, the semi-annual repayments shall be reduced by a proportion equal to the ratio between the unutilized amount of the Loan and the principal of the Loan.

Article VII

NON-DISCRIMINATION

In regard to the service of the credit the Borrower undertakes to give the Lender no less favourable treatment than that accorded to other foreign creditors.

All shipments of equipment, spare parts and components covered by this Agreement shall be in keeping with the principle of free circulation of ships in international trade in free and fair competition.

Article VIII

MISCELLANEOUS PROVISIONS

Section 1. Prior to the first drawing against the Special Account referred to in Article II the Borrower shall satisfy the Lender that all constitutional requirements and other requirements laid down by statute in the Borrower's home country have been met so that this Loan Agreement will constitute a valid and binding obligation of the Borrower in the terms of the Loan Agreement.

Section 2. The Borrower shall furnish to the Lender evidence of the authority of the person or persons who will, on behalf of the Borrower, take any action or execute any documents under this Agreement, and authenticated specimen signatures of all such persons.

Section 3. Any notice or request under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it has been delivered by hand or by mail, telegram, cable or radiogram to the party at such party's address specified in this Agreement, or at such other address as such party shall have indicated by notice to the party giving such notice or making such request.

Article IX

PARTICULAR COVENANTS

The principal of the credit shall be paid without deduction for, and free from, any taxes and charges, and free from all restrictions imposed under the laws of the Borrower. 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.

Article X

CANCELLATION AND SUSPENSION

Section 1. The Borrower may, by notice to the Lender, cancel any amount of the credit which the Borrower shall not have withdrawn.

If any of the following events shall have happened and be continuing, the Lender may by notice to the Borrower suspend in whole or in part the right of the Borrower to make withdrawals from the Special Account :

- (a) A default shall have occurred in the payment of principal under the Agreement or under any other financial commitment entered into by the Borrower in relation to the Lender.

- (b) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower under the Agreement.

Section 2. The right of the Borrower to make withdrawals from the Special Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have ceased to exist or until the Lender shall have notified the Borrower that the right to make withdrawals has been restored, whichever is the earlier, provided however, that in the case of any such notice of restoration, the right to make withdrawals shall be restored only to the extent and subject to the conditions specified in such notice, and no such notice shall effect or impair any right, power or remedy of the Lender in respect of any other or subsequent event described in this Article.

If the right of the Borrower to make withdrawals from the Special Account shall have been suspended with respect to any amount of the credit for a continuous period of sixty days, the Lender may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice such amount of the credit shall be cancelled.

Section 3. Notwithstanding any cancellation or suspension, all the provisions of the Agreement shall continue in full force and effect, except as in this Article specifically provided.

Article XI

REMEDIES OF THE LENDER

If any event specified in sub-paragraphs (a) and (b) of Article X shall occur and shall continue for a period of sixty days after notice thereof has been given by the Lender to the Borrower, then at any subsequent time the Lender, at his 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 the Agreement to the contrary notwithstanding.

Article XII

APPLICABLE LAW

Unless otherwise provided for in the Agreement, the Agreement and all the rights and obligations deriving from it shall be governed by Danish law.

Article XIII

SETTLEMENT OF DISPUTES

Any dispute between the two Governments arising out of the interpretation of the conditions governing the disbursement and servicing of the Danish credit

to be extended to the Government of India in pursuance of this Agreement shall be settled in a manner to be mutually agreed between the two Governments.

Article XIV

DURATION OF THE AGREEMENT

Section 1. This Agreement shall come into force on the date of signature.

Section 2. When the entire amount of the credit has been repaid, the Agreement shall terminate forthwith.

Section 3. The following addresses are specified for the purposes of this Agreement :

For the Borrower :

Ministry of Finance
Department of Economic Affairs
New Delhi

Alternative address for cablegrams and radiograms :

Écofairs
New Delhi

For the Lender with respect to disbursements :

Ministry of Foreign Affairs
Secretariat for Technical Co-operation with Developing Countries
Copenhagen

Alternative address for cablegrams and radiograms :

Étrangères
Copenhagen

For the *Lender* with respect to servicing of the credit :

Ministry of Finance
Copenhagen

Alternative address for cablegrams and radiograms :

Finans
Copenhagen

IN WITNESS WHEREOF, the parties hereto acting through their representatives duly authorized for this purpose, have caused this Agreement to be signed in two copies in the English language in Copenhagen this 29th day of April, 1968.

For the Government of Denmark :

K. Helveg PETERSEN

For the Government of India :

A. H. SAFRANI

EXCHANGE OF LETTERS

I

Copenhagen, April 29th, 1968

Excellency,

With reference to the Development Credit Agreement of today's date between the Government of Denmark and the Government of India (hereinafter called the Agreement), I have the honour to propose that the following provisions should govern the implementation of Article VI, Section I, of the Agreement.

Payments out of the Special Account shall be effected in the following manner:

(1) The Danish exporter or consultant and the Indian importer or prospective investor shall negotiate a contract subject to the final approval of the Indian and Danish authorities. No contract for below 50,000 Danish kroner (in the case of spare parts 25,000 Danish kroner) except for utilization of any final balance below that amount, shall be eligible for financing under the Loan Agreement.

(2) The Government of India will make available to the Danish Ministry of Foreign Affairs copies of the contracts to be concluded under this Agreement. The Ministry of Foreign Affairs will ascertain, *inter alia*, that

- (a) the commodities or services contracted fall within the framework of the Credit Agreement,
- (b) the goods involved have been manufactured in Denmark, or the services to be rendered will be performed by persons carrying on business in Denmark,

and inform the Government of India.

(3) The Government of India may then draw on the Special Account with Danmarks Nationalbank to effect payment of the consignment referred to in the contract. Payment out of this account to Danish exporters shall be subject

to presentation of the necessary documents when Danmarks Nationalbank has ascertained that the conditions for effecting such payments have otherwise been complied with.

If the foregoing provisions are acceptable to the Government of India, I have the honour to suggest that this letter and Your Excellency's reply to that effect should constitute an agreement between our two Governments on this matter.

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

K. Helveg PETERSEN

H. E. Mr. Abid Hasan Safrani
Ambassador of India
Copenhagen

II

Copenhagen, April 29th, 1968

Excellency,

I have the honour to acknowledge receipt of your letter of to-day which reads as follows :

[*See letter I*]

I have the honour to inform you that my Government is in agreement with the foregoing.

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

A. H. SAFRANI

H. E. Mr. K. Helveg Petersen
Minister for Technical Co-operation
with Developing Countries
Copenhagen

III

Copenhagen, April 29th, 1968

Excellency,

I have the honour to refer to the Agreement signed to-day between the Government of Denmark and the Government of India and to confirm the understanding reached during negotiations to the effect that the part of the total loan amount of forty (40) million Danish kroner, which will be available for financing imports to India of Danish components and spare parts as provided for in Article VI, Section I, Subsections (viii) and (ix) of the Agreement will not exceed fifteen (15) million Danish kroner.

The amount referred to in the last-mentioned provision may be modified by mutual consent in view of the utilization of the amount specified for the purpose of Article VI, Section 1, Subsections (viii) and (ix).

It is further agreed that the Government of India will furnish the Government of Denmark with a list containing information as to the projects and enterprises to which spare parts and components could be financed under the loan agreement.

If the foregoing sets out clearly the understanding reached between us, I have the honour to suggest that this letter and Your Excellency's reply thereto shall be deemed to be part of the Loan Agreement signed to-day.

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

For the Government of Denmark :

K. Helveg PETERSEN

H. E. Mr. Abid Hasan Safrani
Ambassador of India
Copenhagen

IV

Copenhagen, April 29th, 1968

Excellency,

I have the honour to acknowledge receipt of your letter of to-day which reads as follows :

[*See letter III*]

I have the honour to inform you that my Government is in agreement with the foregoing.

Please accept, Excellency, the assurance of my highest consideration.

For the Government of India :

A. H. SAFRANI

H. E. Mr. K. Helveg Petersen
Minister for Technical Co-operation
with Developing Countries
Copenhagen