

No. 10574

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDIA**

**Development Credit Agreement—*Tenth Railway Project* (with
annexed General Conditions Applicable to Development Credit
Agreements). Signed at Washington on 24 Septembre 1969**

Authentic text: English.

Registered by the International Development Association on 1 July 1970.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
INDE**

**Contrat de crédit de développement — *Dixième projet relatif aux
chemins de fer* (avec, en annexe, les Conditions générales appli-
cables aux contrats de crédit de développement). Signé à
Washington le 24 septembre 1969**

Texte authentique: anglais.

Enregistré par l'Association internationale de développement le 1^{er} juillet 1970.

DEVELOPMENT CREDIT AGREEMENT ¹

AGREEMENT, dated September 24, 1969 between INDIA acting by its President (hereinafter called the Borrower) and the 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 three projects forming 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 development credit agreements with the Borrower dated March 22, 1963;⁸ October 26, 1964⁹ and June 29, 1966;¹⁰

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

¹ Came into force on 4 November 1969, upon notification by the Association to the Government of India.

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

³ *Ibid.*, vol. 288, p. 135.

⁴ *Ibid.*, vol. 323, p. 235.

⁵ *Ibid.*, vol. 346, p. 33.

⁶ *Ibid.*, vol. 377, p. 153.

⁷ *Ibid.*, vol. 418, p. 3.

⁸ *Ibid.*, vol. 477, p. 3.

⁹ *Ibid.*, vol. 535, p. 245.

¹⁰ *Ibid.*, vol. 582, p. 277.

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Development Credit Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969,¹ with the same force and effect as if they were fully set forth herein, subject, however, to the following modification thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions):

Paragraph 5 of Section 2.01 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 several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “ Railways ” means the railways owned and operated by the Borrower and includes all railway property, equipment and materials of the Borrower.

(b) “ Rupees ” and the letters “ Rs ” mean the currency of India.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to fifty-five million dollars (\$55,000,000).

Section 2.02. (a) The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Account the amount of the Credit.

¹ See p. 362 of this volume.

(b) 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, this Development Credit Agreement and in accordance with the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Association.

Section 2.03. The Borrower shall be entitled to withdraw from the Credit Account such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) in respect of the reasonable cost of goods or services required for the Project and to be financed under this Development Credit Agreement.

Section 2.04. (a) No withdrawals from the Credit Account shall be made on account of payments in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower.

(b) It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Credit Account may be made on account of payments made prior to the date of this Agreement but after August 31, 1969.

Section 2.05. The currency of the United Kingdom of Great Britain and Northern Ireland is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.06. 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%) par annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.07. Service charges shall be payable semi-annually on May 1, and November 1 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each May 1 and November 1 commencing November 1, 1979 and ending May 1, 2019, each installment to and including the installment payable on May 1, 1989, 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 apply the proceeds of the Credit in accordance with the provisions of this Development Credit Agreement to expenditures on the Project, described in Schedule 2 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, the goods and services to be financed out of the proceeds of the Credit shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in February 1968, except for the goods referred to in Nos. 1 (a) and 2 of Schedule 3 to this Development Credit Agreement, and in accordance with such other procedures supplementary thereto as are set forth in such Schedule 3 or as shall be agreed between the Borrower and the Association.

Section 3.03. Except as the Association may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively in carrying out 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 and services 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 services financed out of the proceeds of the Credit, 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. Except as the Association shall otherwise agree, the Borrower undertakes to insure or cause to be insured, the imported goods financed out of the proceeds of the Credit against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 4.04. The Borrower shall, not later than March 31, 1971 prepare a plan for the phased retirement of steam locomotives and related facilities, and shall, not later than June 30, 1971, make copies of such plan available to the Association.

Section 4.05. (a) Except as the Association shall otherwise agree, the Borrower shall maintain passenger fares and freight rates, and shall take all other action as may be necessary or appropriate, so as to provide to the Railways revenue sufficient to enable them, beginning with the fiscal year 1970/71, to (i) maintain an operating ratio not higher than 80%, and (ii) to meet for any fiscal year out of internally generated resources:

- (1) all operating expenses;
- (2) all expenses charged as open line works and miscellaneous transactions;
- (3) dividend payments on capital-at-charge; and
- (4) contributions to the Railways Development Fund.

(b) For the purpose of this Section:

- (i) The term “operating ratio” means the ratio of operating expenses to gross operating receipts, expressed in terms of a percentage.
- (ii) The term “gross operating receipts” means all revenues of the Borrower from the Railways operations and other revenues incidental thereto.
- (iii) The term “operating expenses” means all direct costs of operation of the Railways including adequate maintenance expenses and adequate appropriation for Depreciation Reserve Fund and Pension Fund of the Railways.
- (iv) The term “expenses charged as open line works” means expenditures for works relating to operating improvements of less than Rs. 300,000 each and new minor works costing less than Rs. 25,000 each which are not financed through capital-at-charge.
- (v) The term “miscellaneous transactions” means all other expenses shown as such in the Railways income account.
- (vi) The term “capital-at-charge” means the capital and operating funds provided by the Borrower to the Railways and appearing in the Railways accounts as interest-bearing permanent capital.

(c) The contributions to the Railways Development Fund referred to in paragraph (a) subparagraph (ii) (4) of this Section shall be not less than (i) $\frac{1}{2}\%$ for the fiscal year 1970/71, and (ii) $\frac{3}{4}\%$ for the fiscal year 1971/72, of the capital-at-charge at the end of each such fiscal year, respectively, and for any fiscal year, beginning with fiscal year 1972/73, shall be not less than 1% of the capital-at-charge at the end of any such fiscal year.

(d) The adequate appropriation for the Depreciation Reserve Fund of the Railways mentioned in paragraph (b) subparagraph (iii) shall be, not less than Rs. 1,000 million, 1,050 million, 1,100 million and 1,150 million for the fiscal years 1970/71 to 1973/74 respectively.

Section 4.06. Except as the Association shall otherwise agree, the Borrower shall carry out the studies listed in Schedule 4 to this Development Credit Agreement and complete such studies not later than the dates specified in such Schedule. Copies of these studies shall, within three months of their completion, be made available to the Association.

Section 4.07. The Borrower shall make costing studies for the Railways passenger service with a view to determining the extent to which the fares for individual services cover the cost of such services and shall furnish annually to the Association a report on the status of these studies.

Section 4.08. 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 4.09. 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, delivery or registration thereof.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. If any event specified in Section 7.01 of the General Conditions shall occur and shall continue for the period, if any, therein set

forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal, together with such charges, shall become due and payable immediately, anything in this Development Credit Agreement to the contrary notwithstanding.

Article VI

MISCELLANEOUS

Section 6.01. The date of December 15, 1969 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 6.02. The obligations of the Borrower under Sections 4.05, 4.06 and 4.07 of this Development Credit Agreement shall terminate on the date on which this Development Credit Agreement shall terminate or on March 31, 1974, whichever shall be the earlier.

Section 6.03. The Closing Date shall be September 30, 1971 or such other date as shall be agreed between the Borrower and the Association.

Section 6.04. The Secretary to the Government of India in the Ministry of Finance is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 6.05. The following addresses are specified for the purposes of Section 9.01 of the General Conditions:

For the Borrower:

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

Alternative address for cables:

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:

Indevas
Washington, D.C.

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 to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

India:

By NAWAB ALI YAVAR JUNG
Authorized Representative

International Development Association:

By J. BURKE KNAPP
Vice President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF CREDIT

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Components and materials required for the manufacture of electric locomotives, diesel locomotives, electric multiple units, coaches and freight cars.	21,800,000
II. Equipment material for line capacity works, electrical works, etc.	2,400,000
III. Equipment for signalling and telecommunication schemes . .	4,200,000
IV. Equipment and materials for electrification schemes	6,200,000
V. Plant and machinery	1,200,000
VI. Sundry railway equipment and material	3,200,000
VII. Items procured under license or for standardization, consisting of:	
(a) Diesel locomotive components including rectifiers and control equipment, crank shafts, cylinder head casting, turbo-chargers, compressors, fuel booster pumps, pistons	
(b) Electric locomotive components, including air-blast circuit breakers, tap-changers, traction motor components, switchgear, transformers, rectifiers, gears, pinions and brake equipment	
(c) Electric multiple unit components, mainly traction and brake equipment	<u>16,000,000</u>
	<u>TOTAL 55,000,000</u>

REALLOCATION UPON CHANGE IN COST ESTIMATES

If the estimate of the cost of the items included in any of the Categories I to VII shall decrease, the amount of the Credit then allocated to, and no longer required for, such Category shall be reallocated by the Association to any other Category to the extent required by an increase in the estimate of the cost of the items included in such Category; provided, however, that no such reallocation shall be made if as a result thereof the amount allocated to Category VII would exceed the amount set forth in paragraph (2) (c) of Schedule 3 to this Development Credit Agreement.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is the investments scheduled to be made by the Railways for the period from April 1, 1969 to March 31, 1971 estimated to cost approximately \$709 million equivalent.

The Project includes the acquisition of rolling stock, railway materials and equipment which will enable the putting into service during the Project period of about 115 electric locomotives, 300 diesel locomotives, 120 steam locomotives, 350 electric multiple units, 10 railcars, 2,600 other passenger cars and 40,000 freight cars (in terms of four-wheelers), as well as the provision of track renewals and bridge works, line capacity works and signalling, electrification, new lines, workshops, plants, and other railway materials and equipment and services.

SCHEDULE 3

PROCUREMENT

1. With respect to contracts relating to items in Categories I to VI of Schedule I to this Development Credit Agreement any part of which is to be financed out of the proceeds of the Credit, the following procedures shall apply:

- (a) with respect to contracts with a foreign currency component of \$50,000 equivalent or less, the Borrower shall use procurement arrangements in accordance with its usual business practices;
- (b) with respect to contracts with a foreign currency component in excess of \$50,000 equivalent, procedures set forth in the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in February 1968, shall apply, subject to the following:
 - (i) with respect to contracts with a foreign currency component in excess of \$200,000 equivalent, the Borrower shall submit to the Association copy of the signed contract and any other material relevant thereto as the Association shall request promptly after the execution of any such contract and prior to the submission to the Association of the first application for withdrawal of any amount from the Credit Account in respect of such contract;

(ii) with respect to contracts with a foreign currency component in excess of \$1,000,000 equivalent:

(A) Before bids are invited, the Borrower shall submit to the Association for review the invitations to bid, specifications and all other tender documents, together with a description of advertising procedures.

(B) After bids have been received and analyzed, the bid analysis and recommendations for award, shall be submitted by the Borrower to the Association for review and approval prior to the award or the issuance of a letter of intent. If it is recommended to award the contract to other than the bidder offering the lowest price, the reason therefor shall be stated. No award shall be made without the prior approval of the Association unless the contract is awarded to the lowest evaluated bidder. In the latter case, the Borrower shall nevertheless submit to the Association for information the analysis of the bids and copies of the executed contract.

2. With respect to contracts relating to items in Category VII of Schedule 1 to this Development Credit Agreement and any part of which is to be financed out of the proceeds of the Credit, the Borrower may place the contracts through negotiations provided that:

- (a) the terms and conditions of negotiated contracts conform to the Borrower's standard form of contract;
- (b) the Association's approval of such standard form of contract (and any modification thereof) shall have been obtained; and
- (c) the total foreign currency component of all the items listed in such Category VII shall not exceed an amount of \$16,000,000 equivalent.

SCHEDULE 4

PROPOSED WORK PROGRAMME OF THE ECONOMIC UNIT

A. *Traffic Forecasting*

Annual review and refinement of traffic projections, including major commodity traffic leads.

B. *Economic Evaluation of Dieselization and Electrification of Selected Lines, Including Study of Optimum Timing for Phasing out Steam Locomotives*

Panskura - Haldia	November 30, 1969
Madras - Vijayawada	December 31, 1969
Tundla - Delhi	March, 1970
Durg - Nagpur	September, 1970
Nagpur - Bhusaval	November, 1970
Bhusaval - Itarsi	December, 1970

C. *Economics of Selected Line Capacity Works*

(i) Study of gauge conversion schemes:

(a) Viramgam - Okha - Porbandar September 30, 1970

(b) Varanasi - Bhatni - Gorakhpur - Gonda -
Barabanki December 30, 1970

(ii) The line capacity works to be studied and the scope and timing of these studies shall be determined by the Railway Board not later than December 31, 1969.

D. *Economic Evaluation of New Line Constructions*

(i) Morwa - Katni June 30, 1970

(ii) Talcher - Bimlagarh March, 1971

E. *Optimum Timing of Freight Car Replacement*

This study shall be undertaken on the basis of the results of a survey of wagon repair costs by age: June 30, 1970

F. *Study of National Foodgrain Movement*: April 30, 1970.

INTERNATIONAL DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

[Not published herein. See *United Nations, Treaty Series, vol. 703, p. 244.*]