

No. 12035

**DENMARK
and
INDIA**

Agreement on a Danish Government loan to India (with annexes and exchange of letters). Signed at New Delhi on 24 April 1972

Authentic text : English.

Registered by Denmark on 28 September 1972.

**DANEMARK
et
INDE**

Accord relatif à un prêt du Gouvernement danois à l'Inde (avec annexes et échange de lettres). Signé à New Delhi le 24 avril 1972

Texte authentique : anglais.

Enregistré par le Danemark le 28 septembre 1972.

AGREEMENT¹ BETWEEN THE GOVERNMENT OF DENMARK AND THE GOVERNMENT OF INDIA ON A DANISH GOVERNMENT LOAN TO INDIA

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 the economic development of India a Danish Government loan will be extended to India in accordance with the following provisions of this Agreement and the attached annexes, which are considered an integral part of the Agreement :

Article I

THE LOAN

The Government of Denmark (hereinafter called the Lender) will make available to the Government of India (hereinafter called the Borrower) a loan in an amount of forty (40) million Danish kroner for the purposes described in article VI of this Agreement.

Article II

LOAN ACCOUNT

Section 1. An account designated " Government of India 4th Loan Account " (hereinafter called " Loan Account ") will, at the Borrower's request, be opened with Danmarks Nationalbank (acting as agent for the Lender) in favour of 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 funds are always available in the Loan Account to enable the Borrower to effect punctual payment for procurement within the amount of the Loan.

Section 2. The Borrower (or the Chief Accounting Officer to the High Commissioner for India in the United Kingdom, London) shall be entitled, subject to the provisions of this Agreement, to withdraw from the Loan Account amounts needed for payments under the Loan.

¹ Came into force on 24 April 1972 by signature, in accordance with article X, section 1.

Article III

RATE OF INTEREST

The Loan will be free of interest.

Article IV

REPAYMENTS

Section 1. The Borrower will repay the loan in thirty-five semi-annual instalments of 1,100,000 (one million one hundred thousand) Danish Kroner each, commencing on April 1, 1979 and ending on April 1, 1996 and one final instalment of 1,500,000 (one million five hundred thousand) Danish kroner on October 1, 1996.

Section 2. If the loan is not fully utilized in accordance with the provisions of article VI, section 8, a revised schedule of repayment shall be established by mutual consent.

Article V

PLACE OF PAYMENT

The Loan shall be repaid by the Borrower in Danish kroner to Danmarks Nationalbank to the credit of the current account of the Ministry of Finance with Danmarks Nationalbank.

Article VI

USE OF THE LOAN

Section 1. The Borrower will use the loan to finance imports from Denmark (including costs of transport from Denmark to India) of such Danish capital goods, components and spare parts as are to be used for the economic development of India. An indicative list of such goods is contained in annex II.

Section 2. The Loan may also be used to pay for Danish services required for the implementation of development projects in India including, in particular, pre-investment studies, preparation of projects, provision of consultants during the implementation of projects, assembly or construction of plants or buildings and technical and administrative assistance during the initial period of undertakings established by means of the loan.

Section 3. All contracts to be financed under the loan shall be subject to approval by the Borrower and the Lender.

Section 4. The approval by the Lender of a contract for financing under

the loan shall not imply any responsibility for the proper performance of such contracts.

The Lender also disclaims responsibility for the efficient use of supplies and services financed under the loan and for the proper operation of the projects, etc. to which such supplies have been made and such services have been rendered.

Section 5. A contract under the loan shall contain no clauses involving any special credit facilities from the Danish party to the contract.

Section 6. The proceeds of the loan may be used only for payment of capital goods, components, spare parts and services contracted for after the entry into force of the Agreement, unless otherwise agreed by the Borrower and the Lender.

Section 7. The proceeds of the loan shall not be used for payment to the Borrower of any import duty, tax, national or other public charge such as import surcharges, duties to compensate for domestic excise taxes, charges or deposits in connection with the issuance of payments licences or import licences.

Section 8. The Borrower may draw against the Loan Account in fulfilment of contracts approved by the Parties up to three years after the entry into force of the Agreement or such other date as may be mutually agreed to by the Borrower and the Lender.

Article VII

NON-DISCRIMINATION

Section 1. In regard to the repayment of the Loan, the Borrower undertakes to give the Lender no less favourable treatment than that accorded to other foreign creditors.

Section 2. All shipments of capital goods 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 Account referred to in article II the Borrower will satisfy the Lender that all constitutional and other requirements laid down by statute in the Borrower's home country have been met, so that this loan Agreement will constitute an obligation binding on the Borrower.

Section 2. The Borrower will inform the Lender of persons who are authorised to take any action on behalf of the Borrower, and supply authenticated specimen signatures of all such persons.

Section 3. Any notices, requests or agreements under this Agreement shall be in writing.

Article IX

PARTICULAR COVENANTS

The Loan shall be repaid 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 present and future taxes imposed under existing or future laws of the Borrower in connection with the issue, execution, registration, entry into force of the Agreement, or otherwise.

Article X

DURATION OF THE AGREEMENT

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

Section 2. When the loan has been repaid, the Agreement shall terminate forthwith.

Article XI

SPECIFICATION OF ADDRESSES

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

For the Borrower :

Ministry of Finance

Department of Economic Affairs

New Delhi

Cablegrams :

Ecofairs New Delhi

For the Lender with respect to disbursements :

Ministry of Foreign Affairs

Danish International Development Agency

Copenhagen

Cablegrams :

Etrangeres Copenhagen

For the Lender with respect to servicing of the Loan :
Ministry of Economic and Budget Affairs
Copenhagen
Cablegrams :
Finans Copenhagen.

IN WITNESS WHEREOF the Parties hereto, acting through their representatives duly authorised for this purpose, have caused this Agreement to be signed in two copies in the English language at New Delhi this 24th day of April 1972.

For the Government of India :
M. G. KAUL

For the Government of Denmark :
H. A. BIERING

ANNEX I

The following provisions shall govern the rights and obligations under this Agreement between the Government of Denmark and the Government of India relating to a Danish Government Loan to India (hereinafter called the Agreement), of which they are considered an integral part with the same force and effect as if they were fully set forth therein.

Article I

CANCELLATION AND SUSPENSION

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

Section 2. In the event of default by the Borrower in the fulfilment of any commitment or arrangement under the Agreement, the Lender may suspend, in whole or in part, the right of the Borrower to make withdrawals from the Loan Account.

If the default which entitled the Lender to suspend the Borrower's right to draw against the Loan Account persists beyond a period of sixty days after the Lender's notice to the Borrower of the suspension, the Lender may at any time claim immediate repayment of all withdrawals made from the Loan Account, notwithstanding anything in the Agreement to the contrary unless the basis on which the suspension was made has ceased to exist.

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

Article II

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.

ANNEX II

1. Equipment for the fishery industry, e.g. marine diesel engines, etc.
2. Refrigeration equipment.
3. Machinery and equipment for the cement industry.
4. Machinery and equipment for development of the agricultural and livestock industries.
5. Machinery and equipment for the dairy industry.
6. Equipment for research and technical institutions.
7. Equipment for wood-working, crankshaft grinding machines and other machine tools required in the small scale industry sector.
8. Machine tools for the medium and large scale industries.
9. Spare parts for Danish capital equipment.
10. Machinery and equipment for the fertilizer and petro-chemical industries.
11. Machinery and equipment for spray drying plants.
12. Machinery and equipment for the plastic, rubber and chemical industries.
13. Catalysts.
14. Equipment for the processing, drying and storage of food products.
15. Electrical and electronic equipment.
16. Components for the capital goods production and other manufacturing programmes in India.
17. Such other equipment as may be decided upon by mutual agreement between the two Governments.

EXCHANGE OF LETTERS

I

New Delhi, 24th April, 1972

Excellency,

With reference to the Agreement of today's date between the Government

of Denmark and the Government of India, I have the honour to propose that the following provisions shall govern the implementation of article VI of the Agreement.

Payment out of the Loan 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 the Danish authorities. No contract for below 50,000 (fifty thousand) Danish kroner (in the case of spare parts 25,000 (twenty-five thousand) Danish kroner) except for utilization of any final balance below that amount, shall be eligible for financing under the Agreement.

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

- (a) the commodities or services contracted for fall within the framework of the 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 of its findings.

3) When the contracts have been approved, the Government of India may draw on the Loan Account to effect payment of the consignment referred to in the contract. Payments out of this account to Danish exporters or consultants 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 it should constitute an agreement between our two Governments on this matter.

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

For the Government of Denmark :

H. A. BIERING
Ambassador of Denmark

His Excellency Shri M. G. Kaul
Additional Secretary
Ministry of Finance
Department of Economic Affairs
Government of India
New Delhi

II

MINISTRY OF FINANCE
Department of Economic Affairs

New Delhi, the 24th April, 1972

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 assurance of my highest consideration.

For the Government of India :

M. G. KAUL
Additional Secretary

His Excellency Mr. H. A. Biering
Ambassador Extraordinary and Plenipotentiary
Royal Danish Embassy
New Delhi
