

No. 12163

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDIA**

Development Credit Agreement—*Seventh Industrial Imports Project* (with schedules and General Conditions Applicable to Development Credit Agreements). Signed at Washington on 26 September 1972

Authentic text: English.

Registered by the International Development Association on 29 November 1972.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT**

et
INDE

Contrat de crédit de développement — *Septième projet d'importation de biens pour l'industrie* (avec annexes et Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 26 septembre 1972

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 29 novembre 1972.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated September 26, 1972, between INDIA, acting by its President (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

Article I. GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969,² with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions):

- (a) Section 5.01 is deleted;
- (b) Section 6.02 (h) is deleted and Section 6.02 (i) becomes 6.02 (h);
- (c) 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 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) The term “Specified Enterprises” means firms, registered with the Borrower’s Directorate General of Technical Development of the Ministry of Industrial Development, notified from time to time by the Borrower to the Association, in the industrial manufacturing sectors listed in Schedule 3 to this Agreement, as such Schedule shall be amended from time to time by agreement between the Borrower and the Association; and

(b) The term “Canalizing Agencies” means the following agencies of the Borrower: the State Trading Corporation of India Limited, the Minerals and Metals Trading Corporation Limited and the Hindustan Steel Limited.

Article II. THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to seventy-five million dollars (\$75,000,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed under the Development Credit Agreement; provided, however, that, except as the Association shall otherwise agree, no withdrawal shall be made on

¹ Came into force on 19 October 1972, upon notification by the Association to the Government of India.

² See p. 260 of this volume.

account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

Section 2.03. Except as the Association shall otherwise agree, raw and semi-finished materials required for the Project and to be financed out of the proceeds of the Credit, and to be procured through the Canalizing Agencies, shall be procured in accordance with, and subject to, the provisions set forth in Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be November 30, 1973 or such other date as shall be agreed between the Borrower and the Association.

Section 2.05. 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%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Service charges shall be payable semi-annually on January 1 and July 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 1 and July 1 commencing July 1, 1982 and ending January 1, 2022, each installment to and including the installment payable on January 1, 1992 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.

Section 2.08. 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.

Article III. EXECUTION OF THE PROJECT

Section 3.01. (a) The Borrower shall carry out the Project, or cause it to be carried out, with due diligence and efficiency.

(b) 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.

Section 3.02. The Borrower shall cause the imported goods to be financed out of the proceeds of the Credit to be insured, or shall cause adequate provision to be made for the insurance thereof, against 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 beneficiary of such insurance to replace or repair such goods.

Section 3.03. (a) Upon request from time to time by the Association, the Borrower shall furnish to the Association, promptly upon their preparation, the plans and programs for the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(b) The Borrower: (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods financed out of

the proceeds of the Credit, and to disclose the use thereof in the Project; (ii) shall enable the Association's accredited representatives to inspect the goods financed out of the proceeds of the Credit, any relevant records and documents, and the Specified Enterprises; and (iii) shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the Project, the program (referred to in Schedule 2 to this Agreement) of which the Project is a part, the Specified Enterprises, the expenditure of the proceeds of the Credit and the goods financed out of such proceeds.

Section 3.04. The Borrower shall cause the proceeds of the Credit to be used exclusively for the Project.

Article IV. OTHER COVENANTS

Section 4.01. The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained sound accounting practices the operations, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

Section 4.02. Except as the Borrower and the Association shall otherwise agree, the Specified Enterprises shall not, on the ground that they are participating in the Project, be subject to any conditions or requirements not imposed on other enterprises conducting business in the territories of the Borrower.

Article V. CONSULTATION, INFORMATION AND INSPECTION

Section 5.01. The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the Borrower and the Association shall from time to time, at the request of either party:

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Development Credit Agreement, the administration, operations, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out any part of the Project, and other matters relating to the purposes of the Credit; and
- (b) 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, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the administration, operations, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out any part of the Project.

(b) The Borrower and the Association shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit, the maintenance of the service thereof or the performance by either of them of its obligations under the Development Credit Agreement.

Section 5.03. 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.

Article VI. TAXES AND RESTRICTIONS

Section 6.01. The principal of, and service charges on, the Credit 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.

Section 6.02. The Development Credit Agreement shall be free from any taxes on or in connection with the execution, delivery or registration thereof, imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.03. The payment of the principal of, and service charges on, the Credit shall be free from all restrictions, regulations, controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

Article VII. REMEDIES OF THE ASSOCIATION

Section 7.01. If any event specified in Section 7.01 of the General Conditions or in Section 7.03 of this Agreement 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 and service charges shall become due and payable immediately, anything to the contrary in the Development Credit Agreement notwithstanding.

Section 7.02. For the purposes of Section 6.02 of the General Conditions, the following additional event is specified, namely, a default shall have occurred in the performance of any covenant or agreement on the part of the Borrower under any of the development credit agreements granted by the Association to the Borrower for industrial imports projects and dated June 9, 1964, August 11, 1965, August 19, 1966, December 23, 1966, January 22, 1969 and April 24, 1970, respectively, and such nonperformance shall continue for a period of sixty days.

Section 7.03. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified, namely any event specified in Section 7.02 of this Agreement shall occur.

Article VIII. TERMINATION

Section 8.01. The date November 30, 1972 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 8.02. The obligations of the Borrower under Section 4.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the Closing Date, whichever shall be the earlier.

Article IX. REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 9.01. Any Secretary, Additional Secretary, or Joint Secretary to the Government of India in the Ministry of Finance of the Borrower or the Director/Deputy Secretary of the Department of Economic Affairs in the Ministry of Finance of the Borrower, acting singly, is designated for the purposes of Section 9.03 of the General Conditions.

Section 9.02. 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
Cable address:

Ecofairs
New Delhi

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Indevas
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this 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 L. K. JHA
Authorized Representative

International Development Association:

By J. BURKE KNAPP
Vice President

SCHEDULE 1

WITHDRAWAL OF THE PROCEEDS OF THE CREDIT

1. The table below sets forth the Categories of imported items to be financed out of the proceeds of the Credit and the allocation of amounts of the Credit to each Category:

<i>Category</i>	<i>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</i>
Raw and semi-finished materials, components and spare parts for the:	
I. Fertilizers and pesticides	18,000,000
II. Other sectors	<u>57,000,000</u>
TOTAL	<u><u>75,000,000</u></u>

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

- (a) expenditures in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower;
- (b) expenditures prior to June 8, 1972; and
- (c) payments for taxes imposed under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof.

3. If the Association shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in Section 2.03 of this Agreement, no expenditures for such item shall be financed out of the proceeds of the Credit and the Association may, without in any way restricting or limiting any other right, power or remedy of the Association under the Development Credit Agreement, by notice to the Borrower, cancel such amount of the Credit as in the Association's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Credit.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

1. The Project forms part of the program of the Borrower to increase, during the period from April 1, 1972 to March 31, 1973, production for the domestic civilian market and for export by making available foreign exchange for the import of raw and semi-finished materials, components, spare parts and miscellaneous items of manufacturing equipment and thereby improving the rate of utilization of existing productive capacity and capital equipment in India.

2. The Project consists of provision by the Borrower of foreign exchange and other resources required by the respective Specified Enterprises for production for the domestic civilian market and for export.

SCHEDULE 3

INDUSTRIAL MANUFACTURING SECTORS UNDER THE PROJECT*

Listed hereunder are the industrial manufacturing sectors of capital equipment and other goods from which the Specified Enterprises are to be selected:

Agricultural

1. Tractors and Power Tillers
2. Fertilizers
3. Pesticides

Electrical

4. Motors, Transformers, Switchgear and Magnetic Steel Stampings
5. Aluminum Smelting

Transport

6. Commercial Vehicles
7. Automotive Ancillaries

* See Section 1.02 (a).

Metal Working

8. Machine, Cutting and Small Tools, Abrasives, Ball and Roller Bearings.

SCHEDULE 4

PROCUREMENT

1. With respect to any contract estimated to cost the equivalent of \$100,000 or more:
 - (a) bids shall be obtained from not less than three of the major suppliers from member countries of the Bank and Switzerland; and
 - (b) the contract shall be awarded to the bidder whose bid is the lowest evaluated bid.
2. The Borrower shall furnish to the Association, promptly after execution of the contract and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract: (i) the details of the bids sought, (ii) the names of the firms invited to submit bids, (iii) the summary of the bids submitted and, in the event the lowest bid is not accepted, the analysis thereof and the reasons for choosing the successful bidder, and (iv) two conformed copies of such contract.
3. The Borrower shall submit to the Association, together with any application for withdrawal of funds from the Credit Account in respect of any such contract, the release orders applicable to the Specified Enterprise in respect of which the materials under such contract were procured.
4. The Borrower shall furnish to the Association, promptly after delivery of the said material to the Specified Enterprise, such information as the Association shall reasonably request regarding the per unit cost of said material to the Specified Enterprise.

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.*]
