

No. 12195

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
INDIA**

**Development Credit Agreement—*Shipping Project* (with  
schedules and General Conditions Applicable to De-  
velopment Credit Agreements). Signed at Washington  
on 26 September 1972**

*Authentic text: English.*

*Registered by the International Development Association on  
27 December 1972.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
INDE**

**Contrat de crédit de développement—*Projet relatif à la  
marine marchande* (avec annexes et Conditions géné-  
rales applicables aux contrats de crédit de développe-  
ment). Signé à Washington le 26 septembre 1972**

*Texte authentique: anglais.*

*Enregistré par l'Association internationale de développement  
le 27 décembre 1972.*

## DEVELOPMENT CREDIT AGREEMENT<sup>1</sup>

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

WHEREAS (A) The Borrower has requested the Association to assist in the financing of the foreign exchange cost of the Project described in Schedule 2 to this Agreement by extending the Credit as hereinafter provided;

(B) The Project will be carried out by The Shipping Corporation of India Limited with the Borrower's assistance and, as part of such assistance, the Borrower will make available to The Shipping Corporation of India Limited, through Shipping Development Fund Committee, the proceeds of the Credit as hereinafter provided; and

(C) The Association is willing to make the Credit available upon the terms and conditions set forth hereinafter and in a project agreement of even date herewith<sup>2</sup> between the Association, Shipping Development Fund Committee and The Shipping Corporation of India Limited;

NOW THEREFORE the parties hereto hereby agree as follows:

### *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<sup>3</sup>, 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) Paragraph 5 of Section 2.01 is amended to read as follows:

“5. The term ‘Borrower’ means India, acting by its President.”

(b) The following paragraph is added to Section 2.01:

“The term ‘Project Agreement’ has the meaning set forth in the Development Credit Agreement.”

(c) Section 5.01 is deleted;

(d) Section 6.02 (h) is deleted and Section 6.02 (i) becomes 6.02 (h);

(e) The words “the Project Agreement” are added after the words “the Development Credit Agreement” in Section 6.06; and

<sup>1</sup> Came into force on 6 December 1972, upon notification by the Association to the Government of India.

<sup>2</sup> The said Agreement entered into force on 6 December 1972. As it does not constitute an international agreement or a part of the present Agreement, it is not reproduced herein. However, it was published by the Association as document CN 328 IN, a certified true copy of which was transmitted to the Secretariat together with the documentation submitted for registration of the present Development Credit Agreement.

<sup>3</sup> See p. 144 of this volume.

(f) The words “or the Project Agreement” are added after the words “the Development Credit Agreement” in Section 8.02.

*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) “SDFC” means Shipping Development Fund Committee, a body corporate constituted under Section 15 of Merchant Shipping Act, 1958 of the Borrower;

(b) “SCI” means The Shipping Corporation of India Limited, a company incorporated under the Companies Act, 1956 of, and wholly owned by, the Borrower;

(c) “Project Agreement” means the agreement between the Association, SDFC and SCI of even date herewith, as the same may be amended from time to time, and such term includes all schedules to the Project Agreement;

(d) “Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and SDFC pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

(e) “SDFC-SCI Loan Agreement” means the agreement or agreements to be entered into between SDFC and SCI pursuant to Section 2.02 (b) of the Project Agreement, as the same may be amended from time to time, and such term includes all schedules to the SDFC-SCI Loan Agreement;

(f) “IOC” means Indian Oil Corporation Limited, a company incorporated under The Companies Act, 1956 of, and wholly owned by, the Borrower;

(g) “SCI-IOC Charterparty” means the charterparty or charterparties to be entered into between SCI and IOC as contemplated by Section 2.05 of the Project Agreement, as the same may be amended from time to time, and such term includes all schedules to the SCI-IOC Charterparty; and

(h) “Project Tankers” means the tankers referred to in Schedule 2 to this Agreement.

## *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 eighty-three million dollars (\$83,000,000).

*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 the Project Tankers; provided, however, that, except as the Association shall otherwise agree, no withdrawal shall be made on 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, the Project Tankers shall be procured pursuant to the provisions set forth or referred to in Section 2.06 of the Project Agreement.

*Section 2.04.* The Closing Date shall be June 30, 1975 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 March 15 and September 15 in each year.

*Section 2.07.* The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each March 15 and September 15 commencing September 15, 1982 and ending March 15, 2022, each installment to and including the installment payable on March 15, 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 cause the Project to be carried out with due diligence and efficiency and in conformity with sound administrative, financial and shipping practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) Without limitation or restriction upon any of the obligations of the Borrower set forth in paragraph (a) of this Section 3.01, the Borrower shall, for the purposes of the Project, relend the proceeds of the Credit to SDFC under a subsidiary loan agreement to be entered into between the Borrower and SDFC under terms and conditions which shall have been approved by the Association.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, suspend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(d) The Borrower shall take and shall cause all its agencies to take all action which shall be necessary on their part to enable SDFC and SCI to perform all of their obligations under the Project Agreement and to enable SDFC to perform all of its obligations under the Subsidiary Loan Agreement and shall not take or permit to be taken any action which might interfere with such performance.

(e) The Borrower shall take all action, including the allocation of all foreign exchange and the granting of all requisite licenses, permits and other approvals, which may be necessary or desirable to ensure the prompt acquisition and importation of the Project Tankers and all spare parts required therefor.

*Section 3.02 (a)* The Borrower shall cause to be furnished to the Association, promptly upon their preparation, the plans, specifications, contract documents and construction and delivery schedules, for the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

*(b)* The Borrower shall: (i) maintain or cause to be maintained records adequate to record the progress of the Project; (ii) enable the Association's representatives to inspect any relevant records and documents; and (iii) furnish to the Association all such information as the Association shall reasonably request concerning the Project and the expenditure of the proceeds of the Credit.

*Section 3.03.* Except as the Association shall otherwise agree, the Borrower undertakes to ensure, before the due date for delivery to SCI of any of the Project Tankers, (a) the acquisition of one or more crude oil transfer vessels totalling about 16,000 dwt for use at Haldia, and (b) the improvement of shore facilities and pollution control equipment at Haldia, Cochin and other oil products ports.

#### *Article IV. OTHER COVENANTS*

*Section 4.01.* The Borrower shall take all action, including the granting of all requisite licenses, permits and other approvals, which may be necessary or desirable to ensure that the Project Tankers are fully insured and that, in case of need, foreign exchange will be allocated for the replacement or repair thereof.

*Section 4.02.* Except as the Borrower and the Association shall otherwise agree, the Borrower shall ensure that the Project Tankers are used for the purposes stated in Schedule 2 to this Agreement.

#### *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 performance by the Borrower and SDFC of their respective obligations under the Subsidiary Loan Agreement, the performance by SDFC and SCI of their respective obligations under the Project Agreement and the SDFC-SCI Loan Agreement, the performance by SCI and IOC of their respective obligations under the SCI-IOC Charterparty, the administration, operations and financial condition of SCI and, in respect of the Project, of SDFC, IOC and the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof or any obligation under the Development Credit Agreement, 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 operations and financial condition of SCI, and, in respect of the Project, of SDFC, IOC and the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof or any obligation under the Development Credit Agreement.

(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, the performance by either of them of its obligations under the Development Credit Agreement or the performance by any party of its obligations under the Project Agreement, the Subsidiary Loan Agreement, the SDFC-SCI Loan Agreement and the SCI-IOC Charterparty.

*Section 5.03.* The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to inspect, for purposes related to the Project, all installations, sites, works, buildings, property and equipment of SDFC, SCI and IOC and any relevant records and documents and to visit any part of the territories of the Borrower.

#### *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 and the Project 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 events are specified:

(a) SDFC shall have failed to perform any covenant, agreement or obligation of SDFC under the Project Agreement, the Subsidiary Loan Agreement or the SDFC-SCI Loan Agreement.

(b) SCI shall have failed to perform any covenant, agreement or obligation of SCI under the Project Agreement or the SDFC-SCI Loan Agreement.

(c) An extraordinary situation shall have arisen which shall make it improbable that SDFC or SCI will be able to perform its obligations under the Project Agreement.

(d) SDFC, SCI or IOC shall have become unable to pay its debts as they mature or any action or proceeding shall have been taken by any one of them or by others whereby any of the property or assets of any one of them shall or may be distributed among its creditors.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SDFC, SCI or IOC or for the suspension of operations of any one of them, or any resolution shall have been taken for the winding-up of any one of them.

*Section 7.03.* For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

(a) Any event specified in Section 7.02 (a) or (b) of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, SDFC and SCI.

(b) Any event specified in Section 7.02 (d) or (e) of this Agreement shall occur prior to the termination of the Project Agreement in accordance with its terms.

(c) SCI shall have failed to enter into the SCI-IOC Charterparty or, having entered thereto, shall have failed to perform any covenant, agreement or obligation under the SCI-IOC Charterparty and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, SDFC and SCI.

(d) IOC shall have failed to enter into the SCI-IOC Charterparty or, having entered thereto, shall have failed to perform any covenant, agreement or obligation under the SCI-IOC Charterparty and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, SDFC and SCI.

#### *Article VIII.* EFFECTIVE DATE; TERMINATION

*Section 8.01.* The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions:

(a) The execution and delivery of the Project Agreement on behalf of SDFC and SCI, respectively, have been duly authorized or ratified by all necessary corporate and governmental action.

(b) The execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower and SDFC, respectively, have been duly authorized or ratified by all necessary corporate and governmental action.

(c) The execution and delivery of the SDFC-SCI Loan Agreement on behalf of SDFC and SCI, respectively, have been duly authorized or ratified by all necessary corporate and governmental action.

(d) The principal terms and conditions to be provided in the SCI-IOC Charterparty have been agreed by SCI and IOC and approved by the Borrower, SDFC and the Association.

*Section 8.02.* The following are specified as additional matters, within the meaning of Section 10.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) That the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, SDFC and SCI, respectively, and constitutes valid and binding obligations of SDFC and SCI in accordance with its terms.

(b) That the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and SDFC, respectively, and constitutes valid and binding obligations of the Borrower and SDFC in accordance with its terms.

(c) That the SDFC-SCI Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, SDFC and SCI, respectively, and constitutes valid and binding obligations of SDFC and SCI in accordance with its terms.

*Section 8.03.* The date December 26, 1972 is hereby specified for the purposes of Section 10.04 of the General Conditions.

*Section 8.04.* The obligations of the Borrower under this Agreement which relate to SDFC, SCI and IOC shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date twenty years after the date of this Agreement, 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 a Director/Deputy Secretary of the Department of Economic Affairs in the Ministry of Finance of the Borrower is designated as representative of the Borrower 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 LAKSHMI KANT 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>
I. Crude oil tankers . . . . .	63,600,000
II. Refined oil products tankers . . . . .	19,000,000
III. Unallocated . . . . .	400,000
	TOTAL 83,000,000
	83,000,000

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 March 1, 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. Notwithstanding the allocation of an amount of the Credit set forth in the second column of the table in paragraph 1 above:

- (a) if the estimate of the expenditures under Category I or II shall decrease, the amount of the Credit then allocated to such Category and no longer required therefor will be reallocated by the Association by increasing correspondingly the unallocated amount of the Credit;
- (b) if the estimate of the expenditures under Category I or II shall increase, a corresponding amount will be allocated by the Association, at the request of the Borrower, to such Category from the unallocated amount of the Credit, subject, however, to the requirements for contingencies, as determined by the Association, in respect of any other expenditures; and
- (c) if the Association shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures referred to in Section 2.06 of the Project 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, 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

The Project, a part of the shipping program under the Borrower's Fourth Plan, consists of the following Parts:

*Part A.* The acquisition by SCI of four crude oil tankers, each in the 80,000 dwt class,\* to be chartered by SCI to IOC for use in importing crude oil.

*Part B.* The acquisition by SCI of two refined oil products tankers, each in the 20,000 dwt class,\*\* to be chartered by SCI to IOC for use in the import, export and coastal distribution of refined petroleum products.

The Project is expected to be completed by December 31, 1974.

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\* Each evaluated at 39 feet draft as 71,500 dwt.

\*\* Each evaluated at 30 feet draft as 19,500 dwt.

### 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.]