

No. 14359

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**FEDERAL REPUBLIC OF GERMANY  
and  
INDIA**

**Agreement concerning financial assistance 1974 (with  
annex). Signed at Bonn on 8 July 1974**

*Authentic texts: German and English.*

*Registered by the Federal Republic of Germany on 7 October 1975.*

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**RÉPUBLIQUE FÉDÉRALE D'ALLEMAGNE  
et  
INDE**

**Accord d'aide financière (1974) [avec annexe]. Signé à Bonn  
le 8 juillet 1974**

*Textes authentiques : allemand et anglais.*

*Enregistré par la République fédérale d'Allemagne le 7 octobre 1975.*

AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENT OF INDIA AND THE GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY CONCERNING FINANCIAL ASSISTANCE 1974

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The Government of India and the Government of the Federal Republic of Germany, in the spirit of the traditional friendly relations existing between India and the Federal Republic of Germany,

desiring to strengthen and intensify those friendly relations by fruitful co-operation in the field of development assistance,

recognizing that the maintenance of these relations constitutes the basis of the present Agreement,

intending to contribute to the economic and social development of India,

have agreed as follows:

*Article 1.* (1) The Government of the Federal Republic of Germany shall extend to the Government of India or other Indian recipients to be jointly selected by the two Governments bilateral financial assistance totalling DM 360,000,000 (three hundred and sixty million Deutsche Mark).

(2) This assistance shall be composed of

- (a) debt-service relief in the amount of DM 130,000,000 (one hundred and thirty million Deutsche Mark) for the amortization payments, falling due in the period between 1 April 1974 and 31 March 1975, according to Articles 2 and 3 of the present Agreement,
- (b) loans up to an amount of DM 220,000,000 (two hundred and twenty million Deutsche Mark) according to Articles 4 to 6 of the present Agreement,
- (c) grants (financing contributions) up to DM 10,000,000 (ten million Deutsche Mark) according to Article 7 of the present Agreement.

*Article 2.* The Government of the Federal Republic of Germany shall make it possible for amortization payments under the financial-aid loans granted by the Kreditanstalt für Wiederaufbau (Development Loan Corporation) in the amount of DM 130,000,000 (one hundred and thirty million Deutsche Mark), falling due in the period between 1 April 1974 and 31 March 1975, to be postponed for 30 years, including a grace period of 10 years. For this purpose the Government of India, to the extent that it has not itself been the debtor of the postponed amortization payments, shall assume the debt in respect of the amounts due. The postponed payments shall bear interest at the rate of 2.5 (two and a half) per cent per annum.

*Article 3.* The details of debt-service relief shall be agreed in supplementary arrangements to the loan agreements between the Parties thereto.

*Article 4.* The Government of the Federal Republic of Germany shall enable the Government of India or other borrowers to be jointly selected by both Governments to raise loans up to an amount of DM 220,000,000 (two hundred and twenty million Deutsche Mark) with the Kreditanstalt für Wiederaufbau, Frankfurt am Main.

*Article 5.* (1) The loans raised under Article 4 above shall be utilized in accordance with the provisions of paragraphs 2 to 6 of this Article.

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<sup>1</sup> Came into force on 8 July 1974 by signature, in accordance with article 13.

(2) An amount of up to DM 40,000,000 (forty million Deutsche Mark) shall be utilized for projects to be jointly selected by the two Governments if upon examination they are found to be eligible for promotion.

(3) An amount of up to DM 40,000,000 (forty million Deutsche Mark) shall be utilized for a rural development programme to be jointly selected by the two Governments if upon examination this programme is found to be eligible for promotion.

(4) An amount of up to DM 15,000,000 (fifteen million Deutsche Mark) shall be made available for the financing of projects approved by the Indian Interministerial Committee for Capital Goods. It is the understanding of the Government of the Federal Republic of Germany that the Government of India will utilize the counterpart Rupee funds accruing from the sale of the Deutsche Mark so loaned for development projects.

(5) An amount of up to DM 25,000,000 (twenty-five million Deutsche Mark) shall be made available to Indian financing institutions for the purpose of promoting small- and medium-sized undertakings.

The institutions listed below shall receive the following amounts:

- (a) Industrial Credit and Investment Corporation of India Limited (ICICI) up to DM 7,000,000 (seven million Deutsche Mark),
- (b) Industrial Finance Corporation (IFC) up to DM 11,000,000 (eleven million Deutsche Mark),
- (c) National Small Industries Corporation (NSIC) up to DM 7,000,000 (seven million Deutsche Mark).

(6) An amount of up to DM 76,000,000 (seventy-six million Deutsche Mark) shall be utilized for the financing of the import of goods, in accordance with the list of commodities annexed to the present Agreement, to meet the current civilian import requirements of India and the cost of transport connected therewith and of other services. These must be goods for which import licenses have been issued after 31 March 1974. When utilizing this amount, sympathetic consideration shall be given to the requirements of enterprises established with German capital participation of India, as well as to holders of German licenses, to the extent that these requirements are not to be met under the measures taken by the Government of India for the liberalization of imports. It is the understanding of the Government of the Federal Republic of Germany that the Government of India will utilize the counterpart Rupee funds accruing from the sale of the Deutsche Mark so loaned for development purposes.

(7) An amount of up to DM 24,000,000 (twenty-four million Deutsche Mark) shall be utilized as liquidity assistance for the payment of goods and services to meet the current civilian import requirements of India.

In all other respects the provisions of paragraph 6 above shall apply *mutatis mutandis*.

(8) The loans, except in the case of paragraph 3 above, shall, on principle, be used only to cover costs incurred in other than the Indian currency.

*Article 6.* (1) The utilization of the loans as well as the terms and conditions under which they are extended shall be stipulated in the agreements to be concluded between the Indian borrowers and the Kreditanstalt für Wiederaufbau which shall be governed by the legal provisions applicable in the Federal Republic of Germany.

(2) The loans, except for those envisaged in Article 5 (5) above for the Indian financing institutions, shall be extended to the Government of India. The sponsors of the projects to be determined in accordance with Article 5 (2) above shall be free to avail themselves of the financing and guarantee facilities provided by the Industrial Development Bank of India.

The Government of India shall ensure that the said Bank has, in each case, sufficient Rupee funds available to cover the requirements of such projects.

(3) Amounts accruing from the difference between the rates of interest and the loan agreements between the Government of India and the Kreditanstalt für Wiederaufbau and those on the loan agreements to be concluded with other borrowers (development banks) shall be made available without delay by the Government of India to development institutions to be selected in agreement with the Kreditanstalt für Wiederaufbau on reasonable conditions for the financing of projects within the framework of existing development programmes.

(4) The Government of India, to the extent that it is not itself the borrower, shall guarantee to the Kreditanstalt für Wiederaufbau the payments in Deutsche Mark to be made in fulfilment of the borrower's liabilities under the agreements to be concluded pursuant to paragraph 1 above. If authority with regard to the transfer of payments is given to the Reserve Bank of India or any other agency, such agency shall, independently of the Government of India, also guarantee the transfer of payments resulting from such loan agreements.

*Article 7.* The Government of the Federal Republic of Germany shall enable the Government of India or other recipients to be jointly selected by the two Governments to obtain from the Kreditanstalt für Wiederaufbau, Frankfurt am Main, grants (financing contributions) up to an amount of DM 10,000,000 (ten million Deutsche Mark) for the rural development programme referred to in Article 5 (3) above. Agreements shall be concluded on those grants in accordance with Article 6 (1) above.

*Article 8.* The Government of India shall ensure that the Kreditanstalt für Wiederaufbau is exempted from all taxes and other public charges levied in India at the time of the conclusion, or during the implementation, of the agreements referred to in Article 6 (1) and Article 7 and of the supplementary arrangements referred to in Article 3 above.

*Article 9.* The two Governments shall allow passengers and suppliers free choice of transport enterprises for such transportation by sea or air as results from the granting of the loans and the provision of grants (financing contributions), abstain from taking any measures that exclude or impair the fair and equal participation of transport enterprises having their place of business in the German area of application of the present Agreement (Federal Republic of Germany and *Land* Berlin) and India, and grant the relevant permits as required for the participation of such transport enterprises.

*Article 10.* Unless otherwise provided for in individual cases, supplies and services for projects financed from the loans under Article 5 (2) and (3) above as well as from the grants (financing contributions) under Article 7 shall be put up for international public bidding.

*Article 11.* With regard to the supplies resulting from the granting of the loans and the provision of the grants (financing contributions), the Government of the Federal Republic of Germany attaches particular importance to preference being given to products of industries of *Land* Berlin.

*Article 12.* With the exception of those provisions of Article 9 which refer to air transport, this Agreement shall also apply to *Land* Berlin, provided that the Government of the Federal Republic of Germany does not make a contrary declaration to the Government of India within three months after the entry into force of the present Agreement.

*Article 13.* The present Agreement shall enter into force on the date of signature thereof.

DONE at Bonn on 8th July 1974 in duplicate, in the English and German languages, both texts being equally authentic.

For the Government  
of India:

[Signed — Signé]<sup>1</sup>

For the Government  
of the Federal Republic  
of Germany:

[Signed — Signé]<sup>2</sup>

[Signed — Signé]<sup>3</sup>

#### ANNEX

IN ACCORDANCE WITH ARTICLE 5 (6) OF THE AGREEMENT BETWEEN THE GOVERNMENT OF INDIA AND THE GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY CONCERNING FINANCIAL ASSISTANCE FOR 1974

List of Commodities eligible for Indian purchases in the amount of DM 76,000,000 (seventy-six million Deutsche Mark):

- (a) industrial raw and auxiliary materials as well as semi-manufactured products,
- (b) industrial equipment as well as agricultural machinery and implements,
- (c) spare parts and accessories of all kinds,
- (d) chemical products, in particular fertilizers, plant protection agents and pesticides, pharmaceuticals,
- (e) other industrial products which are of importance for the economic development of India,
- (f) equipment and implements for civilian scientific and technical research institutes, as well as hospital requirements.

Imports according to the above list should cover as wide a variety of goods as possible. Imports not covered by this list may be financed only with the prior approval of the Government of the Federal Republic of Germany.

The importation of luxury and consumer goods and of all goods serving military equipment purposes shall be excluded from commodity aid financing.

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<sup>1</sup> Signed by Narasimham — Signé par Narasimham.

<sup>2</sup> Signed by Lahn — Signé par Lahn.

<sup>3</sup> Signed by Klamser — Signé par Klamser.