

**No. 16382**

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**FEDERAL REPUBLIC OF GERMANY  
and  
INDIA**

**Agreement concerning financial assistance in 1976 (with annex). Signed at Bonn on 24 June 1976**

*Authentic texts: German and English.*

*Registered by the Federal Republic of Germany on 1 February 1978.*

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**RÉPUBLIQUE FÉDÉRALE D'ALLEMAGNE  
et  
INDE**

**Accord d'aide financière pour l'année 1976 (avec annexe).  
Signé à Bonn le 24 juin 1976**

*Textes authentiques : allemand et anglais.*

*Enregistré par la République fédérale d'Allemagne le 1<sup>er</sup> février 1978.*

## AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENT OF INDIA AND THE GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY CONCERNING FINANCIAL ASSISTANCE IN 1976

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,

aware that the maintenance of those relations constitutes the basis of the present Agreement,

intending to contribute to economic and social development in 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 both Governments bilateral financial assistance up to a total of DM 362,000,000.- (three hundred and sixty-two million Deutsche Mark).

(2) This assistance shall consist of

- (a) debt service relief in the amount of DM 140,000,000.- (one hundred and forty million Deutsche Mark) in respect of amortization instalments falling due in the period between 1 April 1976 and 31 March 1977, in accordance with Articles 2 and 3 of the present Agreement,
- (b) loans up to a total of DM 220,000,000.- (two hundred and twenty million Deutsche Mark), in accordance with Articles 4 to 6 of the present Agreement,
- (c) grants (financing contributions) up to a total of DM 2,000,000.- (two million Deutsche Mark), in accordance with Article 7 of the present Agreement.

*Article 2.* The Government of the Federal Republic of Germany shall make it possible for payment of the amortization instalments in the amount of DM 140,000,000.- (one hundred and forty million Deutsche Mark), arising from financial assistance loans granted by the Kreditanstalt für Wiederaufbau (Development Loan Corporation) and falling due in the period between 1 April 1976 and 31 March 1977, to be deferred for 30 years, including ten years of grace. For this purpose the Government of India shall, in so far as it is not itself responsible for the payment of the amortization instalments to be deferred, assume liability for the payments concerned. The payments so deferred shall carry interest at the rate of 2.5 (two and a half) per cent per annum.

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

*Article 4.* The Government of the Federal Republic of Germany shall enable the Government of India and the institutions referred to in Article 5 (4) of the present

<sup>1</sup> Came into force on 24 June 1976 by signature, in accordance with article 13.

Agreement to raise loans up to a total of DM 220,000,000.- (two hundred and twenty million Deutsche Mark) with the Kreditanstalt für Wiederaufbau, Frankfurt/Main.

*Article 5.* (1) The loans raised under Article 4 of the present Agreement shall be utilized in accordance with the provisions of paragraphs 2 to 7 of this Article.

(2) An amount of up to DM 95,000,000.- (ninety-five million Deutsche Mark) shall be utilized for projects to be jointly selected by both Governments if upon examination they are found to be eligible for promotion.

(3) An amount of up to DM 25,000,000.- (twenty-five million Deutsche Mark) shall be made available to finance capital goods to meet India's civilian requirements which have been approved by the Indian Interministerial Committee for Capital Goods and whose order value does not exceed DM 3,000,000.- (three million Deutsche Mark). In exceptional cases supplies worth up to DM 5,000,000.- (five million Deutsche Mark) may be included in this procedure. Orders worth over DM 1,000,000.- (one million Deutsche Mark) shall be subject to the prior approval of the Kreditanstalt für Wiederaufbau. The disbursement of the amount so loaned shall cover a period up to 31 March 1979. 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.

(4) 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 industrial and agricultural undertakings.

Of this amount

- (a) the Industrial Credit and Investment Corporation of India Limited (ICICI) shall receive up to DM 10,000,000.- (ten million Deutsche Mark), and
- (b) the Industrial Finance Corporation (IFC) shall receive up to DM 15,000,000.- (fifteen million Deutsche Mark).

(5) An amount of up to DM 45,000,000.- (forty-five million Deutsche Mark) shall be used to finance the importation of goods to meet current necessary civilian import requirements of India, as listed in the Annex to the present Agreement, including the cost of related services. Only imports for which the import licences have been issued after 31 March 1976 are eligible for financing. When utilizing this amount, favourable consideration shall be given to the requirements of enterprises established with German capital participation in India, as well as to holders of German licences, 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 projects.

(6) An amount of up to DM 30,000,000.- (thirty million Deutsche Mark) shall be utilized as liquidity assistance for the payment of goods and services to meet current necessary civilian import requirements. In all other respects the provisions of paragraph 5 above, excepting the provision regarding the eligibility only of imports for which the import licences have been issued after 31 March 1976, shall apply *mutatis mutandis*.

(7) The loans shall on principle be used only to cover costs arising in other than Indian currency.

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

(2) The sponsors of the projects to be determined pursuant to Article 5 (2) of the present Agreement 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) The Government of India shall, to the extent that it is not itself the borrower, guarantee to the Kreditanstalt für Wiederaufbau all payments in Deutsche Mark to be made in fulfilment of the borrower's liabilities under the agreements to be concluded in accordance with 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 both Governments to receive from the Kreditanstalt für Wiederaufbau, Frankfurt/Main, grants of up to a total of DM 2,000,000.- (two million Deutsche Mark) for the rural development programme Tawa. Agreements on the grants shall be concluded in accordance with Article 6 (1) of the present Agreement.

*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 execution of the agreements referred to in Article 6 (1) and Article 7 and the supplementary arrangements referred to in Article 3 of the present Agreement.

*Article 9.* The two Governments shall allow passengers and suppliers free choice of transport enterprises for such transportation by sea or air of persons and goods as results from the provision of the loans and grants, abstain from taking any measures that exclude or impair the participation on equal terms of transport enterprises having their place of business in the area of application of the present Agreement, 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 loan under Article 5 (2) as well as from the grants under Article 7 of the present Agreement shall be subject to international public tender.

*Article 11.* With regard to the supplies resulting from the provision of the loans and grants, 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 of the date of entry into force of this Agreement.

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

DONE at Bonn on 24 June 1976, 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 TO THE AGREEMENT BETWEEN THE GOVERNMENT OF INDIA AND THE  
GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY CONCERNING  
FINANCIAL ASSISTANCE IN 1976

List of goods and services which may be financed up to a total of DM 45,000,000.- (forty-five million Deutsche Mark) from the loan under Article 5 (5) of the Agreement:

- (a) industrial raw and auxiliary materials as well as semi-manufactures,
- (b) industrial equipment as well as agricultural machinery and implements,
- (c) spare parts and accessories of all kinds,
- (d) products of the chemical industry, in particular fertilizers, plant protection agents, pesticides, medicaments,
- (e) other industrial products of importance for the economic development of India,
- (f) equipment and instruments for scientific and technical institutions engaged in civilian research, as well as hospital requirements,
- (g) consulting services, licence fees, purchase of patents,
- (h) the costs, including Indian currency costs, of transportation, insurance and assembly connected with the importation of goods financed under this Agreement.

Imports pursuant to the above list should cover the widest possible range of goods. Imports not contained in this list may only be financed with the prior approval of the Government of the Federal Republic of Germany.

The importation of consumer goods for private requirements, in particular luxury goods, as well as goods and equipment to be used for military purposes may not be financed from the loan.

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

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

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