No. 18422

FEDERAL REPUBLIC OF GERMANY and INDIA

Agreement concerning financial assistance in 1978. Signed at Bonn on 23 June 1978

Authentic texts: German and English.

Registered by the Federal Republic of Germany on 28 March 1980.

RÉPUBLIQUE FÉDÉRALE D'ALLEMAGNE et INDE

Accord d'aide financière pour l'année 1978. Signé à Bonn le 23 juin 1978

Textes authentiques: allemand et anglais.

Enregistré par la République fédérale d'Allemagne le 28 mars 1980.

AGREEMENT' BETWEEN THE GOVERNMENT OF INDIA AND THE GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY CONCERNING FINANCIAL ASSISTANCE IN 1978

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 cooperation 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 290,000,000 (two hundred and ninety million deutsche mark).
 - (2) This assistance shall consist of:
- (a) Loans up to a total of DM 284,000,000 (two hundred and eighty-four million deutsche mark), in accordance with articles 2 to 4 of the present Agreement;
- (b) Grants (financing contributions) up to a total of DM 6,000,000 (six million deutsche mark), in accordance with article 5 of the present Agreement.
- Article 2. The Government of the Federal Republic of Germany shall enable the Government of India and the institutions referred to in article 3 (4) of the present Agreement to raise loans up to a total of DM 284,000,000 (two hundred and eighty-four million deutsche mark) with the Kreditanstalt für Wiederaufbau, Frankfurt/Main.
- Article 3. (1) The loans raised under article 2 of the present Agreement shall be utilized in accordance with the provisions of paragraphs 2 to 5 below.
- (2) An amount of up to DM 234,000,000 (two hundred and thirty-four million deutsche mark) shall be utilized for projects to be jointly selected by both Governments if after appraisal they are found to be eligible for promotion.
- (3) An amount of up to DM 35,000,000 (thirty-five million deutsche mark) shall be made available to finance capital goods to meet India's civilian requirements whose order value, in each case, 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 1981. It is the understanding of the Government of the Federal Republic of Germany that the Government of India will utilize the counter-

¹ Came into force on 23 June 1978 by signature, in accordance with article 11.

part rupee funds accruing from the sale of the deutsche mark so loaned for development projects.

- (4) An amount of up to DM 15,000,000 (fifteen 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 5,000,000 (five million deutsche mark); and
- (b) The Industrial Finance [Corporation] (IFC) shall receive up to DM 10,000,000 (ten million deutsche mark).
- (5) The loans shall in principle be used only to cover costs arising in other than Indian currency.
- Article 4. (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 laws and regulations applicable in the Federal Republic of Germany.
- (2) The sponsors of the projects to be determined pursuant to article 3 (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 5. 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 6,000,000 (six million deutsche mark) for the rural development programme Tawa. Agreements on the grants shall be concluded in accordance with article 4 (1) of the present Agreement.
- Article 6. 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 4 (1) and in article 5 of the present Agreement.
- Article 7. 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 loan and grants, abstain from taking any measures that might 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 8. Unless otherwise provided for in individual cases, supplies and services for projects financed from the loans under article 3 (2) of the present Agreement as well as from the grants under article 5 of the present Agreement shall be subject to international public tender.
- Article 9. With regard to supplies and services resulting from the provision of the loans and grants, the Government of the Federal Republic of Germany attaches particular importance to preferential use being made of the economic potential of Land Berlin.
- Article 10. With the exception of those provisions of article 7 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 11. This Agreement shall enter into force on the date of signature thereof.

Done at Bonn on June 23, 1978, in duplicate in the English and German languages, both texts being equally authentic.

For the Government of India:

[Signed - Signé]1

For the Government of the Federal Republic of Germany:

[Signed — Signé]²

[Signed - Signé]3

Signed by R. N. Malhotra - Signé par R. N. Malhotra.

Signed by Lautenschlager — Signé par Lautenschlager.
Signed by Dr. Franz Klamser — Signé par Franz Klamser.