

No. 24633

**DENMARK
and
INDIA**

**Agreement on a Danish Government loan to India (with
annex). Signed at Copenhagen on 30 October 1986**

Authentic text: English.

Registered by Denmark on 23 February 1987.

**DANEMARK
et
INDE**

**Accord relatif à un prêt du Gouvernement danois à l'Inde
(avec annexe). Signé à Copenhague le 30 octobre 1986**

Texte authentique : anglais.

Enregistré par le Danemark le 23 février 1987.

AGREEMENT¹ BETWEEN THE GOVERNMENT OF DENMARK AND THE GOVERNMENT OF INDIA ON A DANISH GOVERNMENT LOAN TO INDIA

The Government of Denmark and the Government of India, desiring to strengthen the traditional co-operation and cordial relations between their countries, have agreed that, as a contribution to the economic development of India, a Danish Government Loan shall be extended to the Government of India in accordance with the following provisions of this Agreement and the attached Annex, which is an integral part of the Agreement:

Article I. THE LOAN

The Government of Denmark (hereinafter called “the Lender”) shall make available to the Government of India (hereinafter called “the Borrower”) a Loan in an amount of 180 (one hundred and eighty) million Danish Kroner for the purposes described in Article V.

Article II. LOAN ACCOUNT

1. An account designated “Government of India Loan Account No. 11” (hereinafter called “Loan Account”) shall, at the Borrower’s request, be opened with Danmarks Nationalbank (central bank of Denmark) (acting as agent for the Lender) in favour of the Government of India.

The Lender shall ensure that sufficient funds are always available on the Loan Account to enable the Borrower to effect punctual payment for capital goods and services procured within the framework of this Agreement.

2. The Borrower shall be entitled, subject to the provisions of this Agreement, to withdraw from the Loan Account in accordance with the Guidelines set out in the Annex to this Agreement amounts needed for payment for capital goods or services procured.

Article III. RATE OF INTEREST

The Loan shall be free of interest.

Article IV. REPAYMENTS

1. The Loan shall be repaid by the Borrower in Danish Kroner to Danmarks Nationalbank to the credit of the current account of the Danish Ministry of Foreign Affairs with Danmarks Nationalbank in 50 semi-annual instalments of 3.600.000 Danish Kroner each, commencing on October 1, 1996 and ending on April 1, 2021.

2. If the Loan is not fully utilized in accordance with provisions of Article VI, Paragraph 5, a revised schedule of repayment shall be established by mutual consent.

¹ Came into force on 30 October 1986 by signature, in accordance with article XIV (1).

Article V. THE PURPOSES

1. The Loan shall be applied to the implementation of the following projects:

	<i>Mill. DKK</i>
<i>a.</i> Equipment, services and training for the Jayanthipuram cement plant in Andhra Pradesh.....	56.0
<i>b.</i> Equipment for the Durga cement works in Andhra Pradesh	6.2
<i>c.</i> Equipment, license fee, services and training for a commutator factory in Aurangabad, Maharashtra	7.5
<i>d.</i> Equipment and supervision for a moulded pulp factory in Himachal Pradesh	6.6
<i>e.</i> Coastal oceanographic research vessel	28.0
<i>f.</i> License fee and catalysts for the Aonla fertilizer plant in Uttar Pradesh	66.3
<i>g.</i> Unallocated balance to be agreed upon	9.4
TOTAL	180.0

2. Any proposal on the part of the Borrower implying changes in the plans laid down for the implementation of the projects mentioned above, and any proposal on the part of the Borrower for the substitution of new projects for any of the abovementioned projects shall be subject to the approval of the Lender.

Article VI. USE OF THE LOAN

1. The Borrower shall use the Loan to finance imports from Denmark (including costs of transport from Denmark to India) of such Danish capital goods and services as are to be used for the purposes mentioned in Article V.

2. All contracts to be financed under this Agreement shall be subject to approval by the Borrower and the Lender.

3. The approval by the Lender of a contract for financing under this Agreement shall not imply any responsibility for the proper performance of such contract.

The Lender also disclaims responsibility for the efficient use of the capital goods and services financed under this Agreement and for the proper operation of the projects etc., to which such goods have been supplied and such services have been rendered.

4. The proceeds of the Loan may be used only for payment for capital goods and services contracted for after the entry into force of the Agreement, except as otherwise agreed by the Borrower and Lender.

5. Withdrawals from the Loan Account may take place in fulfilment of contracts which are approved within a period of three years after the entry into force of the Agreement or such other date as may be mutually agreed upon by the Borrower and the Lender.

Article VII. NON-DISCRIMINATION

1. The Borrower undertakes to give the Lender no less favourable treatment regarding repayment of the Loan than that accorded to other foreign creditors.

2. All shipments of capital goods covered by this Agreement shall be in keeping with the principle of free circulation of ships in international trade in free and fair competition.

Article VIII. TAXES AND OTHER PUBLIC CHARGES AND RESTRICTIONS

1. This Agreement shall be free from any present and future taxes imposed under existing or future laws of the Borrower in connection with the issue, execution, registration, entry into force of the Agreement or otherwise.
2. The proceeds of the Loan shall not be used for payment to the Borrower of any import surcharges, duties to compensate for domestic excise taxes, charges or deposits in connection with the issuance of payments licenses or import licenses.
3. The Loan shall be repaid without deduction for, and free from, any taxes and charges, and free from all restrictions imposed under the laws of the Borrower.

Article IX. COLLABORATION AND INFORMATION

1. The Borrower and the Lender shall collaborate fully to ensure that the purposes of this Agreement be accomplished. To that end the Parties shall at the request of one or the other of the Parties exchange views with regard to matters relating to the projects under this Agreement and provide each other with all such information as can reasonably be requested with regard to the matters in question.
2. The Lender shall have the right, pursuant to prior arrangements with the Borrower, to send his own agents or duly authorized representatives to carry out any technical or financial mission that he considers necessary to follow the execution of the projects under this Agreement.

To facilitate the work of the persons instructed to carry out such monitoring missions the Borrower shall provide them with all relevant assistance, information and documentation.

3. Joint Danish-Indian project evaluations shall be carried out at the request of either Party.

Article X. CANCELLATION AND SUSPENSION

1. The Borrower may, by notice to the Lender, cancel any amount of the Loan which the Borrower shall not have withdrawn.
2. In the event of non-fulfilment by the Borrower of any commitment or arrangement between the Parties regarding this Agreement the Lender may suspend, in whole or in part, the right of the Borrower to make withdrawals from the Loan Account.

If the offence which entitled the Lender to suspend the Borrower's right to draw against the Loan Account persists beyond a period of two months after the Lender's notice to the Borrower of the suspension, the Lender may at any time claim immediate repayment of all withdrawals made from the Loan Account, in spite of any provision to the contrary in the Agreement, unless the basis on which the suspension was made has ceased to exist.

3. Likewise, if the Borrower defaults in repaying the Loan, and the default persists beyond a period of two months after due notice hereof having been given by the Lender to the Borrower, the Lender may at any time claim immediate repayment of all withdrawals made from the Loan Account, in spite of any provision to the contrary in the Agreement, unless the default has meanwhile been redressed.

4. Notwithstanding any cancellation or suspension under this Article all the other provisions of the Agreement shall continue in full force and effect.

Article XI. SETTLEMENT OF DISPUTES

1. Any dispute between the Parties arising out of the interpretation or administration of the present Agreement, which has not been settled within six months through diplomatic channels, shall, at the request of either Party, be submitted to a tribunal of arbitration consisting of three members. The chairman of the tribunal shall be a citizen of a third country and shall be appointed by common consent of the Parties. Should the Parties fail to agree on the appointment of the chairman of the tribunal within two months, either Party may request the President of the International Court of Justice to make the appointment. Each Party appoints his own arbitrator; if a Party abstains from appointing an arbitrator, the latter may be appointed by the chairman of the tribunal.

2. Each Party shall observe and carry out awards handed down by the tribunal.

Article XII. MISCELLANEOUS PROVISIONS

1. Prior to the first drawing against the Loan Account the Borrower shall

(a) Satisfy the Lender that all constitutional and statutory requirements necessary for the fulfilment of the Agreement by the Borrower have been met, and

(b) Inform the Lender of persons who are authorized to take any action on behalf of the Borrower, and provide authenticated specimen signatures of all such persons.

2. In case of competitive bidding the procedure to be followed shall be agreed between the Borrower and the Lender.

3. Any notices, requests or agreements under this Agreement shall be in writing.

Article XIII. SPECIFICATION OF ADDRESSES

The following addresses are specified for the purpose of this Agreement:

For the Borrower:

Ministry of Finance
Department of Economic Affairs
New Delhi

Cablegrams:

ECOFAIRS NEW DELHI

Telex:

313546 FINCO IN

For the Lender:

Ministry of Foreign Affairs
Danish International Development Agency
Asiatisk Plads 2
DK-1448 Copenhagen K
Denmark

Cablegrams:

ETRANGERES COPENHAGEN

Telex:

31292 ETR DK

Article XIV. DURATION OF THE AGREEMENT

1. This Agreement shall enter into force on the date of the signature.
2. When the Loan has been repaid, the Agreement shall terminate forthwith.

IN WITNESS WHEREOF the Parties hereto, acting through their representatives duly authorized for this purpose, have caused this Agreement to be signed in two copies in the English language in Copenhagen on this 30th day of October 1986.

For the Government
of Denmark:

[Signed]

BJØRN OLSEN

For the Government
of India:

[Signed]

R. C. SHUKLA

ANNEX

GUIDELINES FOR EFFECTING PAYMENTS UNDER DANISH GOVERNMENT LOANS

Payment out of the Loan Account with Danmarks Nationalbank referred to in article II of the Agreement on a Danish Government Loan (hereinafter called "the Agreement"), of which this Annex is an integral part, shall be effected in the following manner:

(1) The importers or prospective investors in the borrowing country and the Danish exporters or consultants will contract for the capital goods and services to be financed under the Agreement provided that the contracts shall be finally approved by the competent authorities of the Borrower and Lender.

(2) The Borrower will notify the Lender of his approval of contracts concluded under the Agreement and forward copies of the contracts to the Lender for his approval.

In this connection the Lender will satisfy himself, *inter alia*, that

(a) The contracts fall within the framework of the Agreement and are in accordance with the plans laid down for the implementation of projects mentioned in Article V of the Agreement,

(b) The capital goods involved have been manufactured in Denmark and supplied by Danish exporters, or that the services to be rendered will be performed by persons carrying on business in Denmark,

(c) The contract amounts are given in Danish currency, and that prices and salaries for the capital goods and services to be supplied as well as other terms of the contracts are fair and in accordance with ordinary commercial practice,

(d) Arrangement has been made for the necessary banker's guarantees. (Payments, if any, under such guarantees shall be made to the Loan Account with Danmarks Nationalbank),

(e) Proper insurance of the capital goods to be supplied covering, as a minimum, the transportation from Denmark to the site of construction of the project has been taken out by the suppliers in convertible currency.

Having approved a contract the Lender will communicate this to the Borrower.

(3) When the contracts have been approved by both Parties, the Borrower may draw on the Loan Account with Danmarks Nationalbank to effect payment of the consignment referred to in the contracts. Payments out of the Loan Account to Danish exporters or consultants shall be subject to presentation of the necessary documents when Danmarks Nationalbank in consultation with the Danish Ministry of Foreign Affairs has ascertained that the conditions for effecting such payments have otherwise been complied with.