

No. 27425

**FEDERAL REPUBLIC OF GERMANY
and
INDIA**

**Agreement concerning financial cooperation (with annex).
Signed at New Delhi on 7 September 1988**

Authentic texts: German, Hindi and English.

Registered by the Federal Republic of Germany on 17 July 1990.

**RÉPUBLIQUE FÉDÉRALE D'ALLEMAGNE
et
INDE**

**Accord de coopération financière (avec annexe). Signé à New
Delhi le 7 septembre 1988**

Textes authentiques : allemand, hindi et anglais.

Enregistré par la République fédérale d'Allemagne le 17 juillet 1990.

AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY AND THE GOVERNMENT OF THE REPUBLIC OF INDIA CONCERNING FINANCIAL CO-OPERATION IN 1988

The Government of the Federal Republic of Germany and

The Government of the Republic of India,

In the spirit of the friendly relations existing between the Federal Republic of Germany and the Republic of India,

Desiring to strengthen and intensify those friendly relations through financial co-operation in a spirit of partnership,

Aware that the maintenance of those relations constitutes the basis of this Agreement,

Intending to contribute to social and economic development in the Republic of India,

With reference to the negotiations held from 11 to 13 April 1988 and to the Minutes of 13 April 1988,

Have agreed as follows:

Article 1

The Government of the Federal Republic of Germany shall enable the Government of the Republic of India or other recipients to be determined jointly by the two Governments to obtain from the Kreditanstalt für Wiederaufbau (Development Loan Corporation), Frankfurt/Main, subject to the fulfilment of the applicable budgetary requirements, loans up to a total of DM 320,500,000 (three hundred and twenty million five hundred thousand Deutsche Mark) for the projects referred to in Article 2 of this Agreement.

Article 2

(1) The loans referred to in Article 1 of this Agreement shall be utilized in accordance with the provisions of paragraphs 2 to 6 below.

(2) Loans up to a total of DM 150,000,000 (one hundred and fifty million Deutsche Mark) shall be utilized for the following projects if, after examination, they have been found eligible for promotion;

- (a) Kapurthala railway coach factory,
- (b) Railway spring factory,
- (c) Modi radial-ply tyre factory,
- (d) Uran combined gas-steam power plant,
- (e) Ramagundam open-cast pit-coal mining,
- (f) Chinakuri pit-coal colliery,
- (g) Neyveli III lignite combine.

¹ Came into force on 7 September 1988 by signature, in accordance with article 9.

(3) A loan of up to DM 35,500,000 (thirty-five million five hundred thousand Deutsche Mark) shall be made available to finance capital goods to meet India's civilian requirements whose order value in individual cases does not exceed DM 7,000,000 (seven million Deutsche Mark). In exceptional cases, supplies worth up to DM 10,000,000 (ten million Deutsche Mark) may be included in this procedure. Orders worth over DM 2,000,000 (two million Deutsche Mark) shall be subject to the prior approval of the Kreditanstalt für Wiederaufbau. The Government of the Federal Republic of Germany proceeds on the understanding that the Government of the Republic of India will utilize the counterpart rupee funds accruing from the sale of the Deutsche Mark so loaned for development projects.

(4) A loan of up to DM 80,000,000 (eighty million Deutsche Mark) shall be made available to finance capital goods to meet India's civilian requirements whose order value in individual cases does not exceed DM 7,000,000 (seven million Deutsche Mark). In exceptional cases, supplies worth up to DM 10,000,000 (ten million Deutsche Mark) may be included in this procedure. Orders worth over DM 2,000,000 (two million Deutsche Mark) shall be subject to the prior approval of the Kreditanstalt für Wiederaufbau. The Government of the Republic of India shall utilize the counterpart rupee funds accruing from the sale of the Deutsche Mark so loaned for projects designed to combat drought damage.

(5) A loan of up to DM 10,000,000 (ten million Deutsche Mark) shall be made available to the National Small Industries Corporation (NSIC) for the purpose of promoting investment projects of small private enterprises of the manufacturing industry if, after examination, the projects have been found eligible for promotion.

(6) A loan of up to DM 45,000,000 (forty-five million Deutsche Mark) shall be utilized to meet foreign exchange costs resulting from the purchase of goods and services to cover current civilian requirements, and to meet foreign exchange and local currency costs of transport, insurance and assembly arising in connection with the importation of goods financed under this Agreement. The supplies and services must be such as are covered by the list annexed to this Agreement and for which shipping documents have been drawn up after 13 April 1988 or which have been provided after that date. When utilizing this amount, favourable consideration shall be given to the requirements of enterprises established in India with German financial participation, as well as to holders of German licences, to the extent that such requirements are not to be met within the scope of the measures adopted by the Government of the Republic of India for the liberalization of imports. The Government of the Federal Republic of Germany proceeds on the understanding that the Government of the Republic of India will utilize the counterpart rupee funds accruing from the sale of the Deutsche Mark so loaned for development projects.

(7) The projects referred to in paragraphs 2, 3, 4 and 5 above may be replaced by other projects if the Government of the Federal Republic of Germany and the Government of the Republic of India so agree.

(8) This Agreement shall also apply if, at a later date, the Government of the Federal Republic of Germany enables the Government of the Republic of India to obtain from the Kreditanstalt für Wiederaufbau, Frankfurt/Main, further loans or financial contributions for the preparation of the projects referred to in paragraphs 2 to 5 above or financial contributions for attendant measures required for their implementation and support. Financial contributions for preparatory and attendant measures shall be converted into loans in the event that they are not used for such measures.

(9) The Government of the Federal Republic of Germany will endeavour, on the basis of existing national directives and provided the other conditions for cover are met, to assume guarantees up to a maximum amount of DM 148,560,000 (one hundred and forty-eight million five hundred and sixty thousand Deutsche Mark) in respect of that part of the value of an order not financed from loans granted within the scope of financial co-operation and pertaining to export deals for the implementation of the projects referred to in paragraph 2 above concluded with enterprises having their place of business in the German area of application of this Agreement. The following Articles of this Agreement shall also apply to the loans granted in addition to those envisaged within the scope of financial co-operation, provided that the Kreditanstalt für Wiederaufbau is the lender.

Article 3

(1) The utilization of the amount referred to in Article 1 of this Agreement as well as the terms and conditions on which it is made available shall be governed by the provisions of the agreements to be concluded between the recipients of the loans 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 referred to in Article 2 (2) of this Agreement shall be free to avail themselves of the financing and guarantee facilities provided by the Industrial Development Bank of India. The Government of the Republic 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 the Republic of India, insofar as it is not itself the borrower, shall guarantee to the Kreditanstalt für Wiederaufbau all payments in Deutsche Mark to be made in fulfilment of the borrowers' liabilities under the agreements to be concluded pursuant to paragraph 1 above.

Article 4

The Government of the Republic of India shall exempt the Kreditanstalt für Wiederaufbau from all taxes and other public charges levied in India in connection with the conclusion and implementation of the agreements referred to in Article 3 of the present Agreement.

Article 5

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 granting of the loans, 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 this Agreement, and grant any necessary permits for the participation of such enterprises.

Article 6

With regard to supplies and services resulting from the granting of the loans, the Government of the Federal Republic of Germany attaches particular importance to preferential use being made of the economic potential of Land Berlin.

Article 7

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 the Republic of India within three months of the date of entry into force of this Agreement.

Article 8

(1) The projects “Ratangarh fibrous plaster factory” and “Khetry copper smeltery” referred to in Article 2 (2) (h) of the Agreement of 15 April 1983¹ concluded between the two Governments shall be replaced by the project “Neyveli III lignite combine”.

(2) In all other respects the provisions of the Agreement of 15 April 1983 referred to in paragraph 1 above, including the Berlin clause (Article 7), shall continue to apply to the arrangement provided for in paragraph 1 above.

(3) The project “Expansion of the TELCO automotive works” selected pursuant to Article 2 (2) (b) of the Agreement of 28 May 1985² concluded between the two Governments shall be replaced by the projects “Neyveli III lignite combine” and “Neyveli II lignite combine”.

(4) In all other respects the provisions of the Agreement of 28 May 1985 referred to in paragraph 3 above, including the Berlin clause (Article 6), shall continue to apply to the arrangement provided for in paragraph 3 above.

(5) The residual funds from the project “TAWA rural development programme” referred to in Article 5 (3) of the Agreement concluded between the two Governments on 8 July 1974³ shall be used as a loan to meet foreign exchange costs resulting from the purchase of goods and services to cover current civilian requirements, and to meet foreign exchange and local currency costs of transport, insurance and assembly arising in connection with the importation of goods financed under this Agreement. The supplies and services must be such as are covered by the list annexed to this Agreement and for which shipping documents have been drawn up after 13 April 1988 or which have been provided after that date. When utilizing this amount, favourable consideration shall be given to the requirements of enterprises established in India with German financial participation, as well as to holders of German licences, to the extent that such requirements are not to be met within the scope of the measures adopted by the Government of the Republic of India for the liberalization of imports. The Government of the Republic of India shall utilize the counterpart rupee funds accruing from the sale of the Deutsche Mark so loaned for projects designed to combat drought damage.

(6) In all other respects the provisions of the Agreement of 8 July 1974 referred to in paragraph 5 above, including the Berlin clause (Article 12), shall continue to apply to the arrangement provided for in paragraph 5 above.

Article 9

This Agreement shall enter into force on the date of signature thereof.

¹ United Nations, *Treaty Series*, vol. 1360, p. 19.

² *Ibid.*, vol. 1440, p. 347.

³ *Ibid.*, vol. 983, p. 255.

DONE at New Delhi on 07-09-1988 in duplicate in the German, Hindi and English languages, all three texts being authentic. In case of divergent interpretations of the German and Hindi texts, the English text shall prevail.

For the Government of the Federal Republic
of Germany:

KONRAD SEITZ

For the Government of the Republic of India:

S. VENKITARAMANAN

ANNEX TO THE AGREEMENT OF 07-09-1988 BETWEEN THE GOVERNMENT OF
THE FEDERAL REPUBLIC OF GERMANY AND THE GOVERNMENT OF THE
REPUBLIC OF INDIA CONCERNING FINANCIAL CO-OPERATION IN 1988

1. List of goods and services eligible for financing from the loan under Article 2 (6) of the above-mentioned Agreement up to DM 45,000,000 (forty-five million Deutsche Mark):

- (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) Chemical products, in particular fertilizers, plant protection agents, pesticides, medicaments,
- (e) Other industrial products of importance for the economic development of India,
- (f) Equipment and apparatus for scientific and technical civilian research institutes, as well as hospital supplies,
- (g) Advisory services, patents and licence fees.

2. Imports not included in the above list may only be financed with the prior approval of the Government of the Federal Republic of Germany.

3. The importation of luxury and consumer goods for personal needs as well as any goods and facilities serving military purposes may not be financed from the loan.

4. This list shall also apply in respect of the loan referred to in Article 8 (5) of the present Agreement.
