No. 6773

INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDIA

Development Credit Agreement—*Fourth DVC Project* (with related letter, annexed Development Credit Regulations No. 1 and Project Agreement between the Association and the Damodar Valley Corporation). Signed at Washington, on 14 February 1962

Official text: English.

Registered by the International Development Association on 11 June 1963.

ASSOCIATION INTERNATIONALE DE DÉVELOPPEMENT
et
INDE

Contrat de crédit de développement — *Quatrième Projet relatif à la Damodar Valley Corporation* (avec lettre y relative et, en annexe, le Règlement n° 1 sur les crédits de développement et le Contrat relatif au Projet entre l'Association et la Damodar Valley Corporation). Signé à Washington, le 14 février 1962

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 11 juin 1963.

No. 6773. DEVELOPMENT CREDIT AGREEMENT[1] (*FOURTH DVC PROJECT*) BETWEEN INDIA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 14 FEBRUARY 1962

AGREEMENT, dated February 14, 1962, between INDIA, acting by its President (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the International Bank for Reconstruction and Development has previously financed the foreign exchange costs of projects forming a part of a development program in the Damodar Valley and has entered into a Loan Agreement with the Borrower, dated April 18, 1950,[2] a Project Agreement with Damodar Valley Corporation, dated April 18, 1950,[2] a Loan Agreement with the Borrower, dated January 23, 1953,[3] a Project Agreement with Damodar Valley Corporation, dated January 23, 1953,[3] a Loan Agreement with the Borrower, dated July 23, 1958[4] and a Project Agreement with Damodar Valley Corporation, dated July 23, 1958;[4]

WHEREAS the Borrower and Damodar Valley Corporation have requested the Association to assist in financing a power project in the Damodar Valley; and

WHEREAS the Association is willing to make a development credit available on the terms and conditions provided herein and in a project agreement of even date[5] herewith between the Association and the Damodar Valley Corporation;

NOW THEREFORE the parties hereto agree as follows:

Article I

DEVELOPMENT CREDIT REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961,[5] subject, however, to the modifications thereof set forth in Section 1.02

[1] Came into force on 7 November 1962, upon notification by the Association to the Government of India.
[2] United Nations, *Treaty Series*, Vol. 155, p. 117.
[3] United Nations, *Treaty Series*, Vol. 201, p. 145.
[4] United Nations, *Treaty Series*, Vol. 317, p. 3.
[5] See p. 194 of this volume.

of this Agreement (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. (*a*) Paragraph 5 of Section 9.01 of the said Development Credit Regulations No. 1 is amended to read as follows :

" 5. The term 'Borrower' means India, acting by its President. "

(*b*) Section 6.02 of the said Development Credit Regulations No. 1 is amended by inserting the words " or the Project Agreement " after the words " the Development Credit Agreement ".

Section 1.03. Unless the context otherwise requires, the following terms, wherever used in this Agreement or in the Regulations, shall have the following meanings :

(*a*) " Damodar " means Damodar Valley Corporation, a corporation organized and existing under the laws of India.

(*b*) " Fourth Project Agreement " means the Project Agreement (Fourth DVC Project) of even date herewith between the Association and Damodar and shall include any amendments made by agreement between the Association and Damodar.

(*c*) " Participating Government " means the Borrower and the States of Bihar and West Bengal and any other government which shall be added as a participating government by amendment of the Damodar Valley Corporation Act, 1948, or any successor of any of the foregoing.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to eighteen million five hundred thousand dollars ($18,500,000).

Section 2.02. The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Credit Account the amount of the Credit. The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Regulations.

Section 2.03. Except as the Borrower and the Association shall otherwise agree :

(*a*) The Borrower shall be entitled, subject to the provisions of this Agreement, to withdraw from the Credit Account (i) amounts expended for the reasonable cost of goods to be financed out of the proceeds of the Credit, and (ii) if the Association shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of the foregoing.

(*b*) No withdrawals shall be made on account of (i) expenditures prior to January 1, 1962 or (ii) expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower.

Section 2.04. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($^{3}/_{4}$ of 1 %) per annum on the principal amount of the Credit withdrawn and outstanding from time to time. The Borrower shall also pay to the Association a service charge at the same rate on the principal amount outstanding of any special commitment entered into by the Association pursuant to Section 4.02 of the Regulations.

Section 2.05. Service charges shall be paid semi-annually on February 1 and August 1 in each year.

Section 2.06. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual instalments payable on each February 1 and August 1 commencing August 1, 1972 and ending February 1, 2012, each instalment to and including the instalment payable on February 1, 1982 to be one-half of one per cent ($^{1}/_{2}$ of 1 %) of such principal amount, and each instalment thereafter to be one and one-half per cent ($1^{1}/_{2}$ %) of such principal amount.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall cause the proceeds of the Credit to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 1[1] to this Agreement. The specific goods to be financed out of the proceeds of the Credit and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

Section 3.02. Except as the Borrower and the Association shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Credit to be used in the territories of the Borrower exclusively in the carrying out and operation of the Project.

[1] See p. 190 of this volume.

Section 3.03. The Project will be carried out by Damodar in accordance with the Fourth Project Agreement.

Article IV

PARTICULAR COVENANTS

Section 4.01. (*a*) The Borrower shall cause the Project to be carried out and completed with due diligence and efficiency and in conformity with sound engineering and financial practices.

(*b*) The Borrower shall cause Damodar punctually to perform all the covenants and agreements on its part to be performed as set forth in the Fourth Project Agreement, and shall take or cause to be taken all action which shall be necessary in order to enable Damodar to perform such covenants and agreements.

(*c*) To assist in establishing accounting procedures consistent with commercial operation of Damodar power facilities, the Borrower shall cause Damodar to employ a suitably qualified firm of chartered accountants. The selection of the chartered accountants, the period of their employment, and the nature and scope of their responsibilities shall be subject to agreement between the Association and Damodar.

(*d*) The Borrower shall at all times make or cause to be made available to Damodar, promptly as needed, all sums which shall be required for the carrying out and completion of the Project, all such sums to be made available on terms and conditions satisfactory to the Borrower and the Association.

Section 4.02. (*a*) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(*b*) The Borrower and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof.

(*c*) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Section 4.03. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes (including duties, fees or