

No. 6941

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDIA**

Development Credit Agreement—*Second Koyna Power Project* (with related letter, annexed Development Credit Regulations No. 1 and Project Agreement between the Association and the State of Maharashtra). Signed at Washington, on 8 August 1962

Official text: English.

Registered by the International Development Association on 24 September 1963.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT**

**et
INDE**

Contrat de crédit de développement — *Second projet d'aménagement hydro-électrique de la Koyna* (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 l'État de Maharashtra). Signé à Washington, le 8 août 1962

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 24 septembre 1963.

No. 6941. DEVELOPMENT CREDIT AGREEMENT¹ (*SECOND KOYNA POWER PROJECT*) BETWEEN INDIA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 8 AUGUST 1962

AGREEMENT, dated August 8, 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 the first stage of the Koyna hydroelectric development and has entered into a loan agreement with the Borrower and a project agreement with the State of Bombay (now the State of Maharashtra), both dated April 8, 1959 ;²

WHEREAS the Borrower and the State of Maharashtra have requested the Association to assist in the financing of the second stage of the Koyna hydroelectric development ;

WHEREAS the State of Maharashtra will, with the Borrower's assistance, carry out the second stage of the Koyna hydroelectric development and, as part of such assistance, the Borrower will make available to the State of Maharashtra the proceeds of the development credit provided for herein ; 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;³ herewith between the State of Maharashtra and the Association ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

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, 1961,³ with the same force and effect as if they were fully set forth herein, subject, however, to the following

¹ Came into force on 24 October 1962, upon notification by the Association to the Government of India.

² United Nations, *Treaty Series*, Vol. 348, p. 131.

³ See p. 352 of this volume.

modifications thereof (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations) :

(a) Section 6.02 is amended by inserting the words "or the Project Agreement" after the words "the Development Credit Agreement".

(b) Paragraph 5 of Section 9.01 is amended to read as follows :

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

Section 1.02. Unless the context otherwise requires, the following terms wherever used in this Agreement or the Regulations shall have the following meanings :

(a) "Electricity Board" means Maharashtra State Electricity Board, a body corporate organized and existing under the Electricity (Supply) Act, 1948 (LIV of 1948), of India, or any successor thereof.

(b) "Maharashtra" means the State of Maharashtra, a state of India, or any successor thereof.

(c) "Project Agreement" means the Project Agreement (*Second Koyna Power Project*) between Maharashtra and the Association and shall include any amendments made by agreement between Maharashtra and the Association.

(d) "Koyna system" means the Koyna hydroelectric development located about 130 miles south-east of the City of Bombay and shall include all present and future power generating and transmission facilities required for or associated with it.

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, development credit in an amount in various currencies equivalent to seventeen million five hundred thousand dollars (\$17,500,000).

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 April 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. Withdrawals from the Credit Account shall be in such freely convertible currency or currencies as the Association shall from time to time reasonably select.

Section 2.05. 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 2.06. Service charges shall be paid semi-annually on January 15 and July 15 in each year.

Section 2.07. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual instalments payable on each January 15 and July 15 commencing January 15, 1973 and ending July 15, 2012, each instalment to and including the instalment payable on July 15, 1982 to be one-half of one percent ($1/2$ of 1%) of such principal amount, and each instalment thereafter to be one and one-half percent ($1\ 1/2\%$) 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 the Schedule¹ 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. 348 of this volume.

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

Article IV

PARTICULAR COVENANTS

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

(b) The Borrower shall take or cause to be taken all action which shall be necessary on its part to enable Maharashtra to perform all the covenants and agreements on the part of Maharashtra to be performed as set forth in the Project Agreement and shall not take, or permit any agency of the Borrower to take, any action that would prevent or interfere with the performance by Maharashtra of such covenants and agreements.

(c) The Borrower shall at all times make or cause to be made available to Maharashtra, 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, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.