

No. 7014

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDIA**

**Development Credit Agreement—*Kotbagudem Power Project*
(with related letter, annexed Development Credit Regulations No. 1 and Project Agreement between the Association and the State of Andhra Pradesh). Signed at Washington, on 24 May 1963**

Official text: English.

Registered by the International Development Association on 12 December 1963.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
INDE**

Contrat de crédit de développement — *Projet relatif à l'énergie électrique — Kotbagudem* (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 d'Andhra Pradesh). Signé à Washington, le 24 mai 1963

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 12 décembre 1963.

No. 7014. DEVELOPMENT CREDIT AGREEMENT¹
(KOTHAGUDEM POWER PROJECT) BETWEEN
INDIA AND THE INTERNATIONAL DEVELOPMENT
ASSOCIATION. SIGNED AT WASHINGTON, ON
24 MAY 1963

AGREEMENT, dated May 24, 1963, between INDIA, acting by its President (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower and the State of Andhra Pradesh have requested the Association to assist in the financing of the Project hereinafter more particularly described,

WHEREAS the State of Andhra Pradesh will, with the Borrower's assistance, cause the Project to be carried out and, as part of such assistance, the Borrower will make available to the State of Andhra Pradesh 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 agreement² of even date herewith between the State of Andhra Pradesh 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, 1961,² with the same force and effect as if they were fully set forth herein, subject, however, to the following 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 ".

¹ Came into force on 3 July 1963, upon notification by the Association to the Government of India.

² See p. 222 of this volume.

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

“ 5. The term ‘ Borrower ’ means India, acting by its President. ”

(c) For the purposes of this Agreement the term “ goods ” as defined in paragraph 10 of Section 9.01 shall include any other property required for the Project.

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 Andhra Pradesh 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) “ Andhra Pradesh ” means the State of Andhra Pradesh, a state of India, or any successor thereof.

(c) “ Project Agreement ” means the Project Agreement (*Kothagudem Power Project*) of even date herewith between Andhra Pradesh and the Association and shall include any amendments made by agreement between Andhra Pradesh and the Association.

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 twenty million dollars (\$20,000,000).

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, the Borrower shall be entitled, subject to the provisions of this Agreement and the Regulations, to withdraw from the Credit Account : (a) such amounts as shall have been expended (other than expenditures in currency of the Borrower) for the reasonable cost of goods to be financed out of the proceeds of the Credit, and, if the Association shall so agree, such amounts as shall be required by the Borrower to meet payments to be made for the reasonable cost of the foregoing; and (b) the equivalent of a percentage to be established from

time to time by agreement between the Borrower and the Association of such amounts as shall have been paid in currency of the Borrower for the reasonable cost of civil works required for carrying out the Project.

Section 2.04. (a) Withdrawals from the Credit Account shall be in such currency or currencies as the Association shall from time to time select.

(b) Except as the Association shall otherwise agree, no withdrawals shall be made on account of expenditures prior to April 1, 1963.

Section 2.05 The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ 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 June 1 and December 1 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 June 1 and December 1 commencing December 1, 1973 and ending June 1, 2013, each instalment to and including the instalment payable on June 1, 1983 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each instalment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) 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. 218 of this volume.

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 Andhra Pradesh to perform all the covenants and agreements on the part of Andhra Pradesh 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 Andhra Pradesh of such covenants and agreements.

(c) The Borrower shall at all times make or cause to be made available to Andhra Pradesh, promptly as needed, all sums which shall be required for the carrying out 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.

Section 4.04. This Agreement and the Project Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, delivery or registration thereof.