No. 8199

INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDIA

Development Credit Agreement—*Second Industrial Imports Project* (with related letter and annexed Development Credit Regulations No. 1). Signed at Washington, on 11 August 1965

Official text: English.

Registered by the International Development Association on 26 May 1966.

ASSOCIATION INTERNATIONALE DE DÉVELOPPEMENT
et
INDE

Contrat de crédit de développement — *Deuxième projet d'importation de biens pour l'industrie* (avec lettre y relative et, en annexe, le Règlement n° 1 sur les crédits de développement). Signé à Washington, le 11 août 1965

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 26 mai 1966.

No. 8199. DEVELOPMENT CREDIT AGREEMENT[1] (*SECOND INDUSTRIAL IMPORTS PROJECT*) BETWEEN INDIA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 11 AUGUST 1965

AGREEMENT, dated August 11, 1965, between INDIA, acting by its President (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

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 2.02 is deleted and the following new Section is substituted therefor:

" SECTION 2.02. *Service Charges.* Service charges at the rate specified in the Development Credit Agreement shall be payable respectively (i) on the principal amount of the Credit withdrawn from the Credit Account and outstanding from time to time, and (ii) on the principal amount of any special commitment entered into by the Association pursuant to Section 4.02 and outstanding from time to time. "

(*b*) Section 3.01 is deleted and the following new Section is substituted therefor:

" SECTION 3.01. *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (*a*) Except as the Borrower and the Association shall otherwise agree, the cost of goods acquired out of the proceeds of the Credit shall be paid in the respective currencies of the countries from which such goods are acquired.

[1] Came into force on 10 September 1965, upon notification by the Association to the Government of India.

[2] See p. 296 of this volume.

" (*b*) The proceeds of the Credit shall be withdrawn from the Credit Account :

" (i) on account of expenditures in currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower, in such currency or currencies as the Association shall from time to time reasonably select;

" (ii) in all other cases, in the currency in which the cost of the goods acquired out of such proceeds has been paid or is payable.

" (*c*) The Borrower and the Association may from time to time agree on any other currency in which withdrawals shall be made. "

(*c*) A new Section 3.04 is inserted after Section 3.03 as follows :

" SECTION 3.04. *Purchase of Currency of Withdrawal with Other Currency.* If withdrawal shall be made in any currency which the Association shall have purchased with another currency for the purpose of such withdrawal, the portion of the Credit so withdrawn shall be deemed to have been withdrawn from the Credit Account in such other currency for the purposes of Section 3.03. "

(*d*) Section 3.04 is renumbered as Section 3.05.

(*e*) Section 8.04 is deleted.

(*f*) 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. Except where the context shall otherwise require, the following terms shall have the following meanings wherever used in this Agreement or any Schedule thereto :

(i) The term " Specified Enterprises " shall mean such firms as shall be agreed upon by the Borrower and the Association in the manufacturing industries producing the following types of capital equipment : (*a*) commercial vehicles and automotive components; (*b*) machine tools (machinery to produce other capital equipment, including lathes, planing, milling, lapping and boring machines); (*c*) cutting tools (metal-cutting or -working units of machine tools such as twist drills, tool bits and grinding wheels, but excluding hand tools such as files and chisels); (*d*) electric equipment (transformers, motors, switchgear, cables and wires); and (*e*) heavy construction equipment.

(ii) The term " rupees " and the letters " Rs. " mean currency of the Borrower.

Article II

The Credit

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to one hundred million dollars ($100,000,000).

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 :

(*a*) The Borrower shall be entitled, subject to the provisions of this Agreement and the Regulations, to withdraw from the Credit Account (i) amounts expended for the reasonable cost of goods to be acquired 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 expenditures prior to January 1, 1965.

(*c*) No withdrawals shall be made on account of 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 rate of one-half of one per cent ($^1/_2$ of 1%) per annum on the principal amount of any special commitment entered into by the Association pursuant to Section 4.02 of the Regulations and outstanding from time to time.

Section 2.05. Service charges shall be payable semi-annually on January 1 and July 1 in each year.

Section 2.06. The Borrower shall repay the principal amount of the Credit in semi-annual instalments payable on each January 1 and July 1 commencing January 1, 1976 and ending July 1, 2015, each instalment to and including the instalment payable on July 1, 1985 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 Credit

Section 3.01. The Borrower shall cause the proceeds of the Credit to be applied exclusively to the provision of the foreign exchange required to cover the cost of acquiring the goods needed to carry out the Project. The specific goods to be acquired out of the proceeds of the Credit, the enterprises which shall acquire such goods, 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 acquired out of the proceeds of the Credit to be imported into the territories of the Borrower and to be used in the carrying out of the Project.

Article IV

Particular Covenants

Section 4.01. (*a*) The Borrower shall carry out, or cause to be carried out, the Project with due diligence and efficiency.

(*b*) The Borrower shall : (i) promptly upon receipt of appropriate applications issue, or cause to be issued, such import licenses as shall be required to carry out the Project; (ii) make available, or cause to be made available, promptly as needed all foreign exchange which shall be required to carry out the Project; and (iii) with respect to locally produced materials which are subject to allocation make, or cause to be made, allocations of such materials promptly and in such quantities as shall be required to carry out the Project.

(*c*) Upon request from time to time by the Association, the Borrower shall promptly furnish to the Association the programs and plans for the Project and any material modifications subsequently made therein, in such detail as the Association shall request.

(*d*) The Borrower shall : (i) maintain or cause to be maintained records adequate to identify the goods acquired out of the proceeds of the Credit, to disclose the use thereof in the Project and to record the progress of the Project; (ii) enable the Association's representatives to inspect the relevant records and documents related to the Project, the goods acquired out of the proceeds of the Credit, the Specified Enterprises and the other enterprises which shall acquire goods out of the proceeds of the Credit; and (iii) furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the Project, the program (referred to in Schedule 1 to this