# No. 8467

# INTERNATIONAL DEVELOPMENT ASSOCIATION
# and
# INDIA

**Development Credit Agreement—*Ninth Railway Project* (with related letter and annexed Development Credit Regulations No. 1). Signed at Washington, on 29 June 1966**

*Official text: English.*

*Registered by the International Development Association on 14 December 1966.*

# ASSOCIATION INTERNATIONALE DE DÉVELOPPEMENT
# et
# INDE

**Contrat de crédit de développement — *Neuvième projet relatif aux chemins de fer* (avec lettre y relative et, en annexe, le Règlement n° 1 sur les crédits de développement). Signé à Washington, le 29 juin 1966**

*Texte officiel anglais.*

*Enregistré par l'Association internationale de développement le 14 décembre 1966.*

# No. 8467. DEVELOPMENT CREDIT AGREEMENT[1] (*NINTH RAILWAY PROJECT*) BETWEEN INDIA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 29 JUNE 1966

AGREEMENT, dated June 29, 1966, 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 six projects forming a part of the programs for rehabilitation, modernization, expansion and increase in capacity of the railways owned and operated by the Borrower and has entered into loan agreements with the Borrower dated August 18, 1949;[2] July 12, 1957;[3] September 16, 1958;[4] July 15, 1959;[5] July 29, 1960[6] and October 13, 1961[7] providing for such projects;

WHEREAS the Association has previously assisted in financing the foreign exchange costs of two projects forming part of the program included in the Borrower's Third Five-Year Plan, for the rehabilitation, modernization, expansion and increase in the capacity of, and more effective utilization of, the railways, and has entered into development credit agreements with the Borrower dated March 22, 1963[8] and October 26, 1964;[9]

WHEREAS the Borrower has requested the Association to assist in financing a ninth railway project; and

WHEREAS the Association is willing to make a development credit available for such ninth railway project on the terms and conditions hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows :

[1] Came into force on 3 August 1966, upon notification by the Association to the Government of India.
[2] United Nations, *Treaty Series*, Vol. 154, p. 269.
[3] United Nations, *Treaty Series*, Vol. 288, p. 135.
[4] United Nations, *Treaty Series*, Vol. 323, p. 235.
[5] United Nations, *Treaty Series*, Vol. 346, p. 33.
[6] United Nations, *Treaty Series*, Vol. 377, p. 153.
[7] United Nations, *Treaty Series*, Vol. 418, p. 3.
[8] United Nations, *Treaty Series*, Vol. 477, p. 3.
[9] United Nations, *Treaty Series*, Vol. 535, p. 245.

*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,[1] subject, however, to the following modifications thereof (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 :

(*a*) The second sentence of Section 2.02 is amended by deleting the words " at the same rate " and substituting therefor the words " at the rate of one-half of one per cent ($^1/_2$ of 1%) per annum ".

(*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 Credits are to be Withdrawn.* (*a*) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of the proceeds of the Credit shall be paid in the respective currencies of the countries from which such goods are acquired.

" (*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 goods financed 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.

[1]See p. 294 of this volume.

(*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.* Wherever used in this Development Credit Agreement, unless the context otherwise requires, the term " Railways " means the railways owned and operated by the Borrower and includes all railway property, equipment and materials 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 the Development Credit Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to sixty-eight million dollars ($68,000,000).

*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, the Development Credit Agreement.

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

(*a*) The Borrower shall be entitled, subject to the provisions of the Development Credit 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 December 1, 1965, 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-fourth of one per cent ($^3/_4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

*Section 2.05.* Service charges shall be payable semi-annually on February 15 and August 15 in each year.

*Section 2.06.* The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 15 and August 15 commencing August 15, 1976 and ending February 15, 2016 each installment to and including the installment payable on February 15, 1986 to be one-half of one per cent ($^1/_2$ of 1%) of such principal amount, and each installment 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 the Schedule 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 imported into and to be used in the territories of the Borrower exclusively in the carrying out of the Project.

## *Article IV*

### PARTICULAR COVENANTS

*Section 4.01.* (*a*) The Borrower shall carry out the Project and conduct the operations of the Railways with due diligence and efficiency and in conformity with sound engineering, financial and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(*b*) Upon request from time to time by the Association, the Borrower shall promptly furnish or cause to be furnished to the Association the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall request.

(*c*) The Borrower shall: (i) maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Credit, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof or the operation of the Railways; (ii) enable the Association's