No. 8478

INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDIA

Development Credit Agreement—*Third Industrial Imports Project* (with related letter and Development Credit Regulations No. 1). Signed at Washington, on 19 August 1966

Official text: English.

Registered by the International Development Association on 20 December 1966.

ASSOCIATION INTERNATIONALE DE DÉVELOPPEMENT
et
INDE

Contrat de crédit de développement — *Troisième projet d'importation de biens pour l'industrie* (avec lettre y relative et Règlement n° 1 sur les crédits de développement). Signé à Washington, le 19 août 1966

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 20 décembre 1966.

No. 8478. DEVELOPMENT CREDIT AGREEMENT[1] (*THIRD INDUSTRIAL IMPORTS PROJECT*) BETWEEN INDIA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 19 AUGUST 1966

AGREEMENT, dated August 19, 1966, 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*) The words " at the same rate " in the second sentence of Section 2.02 are deleted and the words " at the rate of one-half of one per cent ($^1/_2$ of 1%) per annum " are substituted therefor.

(*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 *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (*a*) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of the proceeds of the Credit shall be paid in the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(*b*) The proceeds of the Credit shall be withdrawn from the Credit Account :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;

[1] Came into force on 3 October 1966, upon notification by the Association to the Government of India.

[2] See p. 210 of this volume.

(ii) in all other cases, in the currency in which the cost of the 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.

(*e*) Paragraph (*j*) of Section 5.02 is deleted and the following new paragraph is substituted therefor :

" (*j*) Failure by the Borrower to fulfill an obligation to make payment of principal or interest or any other payment required under this Development Credit Agreement or under any other development credit agreement between the Borrower and the Association or under any loan agreement or guarantee agreement between the Borrower and the Bank or under any bond delivered pursuant to any such agreement even though payment has been made by other persons. "

(*f*) Section 8.04 is deleted.

(*g*) Section 8.05 is renumbered as Section 8.04.

(*h*) 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 firms notified from time to time by the Borrower to the Association, in such industries manufacturing capital equipment and other goods of high priority for economic development, as shall from time to time be agreed upon by the Borrower and the Association.

(ii) The term " rupees " and the letters " Rs. " shall mean the 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 and fifty million dollars ($150,000,000).

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 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;

provided, however, that with respect to goods acquired by such Specified Enterprises as shall be agreed upon from time to time by the Borrower and the Association, the Borrower shall, subject as aforesaid, be entitled to withdrawn from the Credit Account a percentage or percentages to be agreed upon from time to time by the Borrower and the Association of amounts expended for the reasonable cost of such goods.

(*b*) No withdrawals shall be made on account of expenditures prior to April 1, 1966.

(*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.

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

Section 2.06. The Borrower shall repay the principal amount of the Credit in semi-annual instalments payable on each January 15 and July 15 commencing January 15, 1977 and ending July 15, 2016, each instalment to and including the instalment payable on July 15, 1986 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 goods to be financed out of the proceeds of the Credit, the methods and procedures for procurement of such goods, and the industries from which Specified Enterprises will be selected, 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 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 the Project, or cause it to be carried out, 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 financed 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 financed out of the proceeds of the Credit, and the Specified Enterprises; 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 the Schedule to this Agreement) of which the Project is a part, the Specified Enterprises, the goods financed