

No. 8484

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDIA**

**Development Credit Agreement—*Beas Equipment 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 21 December 1966.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
INDE**

**Contrat de crédit de développement — *Projet d'aménagement
de la Beas* (avec lettre y relative et, en annexe, le Règle-
ment 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 21 décembre 1966.

No. 8484. DEVELOPMENT CREDIT AGREEMENT¹ (*BEAS EQUIPMENT 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

(1) On September 19, 1960, the Governments of India and Pakistan, and the International Bank for Reconstruction and Development (hereinafter called the Bank), signed The Indus Waters Treaty of 1960,² governing the use of waters on the Indus system of rivers ;

(2) The Indus settlement also envisaged that the Government of the United States of America would lend \$33 million, and the Bank \$23 million, to India towards the foreign exchange cost of imported equipment and services required to develop hydro-electric power from the River Beas, to extend irrigation in the Punjab and the Rajasthan and for associated construction ;

(3) The United States of America, through its Agency for International Development (hereinafter called AID), has agreed to lend \$33 million to India to help finance the acquisition of the imported equipment and services required for part of the works included in paragraph (2) above ; and

(4) India, the Bank and the Association have agreed that the Association, instead of the Bank, should undertake the lending to India in an amount equivalent to \$23 million. The Association is willing to make a development credit available for the purposes stated in paragraph (2) above on the terms and conditions hereinafter provided,

NOW THEREFORE the parties hereto hereby agree as follows :

¹ Came into force on 31 October 1966, upon notification by the Association to the Government of India.

² United Nations, *Treaty Series*, Vol. 419, p. 125.

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 ($\frac{1}{2}$ 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 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 ;

"(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) 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."

¹ See p. 114 of this volume.

Section 1.02. Wherever used in this Development Credit Agreement, unless the context otherwise requires, the term "AID Agreement" means the agreement referred to in Section 6.01.

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 twenty-three million dollars (\$23,000,000).

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) such amounts as shall have been 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 September 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. 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.

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

Section 2.06. The Borrower shall repay the principal amount of the Credit in semi-annual payments payable on each February 1 and August 1 commencing February 1, 1977, and ending August 1, 2016, each installment to and including the installment payable on August 1, 1986 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}\%$) of such principal amount.