

No. 6009

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
REPUBLIC OF CHINA**

Development Credit Agreement—*Taipei Regional Water Supply Project* (with related letters and annexed Development Credit Regulations No. 1). Signed at Washington, on 6 September 1961

Official text: English.

Registered by the International Development Association on 18 December 1961.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
RÉPUBLIQUE DE CHINE**

Contrat de crédit de développement — *Projet relatif à l'approvisionnement en eau de la région de Taïpeh* (avec lettres y relatives et, en annexe, le Règlement n° 1 sur les crédits de développement). Signé à Washington, le 6 septembre 1961

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 18 décembre 1961.

No. 6009. DEVELOPMENT CREDIT AGREEMENT¹ (*TAIPEI REGIONAL WATER SUPPLY PROJECT*) BETWEEN THE REPUBLIC OF CHINA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 6 SEPTEMBER 1961

AGREEMENT, dated September 6, 1961, between THE REPUBLIC OF CHINA (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, 1961² (said Development Credit Regulations No. 1 being hereinafter called the Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Agreement or in any schedule thereto, unless the context shall otherwise require, the following terms shall have the following meanings :

(a) The term " Taipei Water Works " means the Taipei Water Works, a local public water supply agency established by the Taipei Municipal Government in accordance with the provisions of Regulations Regarding the Establishment of Prefecture and City Water Works of the Province of Taiwan promulgated on July 20, 1954, as revised on July 23, 1955, December 12, 1958 and June 24, 1959.

(b) The term " Subsidiary Loan Agreement " means the loan agreement between the Borrower and Taipei Water Works referred to in Section 4.01.

¹ Came into force on 27 November 1961, upon notification by the Association to the Government of the Republic of China.

² See p. 266 of this volume.

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 four million four hundred thousand dollars (\$4,400,000).

Section 2.02. The Association shall open a Credit Account 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. Notwithstanding the first sentence of Section 4.01 of the Regulations and except as the Borrower and the Association shall otherwise agree :

(a) The Borrower shall be entitled 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 such goods.

(b) No withdrawals shall be made on account of (i) expenditures prior to March 31, 1961 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. 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 2.05. Service charges shall be paid semi-annually on March 15 and September 15 in each year.

Section 2.06. The Borrower shall repay the principal of the Credit withdrawn from the Credit Account in semi-annual instalments payable on each March 15 and September 15 commencing March 15, 1972 and ending September 15, 2011, each instalment to and including the instalment payable on September 15, 1981 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 Schedule 1¹ 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.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall enter into a Subsidiary Loan Agreement with Taipei Water Works satisfactory to the Association, providing for the relending of the proceeds of the Credit to Taipei Water Works and containing appropriate provisions with respect to the financing and carrying out of the Project. Such Subsidiary Loan Agreement shall not be amended, assigned or abrogated, nor shall any material waiver of any provision thereof be given, without the consent of the Association.

(b) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices.

Section 4.02. The Borrower shall cause to be furnished to the Association, promptly upon their preparation, the plans and specifications and construction schedules for the Project and any material modification subsequently made therein, in such detail as the Association shall from time to time request.

Section 4.03. The Borrower shall 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 all financial transactions between the Borrower and Taipei Water Works and the operations and financial condition of Taipei Water Works; shall enable the Association's representatives to inspect the Project, the goods, all facilities operated by Taipei Water Works and any relevant records and documents; and shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request

¹ See p. 266 of this volume.

concerning the expenditure of the proceeds of the Credit, the Project, the goods, all financial transactions between the Borrower and Taipei Water Works, and the operations and financial condition of Taipei Water Works.

Section 4.04. The Borrower shall at all times make or cause to be made available to Taipei Water Works, promptly as needed, all funds which shall be required for the carrying out of the Project, upon terms and conditions satisfactory to the Association.

Section 4.05. The Borrower shall promptly and effectively exercise every power, right and recourse available to it to cause Taipei Water Works to perform punctually all its obligations under the Subsidiary Loan Agreement.

Section 4.06. The Borrower shall take or cause to be taken all necessary action to assure that Taipei Water Works shall at all times maintain water rates adequate to provide sufficient revenue :

(a) to cover operating expenses, including taxes, if any, and interest payments on borrowings, and to provide for adequate maintenance and depreciation based on realistic valuations of assets;

(b) to meet repayments on long-term indebtedness to the extent that any such repayments exceed the provisions for depreciation;

(c) to finance the normal year to year extensions of the water supply system and to provide a reasonable part of the cost of future major expansion.

Section 4.07. The Borrower shall cause Taipei Water Works to operate, maintain, repair and renew its plants, equipment and property in accordance with sound engineering standards and to conduct its operations and maintain its financial position in accordance with sound business and public utility practices.

Section 4.08. (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 pur-

poses 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 4.09. 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 4.10. This 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, issue, delivery or registration thereof.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (b) of Section 5.02 of the Regulations or in Section 5.02 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, then at any subsequent time the Association, at its option, may declare the principal of the Credit then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement to the contrary notwithstanding.

Section 5.02. The following additional event is specified for the purposes of paragraph (j) of Section 5.02 of the Regulations :

The provisions governing the establishment, organization and operations of Taipei Water Works shall have been amended or abrogated without the previous approval of the Association.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01. The following event is specified as additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 8.01 (b) of the Regulations :

Evidence satisfactory to the Association shall have been furnished to the Association that the execution and delivery of the Subsidiary Loan Agreement have been duly authorized or ratified by all necessary governmental action.

Section 6.02. The following is specified as an additional matter within the meaning of Section 8.02 (b) of the Regulations, to be included in the opinion or opinions to be furnished to the Association :

That the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the Taipei Water Works respectively and is valid and enforceable in accordance with its terms.

Section 6.03. A date sixty days after the date of this Agreement is hereby specified for the purposes of Section 8.04 of the Regulations.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be June 30, 1964, or such other date as may from time to time be agreed between the Borrower and the Association.

Section 7.02. The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

Ministry of Finance
Taipei
Taiwan, China

Alternative address for cablegrams and radiograms :

Chifinance
Taipei

For the Association :

International Development Association
1818 H Street, N.W.
Washington 25, D. C.
United States of America

Alternative address for cablegrams and radiograms :

Indevas
Washington, D. C.

Section 7.03. The Minister of Finance of the Borrower is designated for the purposes of Section 7.03 of the Regulations.

IN WITNESS WHEREOF, the parties hereto acting through their representatives thereunto duly authorized, have caused this Development Credit Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

The Republic of China :
By Martin WONG
Authorized Representative

International Development Association :
By W. A. B. ILIFF
Vice President

SCHEDULE 1

DESCRIPTION OF THE PROJECT

The Project consists of the expansion of the facilities of the Taipei Water Works by means of the construction of a raw water pumping station on the Hsin-Tien River with a total capacity of approximately 350,000 cubic meters a day, a raw water pipeline approximately 2.4 kilometers long, a water filtration and treatment plant with a capacity of approximately 200,000 cubic meters per day, a service building for the filtration plant, reservoirs with a total capacity of 65,000 cubic meters at two sites, three or four deep wells, and trunk and service water distribution mains in the city of Taipei and eight suburban communities (Tien-Mu, Hsin-Tien, Tsing-Mei, Mu-Shan, Chung-Ho, Yung-Ho, San-Chung, and Shih-Lin).

The Project is expected to be completed by June 30, 1964.

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS WITH MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 415.*]

LETTERS RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

CHINESE EMBASSY
Office of Economic Counselor
WASHINGTON 8, D. C.

September 6, 1961

International Development Association
1818 H Street, N.W.
Washington 25, D. C.

Credit No. 9 CHA
(Taipei Regional Water Supply Project)
Currency of Payment

Gentlemen :

We refer to the Development Credit Agreement¹ (*Taipei Regional Water Supply Project*) of even date between us and to Section 3.02 of the Regulations referred to therein. Pursuant to such Section, we hereby request your agreement as follows :

- (i) Except as hereinafter provided, the principal amount of, and service charges on, the Credit provided for in such Agreement shall be payable in the currency of the United States of America.
- (ii) If at any time the Association shall determine that such currency is not freely convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations, the Association shall so notify us and furnish us with a list of the currencies which, in the determination of the Association, are so convertible or so exchangeable.
- (iii) If within thirty days from the date of such notice the undersigned shall not have selected a specific currency or currencies from such list in which payment shall be made, then payment of such principal and service charges shall be made in a currency or currencies to be selected by the Association from such list.
- (iv) Any selection of a currency pursuant to (iii) shall be subject, in turn, to the provisions of (ii) and (iii) hereof.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

The Republic of China :
By Martin WONG
Authorized Representative

Confirmed:

International Development Association :
By I. P. M. CARGILL

¹ See p. 254 of this volume.

CHINESE EMBASSY
Office of Economic Counselor
WASHINGTON 8, D. C.

September 6, 1961

International Development Association
1818 H Street, N.W.
Washington 25, D. C.

Credit No. 9 CHA
(Taipei Regional Water Supply Project)
Water Rates

Gentlemen :

Referring to Section 4.06 of the Development Credit Agreement (*Taipei Regional Water Supply Project*) of even date between us, we wish to confirm that the Taipei Water Works has decided to charge water rates in accordance with formulae approved by the Taipei Municipal Council in the Second Session of the Fifth Plenary Assembly on June 28, 1961. A translation of such formulae is attached hereto.¹ During the negotiations for the above credit, it was agreed with you that the water rates as determined by these formulae should provide sufficient revenues to meet the requirements of said Section of the Development Credit Agreement.

We undertake that the Taipei Water Works, before introducing any rate changes not in accordance with said formulae, will consult the Association in order to give the Association the opportunity to comment on such action.

Please confirm your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Yours very truly,

The Republic of China :
By Martin WONG
Authorized Representative

Confirmed:
International Development Association :
By I. P. M. CARGILL

¹ See p. 272 of this volume.

[TRANSLATION¹ — TRADUCTION²]

(4) Water Rate—The IDA expert on the returns on investment in water works believes our water rate too low and suggests as follows :

1. *Water rate formula*: the water rate should be adjusted in accordance with the following formula (1) within one year after the signing of the loan agreement. Commencing Jan. 1, 1964 and for the period of the loan agreement the rate should be adjusted in accordance with formula (2) A but not lower than formula (2) B.

Formula (1)

$$\text{Water Rate} = \frac{\text{Operating Cost} + \text{Maintenance Cost} + \text{Depreciation} + \text{Financial Charges} + \text{Return on Investment 6\%} + \text{NT\$ 15,000,000}}{\text{Water sold during last 12 months}}$$

Formula (2) A

$$\text{Water Rate} = \frac{\text{Operating Cost} + \text{Maintenance Cost} + \text{Depreciation} + \text{Financial Charges} + \text{Return on Investment 6\%} + \text{Tax}}{\text{Water sold (in cu. m.)}}$$

Formula (2) B

$$\text{Water Rate} = \frac{\text{Operating Cost} + \text{Maintenance Cost} + 1.2 (\text{Debt amortization of loans} + \text{interest})}{\text{Water sold during last 12 months}}$$

2. *Time of Adjustment*: The rate will be adjusted annually or as required when the wholesale price index has risen 7% since the last adjustment.
3. Supplemental to the water rate formula, the excess of non-operating expenses over non-operating revenue should be added to the operating cost in the formula.
4. *Legislative procedure*: A legal undertaking providing the above rates will be furnished by the Government and the Councils of the City of Taipei and of all towns included in the regional water supply area before the conclusion of the loan agreement. All future water rate adjustments which will become necessary under the accepted formulae shall not require prior approval of the various city councils.
5. *Unitary Water Rate*: A single rate structure eliminating the present dual system (one rate for ordinary, another for certain business) will be initiated by January 1, 1964 and continued for the period of the loan agreement.

¹ Translation provided by the International Development Association.

² Traduction transmise par l'Association internationale de développement.