

No. 6008

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
REPUBLIC OF CHINA**

**Development Credit Agreement—*Ground Water Project*  
(with related letter, annexed Development Credit Reg-  
ulations No. 1 and Project Agreement between the  
Association and the Province of Taiwan). Signed at  
Washington, on 30 August 1961**

*Official text: English.*

*Registered by the International Development Association on 18 December 1961.*

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

**Contrat de crédit de développement — *Projet relatif aux  
eaux souterraines* (avec lettre y relative et, en annexe,  
le Règlement n° 1 sur les crédits de développement et  
le Contrat relatif au Projet entre l'Association et la  
Province de Taïwan). Signé à Washington, le 30 août  
1961**

*Texte officiel anglais.*

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

No. 6008. DEVELOPMENT CREDIT AGREEMENT<sup>1</sup>  
(GROUND WATER PROJECT) BETWEEN THE REPUBLIC  
OF CHINA AND THE INTERNATIONAL DEVELOP-  
MENT ASSOCIATION. SIGNED AT WASHINGTON, ON  
30 AUGUST 1961

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AGREEMENT, dated August 30, 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 of this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961<sup>2</sup> (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 "Province" means the Province of Taiwan, a political subdivision of the Borrower.
- (b) The term "Project Agreement"<sup>2</sup> means the agreement between the Association and the Province of even date herewith, providing for the carrying out of the Project.
- (c) The term "Subsidiary Loan Agreement" means the loan agreement between the Borrower and the Province referred to in Section 4.01.
- (d) The term "Irrigation Associations" means the Changhwa Irrigation Association, the Chianan Irrigation Association, the Pingtung Irrigation Association and the Touliu Irrigation Association, and the term "Irrigation Association" means any one of the Irrigation Associations to which particular

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

<sup>2</sup> See p. 242 of this volume,

reference is made therein and shall include any other association or cooperative of farmers that shall succeed in the rights and obligations of such Irrigation Association.

## 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 three million seven hundred thousand dollars (\$3,700,000).

*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 suspensions 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 the date of this Agreement 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 from time to time 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 semiannually 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 semiannual 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 I<sup>1</sup> 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 among the Borrower, the Province and the Association, subject to modification by further agreement among them.

*Section 3.02.* The Project will be carried out by the Province in accordance with the Project Agreement.

### *Article IV*

#### PARTICULAR COVENANTS

*Section 4.01.* The Borrower shall relend the proceeds of the Credit to the Province pursuant to a loan agreement (the Subsidiary Loan Agreement) between the Borrower and the Province, containing terms and conditions satisfactory to the Association.

*Section 4.02.* The Borrower shall cause the Province to carry out all its obligations under the Project Agreement and the Subsidiary Loan Agreement.

*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 and to disclose the use thereof in the Project; shall enable the Association's representatives to inspect Project, the goods 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 concerning the expenditure of the proceeds of the Credit, the Project, and the goods.

*Section 4.04.* (a) The Borrower shall at all times make or cause to be made available to the Province, promptly as needed, all sums and other resources which shall be required for the carrying out of the Project.

<sup>1</sup> See p. 238 of this volume.

(b) The Borrower shall take all action necessary to enable the Province to perform all its obligations under the Project Agreement and the Irrigation Associations to comply with the provisions of Section 2.04 of the Project Agreement and shall not take any action that might interfere with the performance of such obligations by the Province or with the compliance by any Irrigation Association with such provisions.

*Section 4.05.* Except as the Association shall otherwise agree, the Borrower shall not amend, assign, abrogate or waive any provision of the Subsidiary Loan Agreement.

*Section 4.06.* (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 purposes 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 4.07.* 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 4.08.* 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 Section 5.02 (j) of the Regulations :

A default shall have occurred in the performance of any covenant or agreement on the part of the Province under the Project Agreement.

#### *Article VI*

##### EFFECTIVE DATE; TERMINATION

*Section 6.01.* The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 8.01 (b) of the Regulations :

- (a) evidence satisfactory to the Association shall have been furnished to the Association that the execution and delivery of the Project Agreement on behalf of the Province have been duly authorized or ratified by all necessary governmental action;
- (b) the Subsidiary Loan Agreement shall have been duly executed and delivered as between the parties thereto and shall have become effective in accordance with its terms.

*Section 6.02.* The following are specified as additional matters, 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 :

- (a) that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Province and constitutes a valid and binding obligation of the Province in accordance with its terms;
- (b) that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the Province 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, 1965, 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 drilling and installation, for the account of the Irrigation Associations, of about 765 deep wells to be operated by the Irrigation Associations under the supervision of the Province in order to provide additional irrigation water for about 84,000 hectares of land in the western and southern coastal areas of Taiwan cultivated by members of the Irrigation Associations and the provision of technical assistance to the members of the Irrigation Associations for the efficient and productive use of the irrigation water so provided.

## LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

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

August 30, 1961

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

*Credit No. 7 CHA (Ground Water Project)*

Currency of Payment

Gentlemen :

We refer to the Development Credit Agreement<sup>1</sup> (*Ground Water 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

<sup>1</sup> See p. 228 of this volume.



## 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.*]

PROJECT AGREEMENT  
(GROUND WATER PROJECT)

AGREEMENT, dated August 30, 1961, between INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and PROVINCE OF TAIWAN (hereinafter called the Province).

WHEREAS by an agreement of even date herewith between The Republic of China (hereinafter called the Borrower) and the Association, which agreement and the schedule and development credit regulations therein referred to and incorporated, together with any changes which may be made therein in accordance with the provisions thereof, are hereinafter called the Development Credit Agreement,<sup>1</sup> the Association has agreed to make available to the Borrower an amount in various currencies equivalent to three million seven hundred thousand dollars (\$3,700,000) on the terms and conditions set forth in the Development Credit Agreement but only on condition that the Province agree to undertake certain obligations to the Association as hereinafter provided; and

WHEREAS the Province has agreed to undertake the obligations hereinafter set forth;  
NOW THEREFORE the parties hereto hereby agree as follows :

*Article I*

## DEFINITIONS

*Section 1.01.* Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Development Credit Agreement (as above defined) shall have the respective meaning therein set forth.

*Article II*

## PARTICULAR COVENANTS

*Section 2.01.* The Province shall carry out the Project with due diligence and efficiency and in accordance with sound agricultural, engineering and financial practices.

*Section 2.02.* In the carrying out of the Project the Province shall employ or cause to be employed competent and experienced technical and financial advisors satisfactory to

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<sup>1</sup> See p. 228 of this volume.

the Association and the Province, upon terms and conditions satisfactory to the Association and the Province.

*Section 2.03.* (a) The Province shall furnish or cause to be furnished to the Association, promptly upon their preparation, the plans and specifications for the Project and any material modification subsequently made therein, in such detail as the Association shall from time to time request.

(b) The Province 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, to record the progress of the Project (including the cost thereof), to show the results achieved from the use of the additional irrigation water provided by the Project, and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the departments or agencies of the Province responsible for the carrying out of the Project; shall enable the Association's representatives to inspect the Project, the goods 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 concerning the expenditure of the proceeds of the Credit, the Project, the goods, the results achieved from the use of the additional irrigation water provided by the Project, and the operations and financial condition of the departments or agencies of the Province responsible for the carrying out of the Project.

*Section 2.04.* (a) Except as the Association and the Province shall otherwise agree, the Province, before carrying out any part of the Project, shall furnish to the Association evidence satisfactory to the Association that adequate arrangements have been made to provide that the particular Irrigation Association for whose account such part of the Project is to be carried out :

- (i) shall repay a portion of the actual cost of such part of the Project with interest over a period of years, all as determined by agreement between the Association and the Province, subject to modification by further agreement between them;
- (ii) shall at all times operate, maintain and repair in accordance with sound engineering and agricultural practices and standards all works and facilities included in such part of the Project and all canals, structures and other works and facilities not included in such part of the Project but necessary to the proper and efficient operation thereof;
- (iii) shall conduct its operations in such manner as shall be required to assure that at all times the water made available by such part of the Project is to the maximum extent fully, effectively and promptly utilized for irrigation in accordance with sound agricultural practices;
- (iv) shall set water charges levied on its members for the construction, operation and maintenance of the works and facilities for whose operation and maintenance it is responsible at such levels as shall provide at all times revenues sufficient (1) to cover all operating and maintenance costs and debt service and (2) to create reasonable reserves for losses and for repair of damage to such works and facilities caused by floods and other hazards;

(v) shall conduct its operations in accordance with sound financial, agricultural and business practices and standards, shall maintain at all times a sound financial condition and shall maintain records adequate to reflect in accordance with consistently maintained sound accounting practices its operations and financial condition;

(vi) shall enable the Province's and the Association's representatives to inspect the works and other facilities financed under the Credit, the property of its members to which water is or will be made available under the Project and any relevant records and documents, and shall furnish the Province and the Association all such information as the Province or the Association shall reasonably request concerning the operation and maintenance of the works and other facilities financed under the Credit, the use of the water made available under the Project and the operations and financial condition of such Irrigation Association.

(b) The Province shall promptly and effectively exercise every power, right and recourse available to it to cause each Irrigation Association to comply at all times with the provisions of sub-paragraph (a) of this Section.

*Section 2.05.* The Province shall cause the accounts and financial statements of each Irrigation Association to be audited at regular intervals not less than once a year in accordance with sound auditing practices by competent auditors independent of such Irrigation Association.

*Section 2.06.* The Province shall take or cause to be taken all such action as shall be required to assure that at all times no use, other than for domestic purposes, will reduce the water available for irrigation purposes under the Project and the water made available thereunder is to the maximum extent possible fully, effectively and promptly utilized for such purposes in accordance with sound engineering and agricultural practices and standards.

*Section 2.07.* Except as the Borrower, the Association and the Province shall otherwise agree, the Province shall cause all goods financed out of the proceeds of the Credit to be used exclusively in the carrying out of the Project.

*Section 2.08.* The Province shall satisfy the Association that adequate arrangements have been made to insure the goods financed out of the proceeds of the Credit against risks incident to their purchase and importation into the territories of the Borrower. Insurance covering marine and transit hazards on the goods financed out of the proceeds of the Credit shall be payable in dollars or in the currency in which the cost of goods insured thereunder shall be payable.

*Section 2.09.* In order that the Association and the Province may cooperate to the fullest extent in assuring that the purposes of this Agreement shall be accomplished:

(a) The Province will promptly inform the Association of any condition which prevents, or threatens to prevent, the performance by the Province of its obligations under this Agreement.

(b) Each party to this Agreement shall, from time to time, as any other party shall reasonably request, afford such other party all reasonable opportunity for exchanges of views between their respective accredited representatives in regard to any and all matters relating to the Project and the matters covered by this Agreement.

*Article III*

## EFFECTIVE DATE; TERMINATION; MISCELLANEOUS PROVISIONS

*Section 3.01.* This Agreement shall come into force and effect on the date when the Development Credit Agreement shall become effective as provided therein.

*Section 3.02.* This Agreement shall terminate and the obligations of the parties hereunder shall cease and determine on the date when the Development Credit Agreement shall terminate in accordance with its terms.

*Section 3.03.* Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given or made when it shall be delivered in writing or by telegram, cable or radiogram to the party to which such notice, demand or request is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall designate by notice in writing to the party giving or making such notice, demand or request. The addresses so specified are :

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.

For the Province :

Governor of the Province of Taiwan  
Taiwan Provincial Government  
Nan-tou  
Taiwan, China

*Section 3.04.* This Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

*Section 3.05. (a)* Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of the Province may be taken or executed by the Director of the Ground Water Development Bureau of the Province or such person or persons as he shall designate in writing.

*(b)* The Province shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on its behalf, take any action or execute any documents required or permitted to be taken or executed, pursuant to any of the provisions of this Agreement, and the authenticated specimen signature of each such person.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this 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.

International Development Association :

*By* W. A. B. ILIFF  
Vice President

Province of Taiwan :

*By* Martin WONG  
Authorized Representative

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