

No. 6146

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
INDIA**

**Development Credit Agreement—*Shetrunji Irrigation Project* (with related letter, annexed Development Credit Regulations No. 1 and Project Agreement between the Association and the State of Gujarat). Signed at Washington, on 22 November 1961**

*Official text: English.*

*Registered by the International Development Association on 8 May 1962.*

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**ASSOCIATION INTERNATIONALE DE  
DÉVELOPPEMENT  
et  
INDE**

**Contrat de crédit de développement — *Projet d'irrigation du Shetrunji* (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 l'État de Gujarat). Signé à Washington, le 22 novembre 1961**

*Texte officiel anglais.*

*Enregistré par l'Association internationale de développement le 8 mai 1962.*

No. 6146. DEVELOPMENT CREDIT AGREEMENT<sup>1</sup> (*SHE-TRUNJI IRRIGATION PROJECT*) BETWEEN INDIA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 22 NOVEMBER 1961

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AGREEMENT dated November 22, 1961, between INDIA, acting by its President (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower and the State of Gujarat have requested the Association to assist in the financing of the Shetrunji irrigation project in the State of Gujarat ;

WHEREAS the State of Gujarat will, with the Borrower's assistance, carry out the Shetrunji irrigation project, and, as part of such assistance, the Borrower will make available to the State the proceeds of the credit provided for herein ; and

WHEREAS the Association is willing to make a development credit available on the terms and conditions provided herein and in a project agreement of even date<sup>2</sup> herewith between the State of Gujarat and the Association ;

NOW THEREFORE the parties hereto hereby agree as follows :

*Article I*

CREDIT REGULATIONS ; 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<sup>2</sup> 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) Paragraph 5 of Section 9.01 is amended to read as follows :

"5. The term 'Borrower' means India, acting by its President."

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<sup>1</sup> Came into force on 31 January 1962, upon notification by the Association to the Government of India.

<sup>2</sup> See p. 72 of this volume.

(b) Section 6.02 is amended by inserting the words "or the Project Agreement" after the words "the Development Credit Agreement".

(c) For the purposes of this Agreement the term "goods" as defined in paragraph 10 of Section 9.01 shall include any property required for the Project.

*Section 1.02.* Unless the context otherwise requires, the following terms, wherever used in this Agreement or in the Regulations shall have the following meanings :

(a) "Gujarat" means the State of Gujarat, a state of India, or any successor thereof.

(b) "Project Agreement" means the project agreement of even date herewith between Gujarat and the Association and shall include any amendment thereof made by agreement between Gujarat and the 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 four million five hundred thousand dollars (\$4,500,000).

*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 Association shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Agreement, to withdraw from the Credit Account :

(a) such amounts as shall have been expended for the reasonable foreign currency cost of goods required for carrying out the Project ;

(b) the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower and the Association of such amounts as shall have been expended for the reasonable cost of goods required for carrying out the Project and not included in the foregoing ;

(c) if the Association shall so agree, such amounts as shall be required by the Borrower to meet payments under each of the foregoing paragraphs ;  
provided, however, that no withdrawals shall be made on account of expenditures prior to April 1, 1961.

*Section 2.04.* Withdrawals from the Credit Account shall be in such freely convertible currency or currencies as the Association shall from time to time reasonably select.

*Section 2.05.* 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 of any special commitment entered into by the Association pursuant to Section 4.02 of the Regulations and outstanding from time to time.

*Section 2.06.* Service charges shall be payable semi-annually on April 15 and October 15 in each year.

*Section 2.07.* The Borrower shall repay the principal amount of the Credit in semi-annual instalments payable on each April 15 and October 15 commencing April 15, 1972, and ending October 15, 2011, each instalment to and including the instalment payable on October 15, 1981, to be  $\frac{1}{2}$  of 1% of such principal amount, and each instalment thereafter to be 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 1<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 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 cause the Project to be carried out and maintained with due diligence and efficiency and in conformity with sound engineering, agricultural and financial practices.

(b) The Borrower shall take or cause to be taken all action which shall be necessary on its part to enable Gujarat to perform all the covenants and agreements on the part of Gujarat to be performed as set forth in the Project Agreement and shall not take any action that would interfere with the performance by Gujarat of such covenants and agreements.

<sup>1</sup> See p. 68 of this volume.

(c) The Borrower shall make or cause to be made available promptly as needed all sums which shall be required for the carrying out of the Project, all such sums to be made available on terms and conditions satisfactory to the Borrower and the Association.

*Section 4.02.* (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 4.03.* 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 in effect in its territories.

*Section 4.04.* This Agreement and the Project 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 of referred to in paragraph (b) or paragraph (j) of Section 5.02 of the Regulations 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.* For the purposes of Section 5.02 (*j*) of the Regulations, the following additional event is specified: Gujarat shall have failed to perform any covenant or agreement of Gujarat under the Project Agreement.

#### *Article VI*

##### EFFECTIVE DATE ; TERMINATION

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

(*a*) The execution and delivery of the Project Agreement on behalf of Gujarat have been duly authorized or ratified by all necessary governmental action.

(*b*) Except as the Association may otherwise agree, all necessary acts, consents and approvals to be performed or given by the Borrower and Gujarat or otherwise in order to authorize the carrying out of the Project, with all necessary powers and rights in connection therewith, have been performed or given.

*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, Gujarat and constitutes a valid and binding obligation of Gujarat in accordance with its terms.

(*b*) That all acts, consents and approvals of the Borrower and Gujarat or otherwise to be performed or given in order to authorize the construction of the Project, with all necessary powers and rights in connection therewith, have been duly and validly performed or given.

*Section 6.03.* A date ninety 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 December 31, 1964, or such 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 :

The Secretary to the Government of India  
Ministry of Finance, Department of Economic Affairs  
New Delhi, India

Alternative address for cablegrams and radiograms :

Ecofairs  
New Delhi

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.* A Secretary to the Government of India in the Ministry of Finance 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.

India :

*By* B. K. NEHRU

Authorized Representative

International Development Association :

*By* W. A. B. ILIFF

Vice President

## SCHEDULE 1

## DESCRIPTION OF THE PROJECT

The Project, which is part of the Borrower's Third Five-Year Plan for Gujarat, is designed to irrigate, with water impounded by the existing dam across the Shetrunji River, an area of about 86,000 acres, and includes :

A. *Canal System.*

Two main canals carrying irrigation water from the dam to the distributary canals. The right-bank canal will be about 36 miles long and will have an initial capacity of about 695 cubic feet per second ; and the left-bank canal will be about 58 miles long and will have an initial capacity of about 425 cubic feet per second. Distributary canals will take off from the main canals and will carry water to the field channels. Each outlet in the distributary canals will have a capacity of about 1½ cubic feet per second. The canal system will include all necessary structures.

B. *Other Works.*

Houses, workshops, other buildings and service roads necessary for the operation and maintenance of the foregoing and for the provision of the assistance and services hereinafter described.

C. *Technical Assistance and Services.*

The provision of technical assistance and services to farmers to assist them in the prompt and effective utilization of irrigation waters made available by the Project, including :

- (1) completion of a detailed soil survey designed to aid in the selection of lands suitable for irrigation ;
- (2) planning, construction and operation of field channels ; and
- (3) establishment and operation of two demonstration farms and an extension program designed, among other things, to improve the techniques of irrigation farming.

It is expected that parts A and B above will be completed and in operation by June 30, 1964.

It is expected that full and effective utilization of irrigation waters made available by the Project will be achieved not later than the crop year 1971/72.



## LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBASSY OF INDIA  
WASHINGTON, D. C.

November 22, 1961

International Development Association  
Washington 25, D. C.

Gentlemen :

We refer to the Development Credit Agreement (*Shetrunji Irrigation Project*) of even date<sup>1</sup> between India and the International Development Association 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 Kingdom of Great Britain and Northern Ireland (Pounds Sterling).
- (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,

India :  
By B. K. NEHRU  
Authorized Representative

*Confirmed :*

International Development Association :

By Joseph RUCINSKI

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<sup>1</sup> See p. 56 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, p. 68.*]

PROJECT AGREEMENT  
(*SHESTRUNJI IRRIGATION PROJECT*)

AGREEMENT, dated November 22, 1961, between the STATE OF GUJARAT, acting by its Governor (hereinafter called Gujarat) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS by a development credit agreement of even date<sup>1</sup> herewith (hereinafter called the Credit Agreement) between India (hereinafter called the Borrower) and the Association, the Association has agreed to make available to the Borrower a development credit in various currencies equivalent to four million five hundred thousand dollars (\$4,500,000), on the terms and conditions set forth in the Credit Agreement, but only on condition that Gujarat agree to undertake certain obligations to the Association as hereinafter in this Project Agreement set forth ; and

WHEREAS Gujarat in consideration of the Association's entering into the Credit Agreement with the Borrower, 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 Project Agreement, unless the context shall otherwise require, the several terms defined in the Credit Agreement and in the Regulations<sup>2</sup> (as so defined) shall have the respective meanings therein set forth.

*Article II*

## PARTICULAR COVENANTS OF GUJARAT

*Section 2.01. (a)* Gujarat shall carry out and operate the Project with due diligence and efficiency and in conformity with sound engineering, agricultural and financial standards and practices.

<sup>1</sup> See p. 56 of this volume.

<sup>2</sup> See p. above.

(b) Gujarat shall make available promptly as needed all sums which shall be required for the carrying out and operation of the Project.

*Section 2.02.* (a) Gujarat shall exercise every right and recourse available to it to cause to be taken all such action as shall be required to assure that no use, other than domestic uses, will reduce the amounts of water available for irrigation purposes on the Project below the amounts needed therefor.

(b) Gujarat shall take all such actions as shall be required to assure that the land included in the Project and the water made available therefor are to the maximum extent possible fully, effectively and promptly utilized for agricultural purposes.

(c) Gujarat shall cause all works and facilities included in the Project to be adequately maintained and repaired in accordance with sound engineering and agricultural practices and standards and shall cause all works and facilities not included in the Project but necessary to the proper and efficient operation thereof (including, but without limitation, the dam, spillway and reservoir) to be operated and adequately maintained and repaired in accordance with such practices and standards.

*Section 2.03.* (a) Gujarat shall, from time to time, make suitable provision for the recovery from the users of irrigation waters within the area of the Project, on reasonable terms and conditions, of as much as practicable of the moneys invested by Gujarat in the Project together with reasonable interest thereon.

(b) Gujarat shall cause the water rates or other similar charge or charges which shall be levied for operation and maintenance of the Project to be set and maintained at levels necessary to provide revenues at least sufficient to cover all operation and maintenance costs of the Project.

*Section 2.04.* (a) Upon request from time to time by the Association, Gujarat 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.

(b) Gujarat 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), to show the results achieved by irrigation of the land included in the Project and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition with respect to the Project of the agency or agencies of Gujarat responsible for the carrying out of the Project or any part thereof; shall enable the Association's representatives to inspect the Project, the goods, the works and facilities not included in the Project but necessary to the proper and efficient operation thereof (including, but without limitation, dam, spillway and reservoir), 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, and the operations and financial condition with respect to the Project of the agency or agencies of Gujarat responsible for the carrying out of the Project or any part thereof.

*Section 2.05.* (a) Gujarat 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.

(b) Gujarat and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit. Gujarat 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 performance by Gujarat of its obligations under this Project Agreement or the obligations to be performed by it pursuant to the provisions of the Credit Agreement, or which shall increase or threaten to increase materially the estimated cost of the Project.

*Section 2.06.* (a) Except as shall be otherwise agreed by Gujarat and the Association : (i) Gujarat shall cause all goods purchased with the proceeds of the Credit to be used in the territories of the Borrower exclusively in the carrying out of the Project and (ii) Gujarat shall obtain title to all such goods free and clear of all encumbrances.

(b) Gujarat shall not, without the prior consent of the Association, sell or otherwise dispose of any goods purchased or paid for out of the proceeds of the Credit.

*Section 2.07.* Gujarat 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.

### *Article III*

#### EFFECTIVE DATE ; TERMINATION

*Section 3.01.* This Project Agreement shall come into force and effect on the Effective Date. If, pursuant to Section 8.04 of the Regulations, the Association shall terminate the Credit Agreement, the Association shall promptly notify Gujarat thereof and upon the giving of such notice, this Project Agreement and all obligations of the parties hereunder shall forthwith cease and determine.

*Section 3.02.* If and when the entire principal amount of the Credit shall have been paid or caused to be paid by the Borrower (or shall have been cancelled), together with service charges which shall have accrued on the Credit, this Project Agreement and all obligations of Gujarat and of the Association hereunder shall forthwith terminate.

### *Article IV*

#### MISCELLANEOUS PROVISIONS

*Section 4.01.* Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated

by notice to the party giving such notice or making such request. The addresses so specified are :

(a) For Gujarat :

Secretary to Government in Public Works Department  
Ahmedabad, India

Alternative address for cablegrams and radiograms :

Worksec  
Ahmedabad

(b) 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 4.02.* Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement on behalf of Gujarat may be taken or executed by a Secretary to the Government of Gujarat in the Public Works Department or such other person or persons as Gujarat shall designate in writing.

*Section 4.03.* Gujarat shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of Gujarat, take any action or execute any documents required or permitted to be taken or executed by Gujarat pursuant to any of the provisions of this Project Agreement and the authenticated specimen signature of each such person.

*Section 4.04.* This Project Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

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

State of Gujarat :  
By M. R. SACHDEV  
Authorized Representative

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