No. 6416

INTERNATIONAL DEVELOPMENT ASSOCIATION and INDIA

Development Credit Agreement—Purna Irrigation Project (with related letters, annexed Development Credit Regulations No. 1 and Project Agreement between the Association and the State of Maharashtra). Signed at Washington, on 18 July 1962

Official text: English.

Registered by the International Development Association on 5 December 1962.

ASSOCIATION INTERNATIONALE DE DÉVELOPPEMENT

et INDE

Contrat de crédit de développement — Projet d'irrigation du Purna (avec lettres y relatives 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 Maharashtra). Signé à Washington, le 18 juillet 1962

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 5 décembre 1962.

No. 6416. DEVELOPMENT CREDIT AGREEMENT¹ (PURNA IRRIGATION PROJECT) BETWEEN INDIA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 18 JULY 1962

AGREEMENT, dated July 18, 1962, 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 Maharashtra have requested the Association to assist in the financing of the Purna irrigation project in the State of Maharashtra;

Whereas the State of Maharashtra will, with the Borrower's assistance, carry out the Purna 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 herewith between the State of Maharashtra 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, 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) Paragraph 5 of Section 9.01 is amended to read as follows:

² See p. 210 of this volume.

- "5. The term 'Borrower' means India, acting by its President."
- (b) Section 6.02 is amended by inserting the words "or the Project Agreement" after the words "the Development Credit Agreement".

¹ Came into force on 23 October 1962, upon notification by the Association to the Government of India.

- (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) "Maharashtra" means the State of Maharashtra, a state of India, or any successor thereof.
- (b) "Project Agreement" means the project agreement of even date herewith between Maharashtra and the Association and shall include any amendment thereof made by agreement between Maharashtra 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 thirteen million dollars (\$13,000,000).
- 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 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 (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 January 1 and July 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semi-annual instalments payable on each January 1 and July 1 commencing January 1, 1973 and ending July 1, 2012, each instalment to and including the instalment payable on July 1, 1982, to be one half of one per cent ($\frac{1}{2}$ of $\frac{1}{6}$) of such principal amount, and each instalment thereafter to be one and one-half of one per cent ($\frac{1}{2}$ %) 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 the Schedule¹ 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, operated 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 Maharashtra to perform all the covenants and agreements on the part of Maharashtra to be performed as set forth in the Project Agreement and shall not take any action that would interfere with the performance by Maharashtra of such covenants and agreements.

¹ See p. 202 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 of the Borrower or 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 or 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:

Maharashtra shall have failed to perform any covenant or agreement of Maharashtra 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 Maharashtra 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 Maharashtra 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 meanning 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, Maharashtra and constitutes a valid and binding obligation of Maharashtra in accordance with its terms.
- (b) That all acts, consents and approvals of the Borrower and Maharashtra 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 March 31, 1966 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:

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 M. R. SACHDEV Authorized Representative

International Development Association:

By J. Burke KNAPP Vice-President

SCHEDULE

DESCRIPTION OF THE PROJECT

The Project, which is part of the Borrower's Third Five-Year Plan for Maharashtra, is designed to irrigate an area of about 152,000 acres, and to provide electric power of 15.000 KW. It includes:

A. Storage and Diversion Works

A dam on the Purna River at Yeldari of composite masonry and earth-fill construction, about 168 feet high. The dam will be provided with an adequate spillway designed to pass a maximum flood of 384,000 cubic feet per second. The reservoir will have a gross storage capacity of about 784,000 acre feet. Another composite dam about 125 feet high, about 40 miles downstream at Sideshwar will provide for re-regulation and irrigation diversion. The reservoir will have a gross capacity of about 200,000 acre feet. The Sideshwar dam will have an adequate spillway with a discharge capacity of 350,000 cubic feet per second with a free board of 8 feet.

B. Canal System and Other Structures

A main irrigation canal which will be concrete or masonry lined and about 50 miles long and situated on the left of the Purna River. The first 10 miles of the canal will be located in foothills with some major cross-drainage channels. There will be about 85 miles of major distributaries, also partially concrete lined, and about 165 miles of other distributaries. The canal system will include associated structures, such as necessary aquaducts, regulators, bridges, falls, escapes and related structures.

C. Power

A hydroelectric plant at the foot of the Yeldari Dam with two 7,500 KW units initially. The powerhouse, penstock and gates installed will be so constructed as to permit a future addition of a third unit.

D. Technical Assistance and Services

The provision of necessary technical assistance and extension services to farmers to assist them in the effective use of the irrigation water made available by the Project, including irrigation demonstrations and services of the experimental and demonstration farm near Golegaon.

It is expected that parts A, B and C above will be completed and in operation by March 31, 1966 and that full and effective utilization of irrigation waters made available by the Project will be achieved not later than the crop year 1976.

LETTERS RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

EMBASSY OF INDIA WASHINGTON. D. C.

18 July, 1962

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

Re: Currency of Payment

Gentlemen:

We refer to the Development Credit Agreement (Purna Irrigation Project) of even No. 6416

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 Kingdom of Great Britain and Northern Ireland.
- (ii) If at any time we shall desire that, commencing with a given future payment date, such principal and service charges shall be payable in an eligible currency other than that specified in (i) (or other than one designated under this clause (ii)) we shall deliver to the Association, not less than three nor more than five months prior to such payment date, a notice in writing to that effect and designating such other eligible currency, whereupon the currency so designated shall, commencing with such payment date, be the currency in which such principal and service charges shall be payable.
- (iii) If at any time the Association shall determine that a currency payable pursuant to the provisions of this letter is not an eligible currency, the Association shall so notify us in writing and furnish us with a list of eligible currencies.
- (iv) Within thirty days from the date of such notice we shall notify the Association in writing of our selection of a currency from such list in which payment shall be made, failing which the Association shall select a currency for such purpose from such list, whereupon, in either case, such principal and service charges shall, commencing with the payment date next succeeding such thirty day period, be payable in the currency so selected.
- (v) Any designation or selection of a currency pursuant to the foregoing provisions shall be subject, in turn, to the provisions of this letter.
- (vi) For the purposes of this letter, "eligible currency" means any currency of a member of the Association which the Association at the relevant time determines to be freely convertible or freely exchangeable by it for currencies of other members of the Association for the purposes of its operations.

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 M. R. Sachdev
Authorized Representative

Confirmed:

International Development Association:

By J. Burke KNAPP

¹ See p. 192 of this volume.

EMBASSY OF INDIA WASHINGTON. D. C.

18 July, 1962

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

Re: List of Goods and Percentage of Disbursement

Gentlemen:

- 1. We request your agreement, pursuant to Section 3.01 of the Credit Agreement (Purna Irrigation Project), between India and the Association of even date herewith, to the List of Goods 1 to be financed out of the proceeds of the Credit which is attached hereto.
- 2. We also request your agreement that 44% be established at this time pursuant to Section 2.03 (b) of the Credit Agreement for purposes of withdrawal.
- 3. We understand that the amount of \$10,400,000 provided for in Category II of the List of Goods (other equipment, services and materials for Parts A, B and C of the Project) constitutes that part of the presently estimated total cost of the goods provided for in such Category II which the Association is, at this time, willing to finance under the Credit Agreement. The amount of \$10,400,000 is reflected in the 44% proposed above, such 44% being intended, among other things, to permit withdrawal of the portion of the Credit set forth in Category II of the List of Goods as nearly as practicable in relation to the progress of total expenditure on such goods throughout the period of construction of the Project.
- 4. We further agree that whenever there should be a substantial change in the estimated total cost of such goods we shall promptly inform the Association, and if either we or the Association shall so request, there shall be substituted a revised percentage to be used thereafter for the purposes of such Section 2.03 (b), such revised percentage to be the proportion which the amount then remaining unwithdrawn in respect of Category II of the List of Goods is of that part of the then revised estimated total cost of such goods in respect of which no withdrawals shall have been made.

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 M. R. SACHDEV Authorized Representative

Confirmed:

International Development Association:

By J. Burke KNAPP

¹ See p. 210 of this volume.

LIST OF GOODS

(Purna Irrigation Project)

	Category	U.S. Dollar Equivalent
1.	Imported materials and equipment including hoists, cranes, gates, turbines, generators, shafts, switch gear and related components, spare parts, tools and workshop	\$ 2,600,000
II.	Other equipment, services and materials for parts A, B and C of the Project	\$10,400,000
	Total	\$13,000,000

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 (PURNA IRRIGATION PROJECT)

AGREEMENT, dated July 18, 1962, between the State of Maharashtra, acting by its Governor (hereinafter called Maharashtra) and International Development Association (hereinafter called the Association).

Whereas by a development credit agreement of even date 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 thirteen million dollars (\$13,000,000), on the terms and conditions set forth in the Credit Agreement, but only on condition that Maharashtra agree to undertake certain obligations to the Association as hereinafter in this Project Agreement set forth; and

Whereas Maharashtra 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:

¹ See p. 192 of this volume.

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 ¹ (as so defined) shall have the respective meanings therein set forth.

Article II

PARTICULAR COVENANTS OF MAHARASHTRA

- Section 2.01. (a) Maharashtra shall carry out, operate and maintain the Project with due diligence and efficiency and in conformity with sound engineering, agricultural and financial standards and practices.
- (b) Maharashtra shall make available promptly as needed all sums which shall be required for the carrying out and operation of the Project.
- Section 2.02. Maharashtra shall employ or cause to be employed suitably qualified consultants to examine from time to time and to make recommendations concerning the progress and operation of the water management program required for the Project. The selection of the consultants and the terms and conditions of their employment shall be the subject of agreement between Maharashtra and the Association.
- Section 2.03. (a) Maharashtra 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) Maharashtra shall take all such action as shall be required to assure that the irrigable 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) Maharashtra 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 to be operated and adequately maintained and repaired in accordance with such practices and standards.
- Section 2.04. Maharashtra shall take all such action as shall be necessary to improve and expand agricultural services in the area of the Project.
- Section 2.05. (a) Maharashtra shall make suitable provision for the recovery, on reasonable terms and conditions, by charges for use of irrigation waters, by imposing

¹ See p. 210 of this volume.

other charges on land benefiting from the Project within the area of the Project, and by rental charge for the power plant, of the moneys invested by Maharashtra in the Project together with reasonable interest thereon.

- (b) Maharashtra 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 2.06. (a) Upon request from time to time by the Association, Maharashtra shall promptly furnish or cause to be furnished to the Association the specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall request.
- (b) Maharashtra 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 Maharashtra 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 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 Maharashtra responsible for the carrying out of the Project or any part thereof.
- Section 2.07. (a) Maharashtra 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) Maharashtra and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit. Maharashtra 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 Maharashtra 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 2.08. (a) Except as shall be otherwise agreed by Maharashtra and the Association: (i) Maharashtra 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) Maharashtra shall obtain title to all such goods free and clear of all encumbrances.
- (b) Maharashtra 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 2.09. Maharashtra 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 Maharashtra 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 Maharashtra 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 Maharashtra:

Secretary to Government in the Irrigation and Power Department Bombay 32, India

Alternative address for cablegrams and radiograms

Irripoma Bombay

(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 Maharashtra may be taken or executed by a Secretary to the Government of Maharashtra in the Irrigation and Power Department or such other person or persons as Maharashtra shall designate in writing.

Section 4.03. Maharashtra shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of Maharashtra, take any action or execute any documents required or permitted to be taken or executed by Maharashtra 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 Maharashtra:

By N. G. K. Murti Authorized Representative

International Development Association:

By J. Burke Knapp Vice-President