

No. 6417

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDIA**

**Development Credit Agreement—*Sone Irrigation Project*
(with related letters, annexed Development Credit
Regulations No. 1 and Project Agreement between
the Association and the State of Bihar). Signed at
Washington, on 29 June 1962**

Official text: English.

Registered by the International Development Association on 6 December 1962.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
INDE**

**Contrat de crédit de développement — *Projet d'irrigation
du Sone* (avec lettres y relatives et, en annexe, le Règle-
ment n° 1 sur les crédits de développement et le Contrat
relatif au Projet entre l'Association et l'État de Bihar).
Signé à Washington, le 29 juin 1962**

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 6 décembre 1962.

No. 6417. DEVELOPMENT CREDIT AGREEMENT¹ (*SONE IRRIGATION PROJECT*) BETWEEN INDIA AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION. SIGNED AT WASHINGTON, ON 29 JUNE 1962

AGREEMENT, dated June 29, 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 Bihar have requested the Association to assist in the financing of the Sone irrigation project in the State of Bihar ;

WHEREAS the State of Bihar will, with the Borrower's assistance, carry out the Sone 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 date² herewith between the State of Bihar 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, 1961,³ 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.”

(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.

² See p. 240 of this volume.

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

(b) "Project Agreement" means the project agreement of even date herewith between Bihar and the Association and shall include any amendment thereof made by agreement between Bihar 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 fifteen million dollars (\$15,000,000).

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 of 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 part A of the Project and any other part thereof that may be agreed upon from time to time between the Borrower and the Association, 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 January 1, 1962.

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 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 1%) of such principal amount, and each instalment thereafter to be one and one-half of one 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 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 Bihar to perform all the covenants and agreements on the part of Bihar to be performed as set forth in the Project Agreement and shall not take any action that would interfere with the performance by Bihar of such covenants and agreements.

¹ See p. 234 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, 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 :

Bihar shall have failed to perform any covenant or agreement of Bihar 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 Bihar 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 Bihar 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, Bihar and constitutes a valid and binding obligation of Bihar in accordance with its terms.

(*b*) That all acts, consents and approvals of the Borrower and Bihar 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 W. A. B. ILIFF
Vice President

SCHEDULE

DESCRIPTION OF THE PROJECT

The project is a part of the Borrower's Third Five-Year Plan for Bihar State. It would improve and extend the present Sone irrigation system. The main works include :

A. Diversion Barrage and Associated Works

A new diversion barrage near Dehri, on the Sone River to replace the existing diversion weir. The new diversion barrage will be constructed 5 miles upstream from the existing diversion weir and will be a concrete structure about 4,633 feet long with abutments and guide bunds, and with sheet piling cut-off walls driven into the riverbed sand. It will be provided with an adequate spillway designed for a maximum discharge of about 1,450,000 cubic feet per second. Head works for the link canals will be constructed on each side of the barrage. Associated works will include access roads, warehouses and other facilities.

B. Canal System

Construction of link canals, enlargement, extension and remodeling of the existing system of canals and distributaries to provide improved irrigation service to about 733,000 crop acres and to make possible the irrigation of about an additional 273,000 crop acres in the area. This work also includes regrading canal sections, adding regulators, revising locks and by-pass drops, extending distribution channels and constructing spillway structures and access roads.

C. Other Works

Roads, utilities and warehouses, permanent and temporary housing for employees, all as necessary for the construction, operation and maintenance of all works included in the Project.

D. Technical Assistance and Services

The provision of necessary technical assistance and extension services to farmers to facilitate more efficient and effective use of the irrigation water to be made available by the Project.

It is expected that parts A, B and C above will be completed and in operation by March 31, 1966.

It is expected that the full and effective use of the irrigation water will be achieved not later than 1970/1971.

LETTERS RELATING TO THE CREDIT DEVELOPMENT AGREEMENT

EMBASSY OF INDIA
WASHINGTON, D. C.

June 29, 1962

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

Re : *Currency of Payment*

Gentlemen :

We refer to the Development Credit Agreement (*Some Irrigation Project*) of even date¹ 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 M. R. SACHDEV
Authorized Representative

Confirmed :

International Development Association :

By W. A. B. ILIFF

¹ See p. 222 of this volume.

EMBASSY OF INDIA
WASHINGTON, D. C.

June 29, 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 (*Sone Irrigation Project*), between India and the Association of even date herewith, to the List of Goods¹ to be financed out of the proceeds of the Credit which is attached hereto.

2. We also request your agreement that 69% 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 \$14,000,000 provided for in Category B of the List of Goods constitutes that part of the presently estimated total cost of the goods provided for in such Category B which the Association is, at this time, willing to finance under the Credit Agreement. The amount of \$14,000,000 is reflected in the 69% proposed above, such 69% being intended, among other things, to permit withdrawal of the portion of the Credit set forth in Category B 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 B 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 W. A. B. ILIFF

¹ See p. 240 of this volume.

LIST OF GOODS
(*Sone Irrigation Project*)

<i>Category</i>	<i>US Dollars equivalent</i>
A. Sheet Piling	\$1,000,000
B. Civil works for construction of Sone diversion barrage and appurtenant works, installation of sheet piling and supply and installation of gates, hoists, operating bridge and components	<u>14,000,000</u>
TOTAL	\$15,000,000

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
(*SONE IRRIGATION PROJECT*)

AGREEMENT, dated June 29, 1962, between the STATE OF BIHAR, acting by its Governor (hereinafter called Bihar) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association.)

WHEREAS by a development credit agreement of even date¹ 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 fifteen million dollars (\$15,000,000), on the terms and conditions set forth in the Credit Agreement, but only on condition that Bihar agree to undertake certain obligations to the Association as hereinafter in this Project Agreement set forth ; and

WHEREAS Bihar 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. 222 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 Regulations¹ (as so defined) shall have the respective meanings therein set forth.

Article II

PARTICULAR COVENANTS OF BIHAR

Section 2.01. (a) Bihar 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) Bihar 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) Bihar 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 and for navigation purposes, will reduce the amounts of water available for irrigation purposes on the Project below the amounts needed therefor.

(b) Bihar 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) Bihar 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 2.03. (a) Bihar shall, from time to time, make suitable provision for the recovery, on reasonable terms and conditions, by charges for use of irrigation waters and, as far as practicable, by imposing other charges on land benefiting from the Project within the area of the Project, of the moneys invested by Bihar in the Project together with reasonable interest thereon.

(b) Bihar 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. Bihar shall take all such action as shall be necessary to improve and expand agricultural services in the area of the Project.

¹ See p. 240 of this volume.

Section 2.05. (a) Upon request from time to time by the Association, Bihar 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 details as the Association shall request.

(b) Bihar 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 Bihar 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 Bihar responsible for the carrying out of the Project or any part thereof.

Section 2.06. (a) Bihar 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) Bihar and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit. Bihar 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 Bihar 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 2.07. (a) Except as shall be otherwise agreed by Bihar and the Association: (i) Bihar 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) Bihar shall obtain title to all such goods free and clear of all encumbrances.

(b) Bihar 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 2.08. Bihar 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

Sections 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 ter-

minate the Credit Agreement, the Association shall promptly notify Bihar 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 Bihar 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 Bihar :

Secretary to Government
in the River Valley Projects Department of Bihar
Patna, India

Alternative address for cablegrams and radiograms :

Kosenger
Patna

(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 Bihar may be taken or executed by a Secretary to the Government of Bihar in the Public Works Department or such other person or persons as Bihar shall designate in writing.

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

By T. P. SINGH
Authorized Representative

International Development Association :

By W. A. B. ILIFF
Vice President
