

No. 7805

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
THAILAND**

Loan Agreement—*Me Klong Irrigation Project* (with annexed Loan Regulations No. 3). Signed at Washington, on 25 November 1964

Official text: English.

Registered by the International Bank for Reconstruction and Development on 7 June 1965.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
THAÏLANDE**

Contrat d'emprunt — *Projet d'irrigation du Me Klong* (avec, en annexe, le Règlement n° 3 sur les emprunts). Signé à Washington, le 25 novembre 1964

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 7 juin 1965.

No. 7805. LOAN AGREEMENT¹ (*ME KLONG IRRIGATION PROJECT*) BETWEEN THE KINGDOM OF THAILAND AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 25 NOVEMBER 1964

AGREEMENT, dated November 25, 1964, between KINGDOM OF THAILAND (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

LOAN REGULATIONS; DEFINITION

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961² (said Loan Regulations No. 3 being hereinafter called the Loan Regulations) with the same force and effect as if they were fully set forth herein.

Section 1.02. Whenever used in the Loan Agreement, the term "Royal Irrigation Department" means the Royal Irrigation Department of the Ministry of National Development of the Borrower.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to twenty-two million dollars (\$22,000,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Agreement.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ($\frac{3}{8}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

¹ Came into force on 3 February 1965, upon notification by the Bank to the Government of Thailand.

² See p. 290 of this volume.

Section 2.04. The Borrower shall pay interest at the rate of five and one-half per cent ($5\frac{1}{2}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

Article III

USE OF PROCEEDS OF LOAN; WITHDRAWALS

Section 3.01. The Borrower shall apply the proceeds of the Loan exclusively to financing the cost of goods required to carry out the Project described in Schedule 2¹ to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

Section 3.02. The Borrower shall cause all goods financed out of the proceeds of the Loan to be imported into the territories of the Borrower and, except as the Borrower and the Bank shall otherwise agree, there to be used exclusively in the carrying out of the Project.

Section 3.03. Pursuant to Section 4.01 of the Loan Regulations, withdrawals from the Loan Account may be made on account of expenditures made before the Effective Date but only on or after December 1, 1964.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

¹ See p. 288 of this volume.

Section 4.02. The Minister of Finance of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. (a) (i) The Borrower shall carry out the Project with due diligence and efficiency and in accordance with sound engineering, financial and agricultural practices.

(ii) The Borrower shall operate or perform all works, facilities and activities in the Project in accordance with sound engineering and agricultural practices and shall maintain and operate all works and facilities included in the Project in accordance with such practices.

(iii) In furtherance of the purposes of (i) and (ii) of this paragraph (a), the Borrower shall, *inter alia*, make available promptly as needed all funds and other resources which shall be required therefor.

(b) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications and construction schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

(c) The Borrower : (i) shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof), to record the results achieved by irrigation of the land in the area of the Project and to reflect in accordance with consistently maintained sound accounting practices the expenditures and availability of funds in respect of the Project of the Royal Irrigation Department or any other department of the Borrower responsible for the construction, operation and maintenance of the Project or any part thereof; (ii) shall enable the Bank's representatives to inspect the Project, the operation thereof, the goods and any relevant records and documents; and (iii) shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the results achieved by irrigation of the land in the area of the Project, the goods and the operations, administration and financial resources in respect of the Project of the Royal Irrigation Department or any other department of the Borrower responsible for the construction, operation and maintenance of the Project or any part thereof.

(d) In connection with : (i) the design and construction of the diversion dam and appurtenant works; (ii) the land classification of the Me Klong River Plain; and (iii) the preparation of a feasibility report relating to the further development of the Me Klong River Basin; the Borrower shall, except as the Borrower and the Bank shall otherwise agree, employ or cause to be employed qualified experts or consultants acceptable to, and upon conditions satisfactory to, the Borrower and the Bank.

(e) The general design standards to be used for the construction of the works and facilities in the Project shall be satisfactory to the Borrower and the Bank.

Section 5.02. The Borrower shall cause all works and facilities not included in the Project but necessary to or required for the efficient operation thereof to be properly operated and to be adequately maintained and repaired.

Section 5.03. (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as shall be reasonably requested with regard to the general status of the Loan. 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 Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Section 5.04. The Borrower shall maintain land classification and drainage units within the Royal Irrigation Department.

Section 5.05. The Borrower shall give priority to the Project in its program for the development of the Me Klong River Basin, and, to that end, shall, if necessary to accomplish the prompt and diligent carrying out of the Project, make such revisions in the schedules for other parts of that program as may be required.

Section 5.06. The Borrower shall satisfy the Bank that adequate arrangements have been made to insure the goods financed out of the proceeds of the Loan against risks incident to their purchase and transportation to the site of the Project.

Section 5.07. It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term “assets of the Borrower” as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the Bank of Thailand and any other institution performing the functions of a central bank.

Section 5.08. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 5.09. The Loan Agreement and the Bonds 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, and the Borrower shall pay all such taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

Section 5.10. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

Article VI

REMEDIES OF BANK

Section 6.01. (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations or in Section 6.02 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds 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 or in the Bonds to the contrary notwithstanding.

Section 6.02. The following is specified as an additional event for the purposes of Section 5.02 of the Loan Regulations :

Any governmental action has been taken which would impair the jurisdiction, or materially affect the powers and duties, of the Royal Irrigation Department with respect to the Project without the agreement of the Borrower and the Bank.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following is specified as an additional matter, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank :

That all acts, consents, sanctions and approvals necessary for the construction and operation of the Project have been fully and validly performed or given.

Section 7.02. A date sixty days after the date of the Loan Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 31, 1969 or such other date as may from time to time be agreed between the Borrower and the Bank.

Section 8.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Minister of Finance
Ministry of Finance
Bangkok, Thailand

Alternative address for cables and radiograms :

Minance
Bangkok

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cables and radiograms :

Intbafrad
Washington, D.C.

Section 8.03. The Minister of Finance of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

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

Kingdom of Thailand :

By M. L. X. KAMBHU
Authorized Representative

International Bank for Reconstruction and Development :

By George D. WOODS
President

SCHEDULE 1

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>
March 15, 1971	\$505,000	September 15, 1978	\$760,000
September 15, 1971	520,000	March 15, 1979	780,000
March 15, 1972	535,000	September 15, 1979	800,000
September 15, 1972	550,000	March 15, 1980	825,000
March 15, 1973	565,000	September 15, 1980	845,000
September 15, 1973	580,000	March 15, 1981	870,000
March 15, 1974	595,000	September 15, 1981	895,000
September 15, 1974	610,000	March 15, 1982	920,000
March 15, 1975	630,000	September 15, 1982	945,000
September 15, 1975	645,000	March 15, 1983	970,000
March 15, 1976	665,000	September 15, 1983	995,000
September 15, 1976	680,000	March 15, 1984	1,025,000
March 15, 1977	700,000	September 15, 1984	1,050,000
September 15, 1977	720,000	March 15, 1985	1,080,000
March 15, 1978	740,000		

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 3 years before maturity	1/2%
More than 3 years but not more than 6 years before maturity	1 1/2%
More than 6 years but not more than 11 years before maturity	2 1/2%
More than 11 years but not more than 16 years before maturity	3 1/2%
More than 16 years but not more than 18 years before maturity	4 1/2%
More than 18 years before maturity	5 1/2%

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project is the first stage of the development of the Me Klong River Basin in western Thailand, providing, *inter alia*, irrigation, drainage and flood control. It is expected that the works included in the Project will be completed over a five-year period. The Project includes :

1. *Irrigation and Drainage*

(a) The construction of a diversion dam across the Me Klong River at Tha Muang, canal intake structures on the right and left sides of the river, main and distributary canals to irrigate about 175,000 hectares on the left side of the river, a flood protection dike on the left side of the river about 98 kilometers long extending from the diversion dam to the Dam Nern Saduak Canal, a flood protection dike with emergency spillway extending approximately four kilometers upstream from the right abutment of the diversion dam, a navigation lock in the right abutment of the dam and an earth closure dam in the old river channel; the improvement of natural drainage channels in and adjacent to the irrigated area; and the construction of associated office buildings, workshops, warehouses, garages and houses necessary or appropriate for the construction, operation and maintenance of the works herein mentioned.

(b) The construction of approximately 40 kilometers of feeder roads.

(c) Semi-detailed land classification of the Me Klong River Plain comprising about 390,000 hectares.

(d) Preparation of a feasibility report covering the balance of the Me Klong River Basin comprising about 215,000 hectares and including proposed water storage reservoirs.

2. *Technical Services*

(a) The provision of technical and extension services to farmers to assist them in the effective use of the irrigation water, including the establishment of demonstration areas throughout the irrigated area.

(b) The establishment and operation of an experimental and demonstration farm comprising about 40 hectares in the light textured soils of the northwest portion of the Me Klong River Plain.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961

LOAN REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 414, p. 268.*]