

No. 8257

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND**

**Letters (with annexed Development Credit Agreement—
Road Project—dated 9 February 1966 between the
Association and Basutoland, and Development Credit
Regulations No. 1) constituting an agreement relating to
assistance to be furnished to Basutoland in carrying out
the terms of the said Development Credit Agreement.
Washington, 8 February 1966**

Official text : English.

Registered by the International Development Association on 13 July 1966.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
ROYAUME-UNI DE GRANDE-BRETAGNE
ET D'IRLANDE DU NORD**

**Lettres (avec, en annexe, le Contrat de crédit de développe-
ment — *Projet routier* — daté du 9 février 1966 entre
l'Association et le Bassoutoland, et le Règlement n° 1 sur
les crédits de développement) constituant un accord
relatif à l'assistance qui sera fournie au Bassoutoland
pour lui permettre d'exécuter les clauses dudit Contrat
de crédit de développement. Washington, 8 février 1966**

Texte officiel anglais.

Enregistré par l'Association internationale de développement le 13 juillet 1966.

No. 8257. LETTERS CONSTITUTING AN AGREEMENT¹ BETWEEN THE INTERNATIONAL DEVELOPMENT ASSOCIATION AND THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND RELATING TO ASSISTANCE TO BE FURNISHED TO BASUTOLAND IN CARRYING OUT THE TERMS OF THE DEVELOPMENT CREDIT AGREEMENT (*ROAD PROJECT*) DATED 9 FEBRUARY 1966² BETWEEN THE ASSOCIATION AND BASUTOLAND. WASHINGTON, 8 FEBRUARY 1966

BRITISH EMBASSY
WASHINGTON

February 8, 1966

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

Dear Sirs :

In connection with the proposed Development Credit for Basutoland (*Road Project*),² as required by Section I (e) of Article V of the Articles of Agreement of the International Development Association,³ I confirm that the Government of the United Kingdom of Great Britain and Northern Ireland has no objection to such financing.

Yours faithfully,

United Kingdom of Great Britain
and Northern Ireland :

By J. M. STEVENS
Authorized Representative

¹ Came into force on 24 February 1966, the date of entry into force of the Development Credit Agreement of 9 February 1966 (see p. 212 of this volume).

² See p. 212 of this volume.

³ United Nations, *Treaty Series*, Vol. 439, p. 249 ; Vol. 480, p. 438, and Vol. 528, p. 310.

BRITISH EMBASSY
WASHINGTON

February 8, 1966

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

Dear Sirs :

I refer to the proposed Development Credit Agreement (*Road Project*) between Basutoland and the International Development Association.

2. It is the policy of Her Majesty's Government in relation to the High Commission Territories and other dependent territories to provide financial help towards their approved development programmes, where these cannot be wholly financed from the Territories' own resources and to help them provide and maintain necessary basic services by budgetary support where the need for this is proved. So long as the United Kingdom of Great Britain and Northern Ireland remain responsible for Basutoland, this policy can be expected to continue to the extent that Basutoland's needs are not met by financial help from other sources.

3. Her Majesty's Government understand that in connection with the above-mentioned Credit, arrangements have been made to provide funds in an amount sufficient to meet the estimated cost of the Project of the equivalent of United States \$5,400,000. The equivalent of United States \$4,100,000, would come from the Development Credit and the remainder from the resources of Basutoland which include financial assistance from Her Majesty's Government. Her Majesty's Government confirm that the funds to be provided from such assistance would be made available to Basutoland promptly as required to enable it to meet costs of the Project. Should the cost of this Project exceed the equivalent of United States \$5,400,000, Her Majesty's Government, so long as they remain responsible for Basutoland, would take such action, in consultation with the Association and Basutoland, as, in the exercise of their best judgment, Her Majesty's Government considered appropriate and feasible in the light of all the circumstances to assist Basutoland to obtain the needed funds. If, before the completion of the Project a constitutional change were made whereby Her Majesty's Government would no longer be responsible for Basutoland, Her Majesty's Government, before the operative date of such change, would, in consultation with the Association and Basutoland, use their best endeavours to ensure that sufficient funds would be available to Basutoland to provide for the completion of the Project.

4. We wish also to confirm that, so long as Her Majesty's Government is responsible for Basutoland, Her Majesty's Government will grant any necessary permission to

Basutoland to enable it to purchase the currencies required to service the Credit made available to it by the Association, and moreover, if difficulties were to arise over the provision of the foreign exchange required for the service of this Credit, Her Majesty's Government would be willing to consider at the time with the Association and Basutoland, and if necessary with the South African authorities, what appropriate measures it could take to overcome them.

Very truly yours,

United Kingdom of Great Britain
and Northern Ireland :

By J. M. STEVENS
Authorized Representative

DEVELOPMENT CREDIT AGREEMENT
(ROAD PROJECT)

AGREEMENT, dated February 9, 1966 between BASUTOLAND (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

Article I

CREDIT REGULATIONS

Section 1.01. The parties hereto accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961,¹ subject, however, to the modifications thereof set forth in Section 1.02 of this Agreement (said Development Credit Regulations No. 1 as so modified being hereinafter called the Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. For the purposes of this Agreement the provisions of Development Credit Regulations No. 1 of the Association, dated June 1, 1961, shall be deemed to be modified as follows :

(a) By deletion of the words "at the same rate" in the second sentence of Section 2.02 and by substituting therefor the words "at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum."

(b) By deletion of Section 3.01 and by substituting the following new section therefor :

"SECTION 3.01. *Currencies in which Cost of Goods is to be Paid and Proceeds of the Credit are to be Withdrawn.* (a) Except as the Borrower and the Association shall otherwise agree, the cost of goods financed out of the proceeds of the Credit shall be paid in the respective currencies of the countries from which such goods are acquired.

¹ See p. 226 of this volume.

“(b) The proceeds of the Credit shall be withdrawn from the Credit Account :

(i) on account of expenditures for goods produced in (including services supplied from) the territory of the Borrower, in such currency or currencies as the Association shall from time to time reasonably select ;

“(ii) in all other cases, in the currency in which the cost of the goods financed out of such proceeds has been paid or is payable.

“(c) The Borrower and the Association may from time to time agree on any other currency in which withdrawals shall be made.”

(c) By inserting a new Section 3.04 after Section 3.03 as follows :

“SECTION 3.04. *Purchase of Currency of Withdrawal with Other Currency* If withdrawal shall be made in any currency which the Association shall have purchased with another currency for the purpose of such withdrawal, the portion of the Credit so withdrawn shall be deemed to have been withdrawn from the Credit Account in such other currency for the purposes of Section 3.03.”

(d) By renumbering Section 3.04 as Section 3.05.

(e) By deletion of subparagraph (f) of Section 5.02 and substitution therefor of the following paragraph :

“(f) An extraordinary situation shall have arisen or a change in the nature and constitution of the Borrower shall have occurred which shall make it improbable that the Borrower will be able to perform its obligations under the Development Credit Agreement.”

(f) By deletion of the words “The Borrower” in paragraphs (g) and (h) of Section 5.02 and the substitution therefor of the words “The United Kingdom of Great Britain and Northern Ireland.”

(g) By deletion of paragraph 5 of Section 9.01 and the substitution therefor of the following :

“5. The term ‘Borrower’ means Basutoland.”

(h) By deletion of the second sentence of paragraph 6 of Section 9.01.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, a credit in an amount in various currencies equivalent to four million one hundred thousand dollars (\$4,100,000).

Section 2.02. The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Account the amount of 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, the Development Credit Agreement.

Section 2.03. Except as the Borrower and the Association shall otherwise agree, the Borrower shall be entitled, subject to the provisions of the Development Credit Agreement, to withdraw from the Credit Account :

- (i) the equivalent of 77 per cent (or such other percentage as may from time to time be agreed between the Borrower and the Association) of such amounts as shall have been paid for the reasonable cost of goods to be financed under the Development Credit Agreement ; and
- (ii) if the Association shall so agree, the equivalent of a like percentage of such amounts as shall be required to meet payments to be made for the reasonable cost of such goods ;

provided, however, that no withdrawals shall be made on account of expenditures prior to April 1, 1965.

Section 2.04. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1 %) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.05. Service charges shall be payable semi-annually on January 1 and July 1 in each year.

Section 2.06. 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, 1976 and ending July 1, 2015, each instalment to and including the instalment payable on July 1, 1985, to be one-half of one per cent ($\frac{1}{2}$ of 1 %) of such principal amount, and each instalment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Article III

USE OF PROCEEDS OF 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 Schedule 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.

Section 3.02. Except as the Borrower and the Association shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Credit to be used in the territory of the Borrower exclusively in the carrying out of the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices.

In furtherance of the above purpose, the Borrower shall make available or cause to be made available, promptly as needed, all funds and other resources which shall be required therefor.

(b) Except as the Association shall otherwise agree, the Borrower shall employ or cause to be employed engineering consultants acceptable to, and upon terms and conditions satisfactory to, the Borrower and the Association for the purpose of designing and supervising the construction of the Matsieng Turnoff-Leribe Road as described in subparagraph (1) of the Schedule to this Agreement and for such other purposes as the Borrower and the Association may deem necessary.

(c) Except as the Association shall otherwise agree, the Borrower shall cause the Project to be carried out by contractors acceptable to the Borrower and the Association employed under contracts satisfactory to the Borrower and the Association.

(d) The general design standards and the type of surfacing (including pavement) to be used for the Project shall be as determined by agreement between the Borrower and the Association, subject to modification by further agreement between them.

(e) Upon request from time to time by the Association, the Borrower 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 reasonably request.

(f) The Borrower shall : (i) 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) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof ; (ii) enable the Association's representatives to inspect the Project, the goods and any relevant records and documents ; and (iii) 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 in particular the movement of traffic over the roads included therein), the goods and the operations and the financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof.

Section 4.02. The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end :

(a) The Borrower and the Association shall from time to time, at the request of either party, exchange views through their representatives and furnish information with regard to the progress of the Project, the performance by the Borrower of its obligations under the Development Credit Agreement, the financial and economic conditions in the territory of the Borrower, the debts of the Borrower and its agencies and political subdivisions and, to the extent ascertainable, the international balance of payments position of the Borrower ;

(b) 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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Development Credit Agreement ; and

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territory 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 imposed under the laws of the Borrower or laws in effect in its territory and free from all restrictions imposed under the laws of the Borrower or laws in effect in its territory.

Section 4.04. The Development Credit Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territory on or in connection with the execution, issue, delivery or registration thereof.

Section 4.05. The Borrower shall cause all roads included in the Project to be operated, maintained and repaired and all equipment therefor to be acquired and maintained in accordance with sound engineering and administrative practices and shall make available, or cause to be made available, promptly, as needed, all funds and other resources which shall be required therefor.

Section 4.06. Except as the Association shall otherwise agree, the Borrower shall, not later than June 30, 1967, adopt appropriate regulations, in accordance with internationally accepted standards, limiting the dimensions and weights of motor vehicles in the territories of the Borrower.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (b) of Section 5.02 of the Regulations 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 during the continuance thereof, 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.

Article VI

MISCELLANEOUS

Section 6.01. The Closing Date shall be June 30, 1969, or such other date as may from time to time be agreed between the Borrower and the Association.

Section 6.02. The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

The Ministry of Finance
Maseru
Basutoland

Alternative address for cables and radiograms :

Maluti
Maseru

For the Association :

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cables and radiograms :

Indevas
Washington, D.C.

Section 6.03. The minister for the time being responsible for finance of the Borrower is designated for the purposes of Section 7.03 of the Regulations.

Section 6.04. A date sixty days after the date of this Agreement is hereby specified for the purposes of Section 8.04 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.

Basutoland :

By Patrick DEAN
Authorized Representative

International Development Association :

By George D. WOODS
President

SCHEDULE

DESCRIPTION OF PROJECT

The Project consists of the engineering, construction and reconstruction of two roads as follows :

	<i>Approximate Length Surface (Miles)</i>
(1) <i>Main Road</i>	
Matsieng Turnoff-Leribe	
(a) Matsieng Turnoff-Masianokeng	gravel 10
(b) Masianokeng-Leribe	pavement 67
	<u>77</u>
(2) <i>Feeder Road</i>	
Leribe-Pitseng	gravel 17

It is expected that the Project will be completed by the end of 1968.

LETTER RELATING TO THE DEVELOPMENT CREDIT AGREEMENT

BASUTOLAND

THE MINISTRY OF FINANCE
MASERU, BASUTOLAND

February 9, 1966

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433*Re : Currency of Repayment
Credit No. 82 BL (Road Project)*

Dear Sirs :

We refer to the Development Credit Agreement (*Road Project*) of even date between Basutoland and 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.
- (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 than one theretofore designated pursuant to this clause (ii) or selected pursuant to clause (iv) 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) 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 confirm 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,

Basutoland :

By Patrick DEAN
Authorized Representative

Confirmed :

International Development Association :

By S. R. COPE

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.*]