

No. 9622

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
CEYLON**

**Development Credit Agreement—*Lift Irrigation Project*
(with annexed Credit Regulations No. 1, as amended).
Signed at Washington on 19 June 1968**

Authentic text: English.

Registered by the International Development Association on 11 June 1969.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
CEYLAN**

**Contrat de crédit de développement — *Projet d'irrigation
par pompage* (avec, en annexe, le Règlement n° 1
sur les crédits de développement, tel qu'il a été modi-
fié). Signé à Washington le 19 juin 1968**

Texte authentique: anglais.

Enregistré par l'Association internationale de développement le 11 juin 1969.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated June 19, 1968, between the GOVERNMENT OF CEYLON (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

Article I

CREDIT REGULATIONS

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 as amended February 9, 1967² (said Development Credit Regulations No. 1 being hereinafter called the Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Unless the context otherwise requires, the term "Project Area", wherever used in the Development Credit Agreement means: The areas of the Colonisation Schemes of Vavunikulam, Mahakanadarawa, Rajangana and in the Polonnaruwa District and the proposed Youth Settlement Schemes in the Polonnaruwa District as of January 1, 1968.

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 development credit in an amount in various currencies equivalent to two million dollars (\$2,000,000).

Section 2.02. The Association shall open a Credit Account 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 The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Development Credit Agreement.

¹ Came into force on 5 August 1968, upon notification by the Association to the Government of Ceylon.

² See p. 46 of this volume.

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

- (a) such amounts as shall have been expended for the reasonable foreign currency cost of the goods required to carry out the Project;
- (b) the equivalent of a percentage or percentages as may 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 sub-section (a); and
- (c) if the Association shall so agree, such amounts as shall be required by the Borrower to meet payments under the foregoing sub-section (a); provided, however, that no withdrawals shall be made on account of expenditures made prior to the date of this Agreement.

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 15 and July 15 in each year.

Section 2.06. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each January 15 and July 15 commencing July 15, 1978 and ending January 15, 2018, each installment to and including the installment payable on January 15, 1988 to be one-half of one per cent ($\frac{1}{2}$ of 1 %) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Section 2.07. The currency of the United Kingdom of Great Britain and Northern Ireland is hereby specified for purposes of Section 3.02 of the Regulations.

Article III

USE OF THE PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall apply the proceeds of the Credit in accordance with the provisions of the Development Credit Agreement to expenditures on the Project described in the Schedule to this Agreement. The specific allocation of the proceeds of the Credit, and the methods and procedures for procurement of the goods to be financed out of such proceeds, 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 territories of the Borrower exclusively in the carrying out of the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound administrative, agricultural, engineering, and financial practices, and shall make available, promptly as needed, all funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall, in the carrying out of the Project, employ qualified and experienced staff.

(c) The Borrower shall furnish or cause to be furnished to the Association, promptly upon their preparation, the reports, plans, specifications, contract documents and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall reasonably request.

Section 4.02. The Borrower 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 and to record the progress of the Project (including the cost thereof) and shall enable the Association's representatives to inspect the Project, the goods 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, the goods to be financed out of the proceeds of the Credit, and the operations with respect to the Project of the Ministries of the Borrower responsible for carrying out the Project.

Section 4.03. (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 4.04. The Borrower shall establish and maintain separate accounts for the Project and shall cause such accounts relating to the Project to be audited at least once a year by an independent auditor acceptable to the Association, and, unless the Association shall otherwise agree, not later than five months after the end of the Borrower's fiscal year transmit to the Association certified copies of such accounts and a certified copy of such auditor's report.

Section 4.05. The Borrower shall at all times provide or cause to be provided such production credit to the farmers as shall be necessary for the carrying out of the Project.

Section 4.06. Except as the Association shall otherwise agree :

- (a) The Borrower shall, in allocating water available in the Project Area, give priority to the water requirement of the Project and shall not reduce the amounts of water allocated to the Project below the amounts required therefor.
- (b) The Irrigation Department of the Borrower shall have sole jurisdiction over the distribution of water allocated to the Project and shall operate and maintain the irrigation facilities included in the Project.

Section 4.07. The Borrower shall cause all works, facilities and equipment related to the Project to be adequately maintained and from time to time shall cause all necessary renewals and repairs thereof to be made in accordance with sound agricultural and engineering practices.

Section 4.08. The Borrower shall impose and collect levies on water provided under the Project at rates to be agreed between the Borrower and the Association.

Section 4.09. Except as the Borrower and the Association shall otherwise agree, the Borrower undertakes to insure the imported goods to be financed out of the proceeds of the Credit against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely useable by the Borrower to replace or repair such goods.

Section 4.10. 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 4.11. 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 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 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 the Development Credit Agreement to the contrary notwithstanding.

Section 5.02. The following is specified as an additional event for the purposes of paragraph (b) of Section 5.02 of the Regulations :

On June 30, 1969, the proprietors of lands included in the Project Area shall have failed to approve, pursuant to Sections 35 and 58 of the Irrigation Ordinance (Chapter 453) of the Borrower, the rates referred to in Section 4.08 of this Agreement, unless before that date the provisions of said Irrigation Ordinance relating to irrigation rates shall have been amended by appropriate legislation to provide for the imposition of such rates without such approval.

Article VI

TERMINATION; MISCELLANEOUS

Section 6.01. The Closing Date shall be June 30, 1973, or such other date as may from time to time be agreed between the Borrower and the Association.

Section 6.02. If the Development Credit Agreement shall not have come in force and effect by August 20, 1968 the Development Credit Agreement and all the obligations of the parties hereunder shall terminate, unless the Association, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Association shall promptly notify the Borrower of such date.

Section 6.03. The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

Ministry of Planning and Economic Affairs
Central Bank Building, 8th Floor
Colombo 1, Ceylon

Alternative address for cables :

Secminplan
Colombo

For the Association :

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

Alternative address for cables :

Indevas
Washington, D.C.

Section 6.04. The Permanent Secretary of the Ministry of Planning and Economic Affairs of the Borrower 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.

Government of Ceylon :

By Oliver WEERASINGHE
Authorized Representative

International Development Association :

By J. Burke KNAPP
Vice President

SCHEDULE

DESCRIPTION OF THE PROJECT

The purpose of the Project is to increase the production of high value crops, primarily chillies and onions, in the Project Area. The Project includes :

1. The acquisition, installation and use of low lift pumps in the Project Area.
2. The construction of an irrigation system to serve about 6,500 acres in the Project Area.
3. Land leveling of the 6,500 acres and mechanized jungle clearing in the youth settlement areas at Polonnaruwa.
4. The construction of about 200 cottages in the youth settlement areas at Polonnaruwa.
5. The provision of technical services to assist in the training of extension workers assigned to the Project.

The Project is expected to be completed by June 30, 1972.

INTERNATIONAL DEVELOPMENT ASSOCIATION
DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961,
AS AMENDED 9 FEBRUARY 1967

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS
WITH MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 617, p. 60.*]
