

No. 10582

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
CEYLON**

**Development Credit Agreement—*Drainage and Reclamation Project* (with annexed General Conditions Applicable to Development Credit Agreements). Signed at Washington on 13 November 1969**

*Authentic text: English.*

*Registered by the International Development Association on 6 July 1970.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
CEYLAN**

**Contrat de crédit de développement — *Projet de drainage et d'aménagement* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 13 novembre 1969**

*Texte authentique: anglais.*

*Enregistré par l'Association internationale de développement le 6 juillet 1970.*

## DEVELOPMENT CREDIT AGREEMENT <sup>1</sup>

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AGREEMENT, dated November 13, 1969, between the GOVERNMENT OF CEYLON (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

### *Article I*

#### GENERAL CONDITIONS; DEFINITIONS

*Section 1.01.* The parties to this Development Credit Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969,<sup>2</sup> with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

*Section 1.02.* Wherever used in this Development Credit Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Irrigation Department" means the department of that name in the Borrower's Ministry of Land, Irrigation and Power;

(b) "Project Area" means any of the areas described in Schedule 2 to this Agreement; and

(c) "Project Farmer" means the owner, lessee, tenant or occupier of paddy land located in any Project Area.

### *Article II*

#### THE CREDIT

*Section 2.01.* The Association agrees to lend to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or

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<sup>1</sup> Came into force on 5 February 1970, upon notification by the Association to the Government of Ceylon.

<sup>2</sup> See p. 88 of this volume.

referred to, and amount in various currencies equivalent to two million five hundred thousand dollars (\$2,500,000).

*Section 2.02.* (a) 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 the Credit.

(b) 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 Development Credit Agreement and in accordance with the allocation of the proceeds of the Credit set forth in Schedule I to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Association.

*Section 2.03.* The Borrower shall be entitled to withdraw from the Credit Account in respect of the reasonable cost of goods or services required for the Project and to be financed under this Development Credit Agreement :

- (i) such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) for goods or services included in Category I of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement; and
- (ii) the equivalent of forty-one per cent (41 %) of such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) for goods or services included in Category II of said allocation of the proceeds of the Credit;

provided, however, that if there shall be an increase in the estimate of such payments for goods or services included in Category II, the Association may by notice to the Borrower adjust the stated percentage applicable to such Category as required in order that withdrawals of the amount of the Credit then allocated to such Category and not withdrawn may continue *pro rata* with the payments remaining to be made for goods or services included in such Category.

*Section 2.04.* (a) No withdrawals from the Credit Account shall be made under Category I of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement on account of payments in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower.

(b) It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Credit Account for consultant's services under Category I of said allocation of the proceeds of the Credit may be made on account of payments made prior to the date of this Agreement but after September 30, 1969.

*Section 2.05.* The currency of the United Kingdom of Great Britain and Northern Ireland is hereby specified for the purposes of Section 4.02 of the General Conditions.

*Section 2.06.* 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 2.07.* Service charges shall be payable semi-annually on May 1 and November 1 in each year.

*Section 2.08.* The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each May 1 and November 1 commencing November 1, 1979 and ending May 1, 2019, each installment to and including the installment payable on May 1, 1989 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.

### Article III

#### USE OF PROCEEDS OF THE CREDIT

*Section 3.01.* The Borrower shall apply the proceeds of the Credit in accordance with the provisions of this Development Credit Agreement to expenditures on the Project, described in Schedule 2 to this Agreement.

*Section 3.02.* Except as the Association shall otherwise agree, the goods and services to be financed out of the proceeds of the Credit shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in February 1968, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 3 to this Agreement or as shall be agreed between the Borrower and the Association.

*Section 3.03.* Except as the Association may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively in carrying out the Project.

### Article IV

#### PARTICULAR COVENANTS

*Section 4.01.* The Borrower shall through the Irrigation Department carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, agricultural and engineering practices,

and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

*Section 4.02.* For the purpose of assisting the Borrower in the preparation of the bid specifications for construction and dredging equipment required for the Project, the Borrower shall employ in the Irrigation Department a qualified equipment consultant, experienced in construction and dredging equipment, who shall be acceptable to, and who shall be employed to an extent and upon terms and conditions satisfactory to, the Borrower and the Association.

*Section 4.03. (a)* The Borrower shall promptly prepare and furnish, or cause to be prepared and furnished, to the Association the plans, specifications and work schedules for the Project, and any subsequent material modifications thereof, in such detail as the Association shall reasonably request.

*(b)* The Borrower shall maintain or cause to be maintained records adequate to identify the goods and services 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 conditions, in respect of the Project, of the ministries or departments of the Borrower responsible for the carrying out of the Project or any part thereof; shall enable the Association's representatives to inspect the Project, the goods financed out of the proceeds of the Credit 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 and services, and the operations and financial condition, in respect of the Project, of the ministries or departments of the Borrower responsible for the carrying out of the Project or any part thereof.

*Section 4.04.* Without limiting the generality of the provisions of Section 4.01 of this Agreement, the Borrower specifically undertakes to make available, promptly as needed, all equipment required for constructing the works and facilities included in the Project and required for the effective maintenance of such works and facilities after their construction.

*Section 4.05* The Borrower shall cause all works, facilities and equipment related to the Project to be operated and maintained, and to be repaired or renewed from time to time as necessary, in accordance with sound agricultural, engineering and financial practices.

*Section 4.06* 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 usable by the Borrower to replace or repair such goods.

*Section 4.07.* (a) The Borrower and the Association shall cooperate fully to ensure that the purpose 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 4.08.* Except as the Borrower and the Association shall otherwise agree, the Borrower shall not construct works in or along any of the streams draining into the Project Areas which would adversely affect such areas.

*Section 4.09.* The Borrower shall establish and maintain separate accounts for the Project and shall cause such accounts to be audited annually by an independent auditor acceptable to the Association, and, unless the Association shall otherwise agree, not later than four months after the end of each fiscal year transmit to the Association certified copies of such accounts and a signed copy of the auditor's report.

*Section 4.10.* (a) Except as the Borrower and the Association shall otherwise agree, the Borrower shall collect or cause to be collected from the Project Farmers charges which shall be set and maintained at such levels as will provide revenues at least sufficient to cover all costs of operating and maintaining the irrigation and drainage works and facilities serving the Project Areas; the billing and collection of such charges in respect of all land located in any Project Area shall be initiated not later than one year after completion of the Project works located in such Project Area.

(b) The Borrower shall undertake or cause to be undertaken a study of the benefits to and the payment capacity of the Project Farmers and other

farmers of paddy land in areas on the southwest coast of Ceylon, for the purpose of determining the extent to which charges to be collected from such farmers shall cover the capital, operating and maintenance costs of the irrigation and drainage works and facilities serving the Project Areas; such study shall be completed by the end of 1972; the Borrower shall submit such study, promptly upon its completion, to the Association and shall discuss with the Association the conclusions reached and the recommendations made in such study. Such recommendations made on the basis of such study as are agreed to by the Borrower and the Association shall be implemented promptly upon such agreement.

*Section 4.11.* (a) The Borrower shall adopt and implement a special Agricultural Development Program for the Project Areas setting forth annual targets of production and providing for an effective organization of and adequate services to the Project Farmers for the purpose of increasing the productivity of such areas.

(b) In order to ensure an effective coordination between the Borrower's ministries or departments responsible for carrying out the Project or any part thereof, the Borrower shall establish within a period of six months after the Effective Date and maintain a Coordinating Committee including senior level representatives of all such ministries or departments.

*Section 4.12.* 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 4.13.* 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.* If any event specified in Section 7.01 of the General Conditions shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal, together with such charges, shall become due and payable immediately, anything in this Development Credit Agreement to the contrary notwithstanding.

*Article VI*

## EFFECTIVE DATE; TERMINATION

*Section 6.01.* The date of February 12, 1970 is hereby specified for the purposes of Section 10.04 of the General Conditions.

*Section 6.02.* The obligations of the Borrower under Section 4.04, 4.05, 4.08, 4.10 (a) and 4.11 (a) of this Agreement shall terminate on the date on which this Development Credit Agreement shall terminate or on a date twenty-five years after the date of this Development Credit Agreement, whichever shall be the earlier.

*Article VII*

## MISCELLANEOUS

*Section 7.01.* The Closing Date shall be December 31, 1974, or such other date as shall be agreed between the Borrower and the Association.

*Section 7.02.* The Permanent Secretary of the Ministry of Planning and Economic Affairs of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

*Section 7.03.* The following addresses are specified for the purposes of Section 9.01 of the General Conditions :

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.



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 to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Government of Ceylon :

By O. WEERASINGHE  
Authorized Representative

International Development Association :

By J. BURKE KNAPP  
Vice President

### SCHEDULE 1

#### ALLOCATION OF PROCEEDS OF CREDIT

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Consultant's services; equipment, spare parts, materials and supplies. . . . .	1,400,000
II. Civil works . . . . .	670,000
III. Unallocated . . . . .	430,000
TOTAL	<u>2,500,000</u>

#### REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in Category I or II shall decrease, the amount of the Credit then allocated to, and no longer required for, such Category will be reallocated by the Association to Category III.

2. If the estimate of the cost of the items included in Category I or II shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Credit (or, in the case of Category II, an amount equal to 41 % of such increase) will be allocated by the Association, at the request of the Borrower, to such Category from Category III, subject, however, to the requirements for contingencies, as determined by the Association, in respect of the cost of the items in the other Category.

## SCHEDULE 2

## DESCRIPTION OF THE PROJECT

The Project forms part of the Borrower's on-going program to increase paddy production in low-lying coastal areas through drainage and flood control.

The Project includes the cleaning and enlarging of existing drains and the construction of new drains, the improvement drain outlets to the sea, the construction of levees, regulator structures, office and operating facilities, and access roads, the acquisition of all rights to land necessary to these purposes, as well as a salinity monitoring program, for the benefit of about 13,200 acres spread over the following six non-contiguous areas :

- About 400 acres in the Iranavila area (Puttalam District);
- About 4,600 acres in the Bolgoda area (Colombo and Kalutara Districts);
- About 1,950 acres in the Bentota Right Bank area (Kalutara District);
- About 1,300 acres in the Dedduwa-Rantotawilla area (Galle District);
- About 2,800 acres in the Madampe area (Galle District); and
- About 2,150 acres in the Kirolakele area (Matara District).

The Project shall not include pumping facilities.

The Project is expected to be completed by September 30, 1974.

## SCHEDULE 3

## PROCUREMENT

1. Equipment, spare parts, materials and supplies shall be procured in accordance with the provisions set forth in Section 3.02 of this Agreement and the following supplementary procedures.

- (a) With respect to all procurement contracts in excess of \$25,000 equivalent, copies of the bid invitation, specifications and draft contract documents shall be submitted to the Association for its approval in advance of their issuance. After bids are received and before the contract is awarded, the analyses of bids and recommendations for the award of contracts shall be submitted to the Association for its approval.
- (b) With respect to all procurement contracts of up to \$25,000 equivalent, the Borrower shall submit to the Association the bid invitation documents, including evidence of the method of obtaining bids, and a copy of the bid evaluation at the time the award is made.
- (c) Bidding documents for the procurement of equipment shall contain a clause requiring suppliers to provide adequate after-sales services.

2. Procurement of minor items to be financed out of the proceeds of the Credit, which, for reasons of economy and efficiency, do not warrant international competitive bidding, will be done in accordance with the normal Government procurement procedures.

3. Promptly after the execution of any contract and prior to the submission to the Association of the first application for withdrawal of funds in respect of such contract, a copy of such contract shall be sent to the Association.

4. Civil works under the Project may be carried out as force account work by the Irrigation or Lands Departments of the Borrower's Ministry of Land, Irrigation and Power.

INTERNATIONAL DEVELOPMENT ASSOCIATION  
GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 703, p. 244.*]

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