

No. 11567

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDIA**

**Development Credit Agreement—*Kadana Irrigation Project*
(with schedules and General Conditions Applicable to Development Credit Agreements). Signed at Washington on 9 February 1970**

Authentic text : English.

Registered by the International Development Association on 3 February 1972.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
INDE**

Contrat de crédit de développement — *Projet d'irrigation de Kadana* (avec annexes et Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 9 février 1970

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 3 février 1972.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated February 9, 1970, between INDIA, acting by its President (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, 1969,² with the same force and effect as if they were fully set forth herein, subject, however, to the following modification thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions):

Paragraph 5 of Section 2.01 is amended to read as follows:

“ 5. The term ‘ Borrower ’ means India, acting by its President. ”

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) “ Gujarat ” means the State of Gujarat, a state of India, or any successor thereof.

(b) “ Project Agreement ” means the agreement of even date herewith³ between Gujarat and the Association, as amended from time to time by agreement between Gujarat and the Association, with the approval of the Borrower.

¹ Came into force on 29 July 1970, upon notification by the Association to the Government of India.

² See p. 146 of this volume.

³ The said Agreement entered into force on 29 July 1970. As it does not constitute an international agreement or a part of the present Agreement, it is not reproduced herein. However, it was published by the Association as document CN 176 IN, a certified true copy of which was transmitted to the Secretariat together with the documentation submitted for registration of the present Development Credit Agreement.

(c) "Project area" means the Mahi Right Bank area in Kaira District of Gujarat and the Mahi Left Bank area in Panchmahals District of Gujarat.

Article II

THE CREDIT

Section 20.1. The Association agrees to lend to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to thirty-five million dollars (\$35,000,000).

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 1 to this Agreement, as such allocation shall be modified from time to time 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 fifty-eight per cent (58%) 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 the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement;

provided, however, that (a) 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, and (b) if there shall be a decrease in the estimate of such payments for goods or services included in Category II, the Association shall, at the request of the Borrower,

increase the stated percentage applicable to such Category as required to permit total withdrawal of the portion of the Credit then allocated to such Category.

Section 2.04. (a) No withdrawals from the Credit Account shall be made on account of payments for taxes imposed by the Borrower or any of its political subdivisions on, or in connection with the importation or supply of, 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.

(b) It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Credit Account under Category II of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement may be made on account of payments made prior to the date of this Agreement but after December 31, 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 February 15 and August 15 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 February 15 and August 15 commencing February 15, 1980 and ending August 15, 2019, each installment to and including the installment payable on August 15, 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, or cause to be applied, 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 in accordance with the procedures set forth in Schedule 3 to this Agreement.

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. (a) The Borrower shall carry out, or cause to be carried out, the Project with due diligence and efficiency and in conformity with sound administrative, agricultural, engineering and financial practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) Without limitation or restriction upon any of the obligations of the Borrower set forth in paragraph (a) of this Section, the Borrower shall take all action required to ensure that, in addition to the equipment listed in the Exhibit to Schedule 3 to this Agreement, the equipment listed in Schedule 4 to this Agreement is procured promptly as required for the efficient carrying out of the Project.

(c) 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 request.

Section 4.02. The Borrower shall relend the proceeds of the Credit to Gujarat in accordance with the Borrower's standard arrangements for loans to States of India for development projects.

Section 4.03. The Borrower shall take all action which shall be necessary on its part to enable Gujarat to perform all its obligations under the Project Agreement and shall not take or permit any of its agencies to take any action which would prevent or interfere with the performance of such obligations by Gujarat.

Section 4.04. 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), to show the results achieved by 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 responsible for the carrying out of the Project or any part thereof; shall enable the Association's representatives to inspect the Project, such 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, such goods and services and the operations and financial condition with respect to the Project of the agency or agencies responsible for the carrying out of the Project or any part thereof.

Section 4.05. (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 4.06. The Borrower shall cause all works and facilities included in the Project to be operated, maintained and repaired in accordance with sound engineering 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, maintained and repaired in accordance with such practices and standards.

Section 4.07. Except as the Borrower and the Association shall otherwise agree, the Borrower undertakes to insure, or cause to be insured, 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 4.08. Except as the Association shall otherwise agree, the Borrower shall make organizational and administrative arrangements satisfactory to the Association to assure the Borrower's continuing involvement in and association with the implementation of the engineering and agricultural aspects of the Project.

Section 4.09. 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 4.10. This Development Credit 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. If any event specified in Section 7.01 of the General Conditions or in Section 5.02 of this Agreement 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.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified :

A default shall have occurred in the performance of any obligation of Gujarat under the Project Agreement, and such default shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and Gujarat.

Section 5.03. For the purposes of Section 6.02 of the General Conditions, the following additional event is specified :

An extraordinary situation shall have arisen which shall make it improbable that Gujarat will be able to perform its obligations 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 Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions :

- (a) The execution and delivery of the Project Agreement on behalf of Gujarat have been duly authorized or ratified by all necessary governmental action.

(b) Gujarat shall have appointed personnel with qualifications acceptable to the Association to the following post:

(i) in the Irrigation Wing of the Public Works Department of Gujarat :

- (A) a superintending engineer to be responsible for all construction works included in Parts A and C of the Project;
- (B) a senior engineer to be in charge of the Quality Control Section for Part A of the Project; and
- (C) a team of engineers and agricultural officers to design the contour irrigation system included in Part C of the Project; and

(ii) in the Department of Agriculture :

- (A) a Joint Director to be responsible for the agricultural development of the Project area; and
- (B) a Deputy Registrar to be in charge of marketing and credit services for the Project area.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 10.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association :

that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, Gujarat and constitutes a valid and binding obligation of Gujarat in accordance with its terms.

Section 6.03. The date of May 1, 1970 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Sections 4.02, 4.03, 4.04, 4.06, and 4.08 of this Agreement shall terminate on the date on which this Development Credit Agreement shall terminate or on the date on which the Project Agreement shall terminate in accordance with its terms, whichever shall be the earlier.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be September 30, 1976 or such other date as shall be agreed between the Borrower and the Association.

Section 7.02. Any of a Secretary, Special Secretary or Joint Secretary to the Government of India in the Ministry of Finance of the Borrower or the Director of the Department of Economic Affairs in the Ministry of Finance of the Borrower, acting singly, 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 :

The Secretary to the Government of India
Ministry of Finance
Department of Economic Affairs
New Delhi, India

Alternative address for cables :

Ecofairs
New Delhi

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.

India:

BY ALI YAVAR JUNG
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. Imported Equipment	2,500,000
II. Civil Works (excluding expenditures on equipment) for Parts A, B, C, D and F of the Project	32,500,000
TOTAL	<u>35,000,000</u>

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project consists of :

A. The construction of a composite earth-fill and masonry dam on the Mahi River at Kadana, rising approximately 58 meters above the deepest foundation level and having a crest length of approximately 1400 meters;

B. The construction of (i) distributary and minor canals and lining of branch canals so as to expand the irrigated area of the Mahi Right Bank area in Kaira District from approximately 143,000 hectares to approximately 263,000 hectares, (ii) an improved surface drainage system for approximately 100,000 hectares in the Mahi Right Bank area and (iii) an improved field drainage system serving an area of approximately 37,000 hectares in the Mahi Right Bank area.

C. The construction of a new irrigation system employing contoured bench terraces or other layout satisfactory to the Association so as to establish an irrigated area of approximately 20,000 hectares in the Mahi Left Bank area in Panchmahals District;

D. The construction or improvement of watercourses and field channels in the Mahi Right Bank and Mahi Left Bank areas;

E. The leveling of approximately 42,000 hectares of farm land in the Mahi Right Bank area;

F. The construction or improvement of approximately 1,100 kilometers of secondary roads and 2,100 kilometers of farm roads serving the Project area;

G. The improvement of agricultural extension services in the Project area by the establishment of new, and improvement of existing, trial-cum-demonstration farms and the acquisition of vehicles and training facilities to be used by extension services officers;

H. The carrying out of studies of (i) the groundwater potential in the Mahi Right Bank area and (ii) the water charges to be levied on farms in the Project area;

I. The carrying out of a program of land consolidation in the Mahi Left Bank area; and

J. The preparation of economic surveys and reports concerning agricultural development in, and the collection of statistical data and information regarding agriculture in, the Project area under arrangements made after consultation with the Association.

The Project is expected to be completed by July 1975 (with the exception of permanent outlets which are expected to be completed by July 1976).

SCHEDULE 3

PROCUREMENT

1. The equipment listed in Part A of the Exhibit to this Schedule 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 August 1969.

2. With respect to the equipment listed in Part A of the Exhibit to this Schedule and pursuant to paragraph 2.8 of the Guidelines for Procurement referred to in paragraph 1 above, the Association agrees that where any bid is submitted by any manufacturer, located in the territories of the Borrower, of equipment, materials or supplies manufactured or processed in the territories of the Borrower to a substantial extent as determined by the Association (Local Bid), the following rules shall be observed for the purpose of comparing any Local Bid as thus defined to any bid other than a Local Bid (Foreign Bid) :

- (a) All customs duties and similar taxes on the importation of the goods offered shall first be deducted from the total of any Foreign Bid;
- (b) The portion of any Foreign Bid representing the c.i.f. landed price of the goods shall then be increased by 15% thereof or the rate of such duties as apply to non-exempt purchasers in the territories of the Borrower for the importation of such goods, whichever is lower;
- (c) The resulting figure plus the portion of such Foreign Bid representing inland freight, insurance and other costs of delivery of the goods to the site of use for the Project, shall be deemed to be the comparison price of the Foreign Bid;
- (d) For the purpose of determining the lowest evaluated bid under Section 3.9 of the Guidelines for Procurement the comparison price of the Foreign Bid shall then be compared with the price of the goods delivered to such site offered by the competing Local Bid; and
- (e) In cases where it is recommended to award a contract to a Local Bid, the bid analysis shall state the rate of duties which would be applicable to a non-exempt purchaser for the importation of such goods.

3. With respect to contracts for procurement of the equipment listed in Part A of the Exhibit to this Schedule and estimated to cost in excess of \$25,000 equivalent :

- (a) Invitations to bid, specifications, conditions of contract, all other tender documents and the method and places of advertising will be submitted to the Association for its review and approval prior to the issuance of invitations to bid.
- (b) Bidders will be furnished all pertinent information regarding the matters set forth in paragraph 2 above.
- (c) After bids have been received and analyzed, the analysis of the bids, and the proposals for awards, together with the reasons for such proposals, will be submitted to the Association for its review and approval prior to the Borrower's making any award of contract or issuing any letter of intent.

- (d) If the final contract is to differ substantially from the terms and conditions contained in the respective documents approved by the Association under paragraphs (a) and (c) above, the text of the proposed changes will be submitted to the Association for its review and approval prior to the execution of such contract.
- (e) As soon as a letter of intent has been issued or a contract has been executed, a copy thereof will be sent to the Association.

4. With respect to contracts for procurement of the equipment listed in Part A of the Exhibit to this Schedule and estimated to cost \$25,000 equivalent or less, copies of the invitation to bid, the bid analysis and evaluation, the contract or order and any other documents the Association may request will be sent to the Association promptly after the execution of the respective contract.

5. The equipment listed in Part B of the Exhibit to this Schedule, up to an aggregate of \$200,000 equivalent, shall be procured in accordance with the normal procedures of Gujarat.

6. The Borrower shall promptly issue or cause to be issued, without reconsideration of the eligibility of the items for importation, import licenses for the importation of the items of equipment which are listed in the Exhibit to this Schedule and contracts for the procurement of which are awarded to foreign suppliers in accordance with the provisions of this Schedule.

7. Civil works for the Project shall be carried out through contracts awarded on the basis of local competitive bidding or through force account.

EXHIBIT TO SCHEDULE 3

Equipment to be Financed out of the Proceeds of the Credit

Part A. *International Competitive Bidding*

<i>Item</i>	<i>Number</i>
250 HP diesel crawler tractor with dozer attachment	1
50 HP wheel tractor	3
380 HP crawler tractor	2
250 HP crawler tractor	4
90-100 HP crawler tractor	50
D-7 class tractor	10

Part B *Other*

Item

Scientific and drawing equipment
 Photographic and sound equipment
 Equipment for geohydrological and petrological laboratories
 Equipment for soil survey laboratories
 Instruments built into dam.

SCHEDULE 4

ADDITIONAL EQUIPMENT FOR THE PROJECT

A. <i>Equipment required by the Contractors</i>	
<i>Item</i>	<i>Number</i>
25-ton capacity ten-wheeler trailer truck	1
Wagon Drill 4"-size drifter with feed motor, portable—3-wheel trolley and accessories	2
Grout pump pneumatically operated 15 U.S.G.P.M. continuous at pressure up to 200 P.S.I.G.	2
B. <i>Equipment for departmental work</i>	
Crane Truck mounted mobile 10 tons capacity, 30 ft. boom, diesel engine driven with accessories and spare parts	1
Wheel-type loader 2 cu. yds. capacity front and side loading, with accessories and spares	3
Pneumatic-tyred roller 100 tons capacity	1
Vibrating Roller, towed type with independent diesel engine, 30 tons effective capacity	2
Wheel-type tractor 80 HP for towing vibrating rollers.	2
Mobile truck-mounted crane 30 tons capacity, 50 ft. boom length, diesel engine driven, with accessories and spares	1
C. <i>Mobile Workshops</i>	2
D. <i>Visual aid vans</i>	6
E. <i>General purpose vehicles</i>	30
F. <i>Workshop equipment</i>	Lot

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.]