
OFFICIAL
DOCUMENTS

CREDIT NUMBER 1289 IN

Development Credit Agreement

(Subernarekha Irrigation Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *November 9*, 1982

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated *November 9*, 1982, between India acting by its President (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) the Borrower has requested the Association to assist in the financing of the Project described in Schedule 2 to this Agreement by extending the Credit as hereinafter provided;

(B) the Project will be carried out by the State of Bihar (hereinafter called Bihar), and the State of Orissa (hereinafter called Orissa) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Bihar and Orissa the proceeds of the Credit as hereinafter provided; and

WHEREAS the Association has agreed, on the basis inter alia of the foregoing, to extend the Credit to the Borrower upon the terms and conditions hereinafter set forth and in the Project Agreement of even date herewith among the Association and Bihar and Orissa;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated June 30, 1980, 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 Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Agreement" means the agreement among the Association and Bihar and Orissa of even date herewith, as the

same may be amended from time to time, and such term includes all schedules to the Project Agreement and all agreements supplemental to the Project Agreement;

(b) "Project Area" means the area commanded by the canal system of the Ichha and Chandil Dams and the Galudih and Kharkai Barrages;

(c) "Tripartite Agreement" means the Tripartite Agreement of the Utilization of the Water Resources of Subernarekha-Kharkai Basin, dated August 7, 1978, between Bihar, Orissa and the State of West Bengal;

(d) "SIS" means the Subernarekha Irrigation System, a multiphase program for the construction and development of the irrigation system in the Subernarekha-Kharkai Basin in accordance with the Tripartite Agreement; and

(e) "Minor Distribution Systems" means the part of the canal system below the distributory levels having a capacity up to 1.5 cubic meter per second.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to one hundred sixteen million three hundred thousand Special Drawing Rights (SDR 116,300,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Association, for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. Except as the Association shall otherwise agree, procurement of the goods and civil works required for the Project and to be financed out of the proceeds of the Credit

shall be governed by the provisions of the Schedule to the Project Agreement.

Section 2.04. The Closing Date shall be March 31, 1987 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.05. (a) The Borrower shall pay to the Association a commitment charge at the rate of one-half of one per cent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.06. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.07. Commitment and service charges shall be payable semiannually on February 1 and August 1 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 1 and August 1 commencing February 1, 1993, and ending August 1, 2032, each installment to and including the installment payable on August 1, 2002, to be one-half of one per cent (1/2 of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent (1-1/2%) of such principal amount.

Section 2.09. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) Without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause Bihar and Orissa to perform in accordance with the provisions of the Project Agreement all their respective obligations therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Bihar and Orissa to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall make the proceeds of the Credit available to Bihar and Orissa in accordance with the Borrower's standard arrangements for developmental assistance to the states of India.

ARTICLE IV

Remedies of the Association

Section 4.01. For the purposes of Section 6.02 of the General Conditions the following additional events are specified pursuant to paragraph (h) thereof:

(a) Bihar or Orissa shall have failed to perform any of its obligations under the Project Agreement;

(b) as a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that Bihar or Orissa will be able to perform its obligations under the Project Agreement; and

(c) the Tripartite Agreement shall have been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect the timely execution or the operation of the Project.

Section 4.02. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified pursuant to paragraph (d) thereof:

(a) the event specified in paragraph (a) of Section 4.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and Bihar or Orissa, as the case may be; and

(b) the event specified in paragraph (c) of Section 4.01 of this Agreement shall occur.

ARTICLE V

Effective Date; Termination

Section 5.01. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Project Agreement has been duly authorized or ratified by Bihar and Orissa, and is legally binding upon Bihar and Orissa in accordance with its terms.

Section 5.02. The date *February 8, 1983* is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 5.03. The provisions of Section 4.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date twenty years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. Any Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary in the Department of Economic Affairs in the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purpose of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:

Telex:

ECOFAIRS
New Delhi

953-313546

For the Association:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

440098 (ITT)
248423 (RCA) or
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names in the District

of Columbia, United States of America, as of the day and year first above written.

INDIA

151 *S. P. Bagla*
By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

151 *K. David Hopper*
By

Regional Vice President
South Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works:		80%
(a) Chandil Dam and Left Canal	50,800,000	
(b) Galudih Barrage and Canals	19,200,000	
(c) Ichha Dam and Canals	20,600,000	
(d) Kharkai Canals	3,700,000	
(e) Minor Distribution Systems	3,700,000	
(2) Equipment, material and vehicles	9,200,000	100% of foreign expenditures, 100% of local expenditures (ex-factory) and 70% of other local expenditures
(3) Pilot areas, research, studies, and monitor- ing and evaluation	900,000	99%

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(4) Training, including infrastructural facilities	1,800,000	99%
(5) Unallocated	6,400,000	
	<hr/>	
TOTAL	<u>116,300,000</u>	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than the Borrower and for goods or services supplied from the territory of any country other than the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. The disbursement percentages have been calculated in compliance with the policy of the Association that no proceeds of the Credit shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Credit decreases or increases, the Association may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Association.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$6,000,000, may be made on account of payments made for such expenditures before that date but after December 1, 1981.

5. Notwithstanding the allocation of an amount of the Credit or the disbursement percentages set forth in the table in paragraph 1 above, if the Association has reasonably estimated that the amount of the Credit then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Association may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Credit which are then allocated to another Category and which in the opinion of the Association are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Association shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Credit, and the Association may, without in any way restricting or limiting any other right, power or remedy of the Association under the Development Credit Agreement, by notice to the Borrower, cancel such amount of the Credit as, in the Association's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Credit.

SCHEDULE 2

Description of the Project

The Project comprises the first phase (1982-1986) of the implementation of the SIS. The Project consists of the following Parts:

Part A:

Construction works on the (i) Chandil Dam and Left Canal; (ii) the Galudih Barrage and Canals; (iii) Ichha Dam and Canals; and (iv) the Kharkai Canals.

Part B:

Construction works on the Minor Distribution Systems in an area of about 21,000 ha in the Project Area in Bihar.

Part C:

Establishment of: (i) pilot irrigation areas of about 250 ha each in Bihar and Orissa in the Project Area; (ii) facilities in Khagaul in Bihar and in Sambalpur in Orissa for training in development of Minor Distribution Systems and in Water Management techniques.

Part D:

Establishment of a water pollution control program in the Project Area in Bihar.

Part E:

Research, studies, and monitoring and evaluation.

* * *

The Project is expected to be completed by March 31, 1986.

INTERNATIONAL DEVELOPMENT ASSOCIATION

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Development Association.

In witness whereof I have signed this Certificate and affixed the Seal of the Association thereunto the 9th day of Nov., 1982.

J. N. Ch...
FOR SECRETARY