
CREDIT NUMBER 373 NEP

Development Credit Agreement

(Birganj Irrigation Project, Narayani Zone)

BETWEEN

THE KINGDOM OF NEPAL

AND

INTERNATIONAL DEVELOPMENT ASSOCIATION

DATED APRIL 18, 1973

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DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 18, 1973, between THE KINGDOM OF NEPAL (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

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 January 31, 1969, with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of Sections 5.01 and 6.02(h) thereof and to the renumbering of Section 6.02(i) into 6.02(h) thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, 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 have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Board" means the Narayani Zone Irrigation Development Board established by the Borrower on February 21, 1973 by Order under the Development Board Act of 1956, as amended, to carry out the Project;

(b) "Project Area" means that area of the Borrower bordered by the Nepal Eastern Canal in the North, the Arwa River in the East and the territory of the Government of India in the South and West and shall include, in addition, an area approximately thirteen kilometers east of the Tribhuvan Highway, two kilometers west of the Tribhuvan Highway and eight kilometers north of the Nepal Eastern Canal, which is also bordered by said Canal in the South;

(c) "Gandak Agreement" means the Agreement on the Gandak Irrigation and Power Project between the Borrower and the Government of India, dated December 4, 1959, as amended from time to time; and

(d) "Gandak Co-ordination Committee" means the committee established by the Gandak Agreement to expedite matters of common interest under the said Agreement.

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 six million dollars (\$6,000,000).

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 shall be amended from time to time, 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 described in Schedule 2 to this Agreement and to be financed under the Development Credit Agreement; provided, however, that, except as the Association shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

Section 2.03. Except as the Association shall otherwise agree, the goods and services (other than services of consultants) required for the Project and to be financed out of the proceeds of the Credit, shall be procured on the basis of international competition under procedures consistent with the Guidelines for Procurement under World Bank Loans and IDA Credits, published by the Bank in April 1972, as revised in October 1972, and in accordance with, and subject to, the provisions set forth in Schedule 3 to this Agreement.

Section 2.04. The Closing Date shall be December 31, 1978 or such other date as shall be agreed between the Borrower and the Association.

Section 2.05. 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 2.06. Service charges shall be payable semi-annually on May 1 and November 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each May 1 and November 1 commencing May 1, 1983, and ending November 1, 2022, each installment to and including the installment payable on November 1, 1992 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 2.08. 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) The Borrower shall carry out the Project through the Project Board with due diligence and efficiency and in conformity with sound engineering, agricultural and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall cause the Project Board to work full-time in carrying out the Project until the completion thereof.

Section 3.02. (a) Within 60 days of the Effective Date, or such other date as may be agreed between the Borrower and the Association, the Borrower shall employ consultants acceptable to the Association upon terms and conditions satisfactory to the Association in order to assist the Borrower:

- (i) in the preparation of plans, designs, specifications and bidding documents for Parts A, B and C of the Project and in the supervision of the construction of Parts A, B and C of the Project; and
- (ii) in the carrying out of Parts D and E of the Project.

(b) The Borrower shall prepare and furnish to the Association within twelve months after the Effective Date, or by such other date as may be agreed between the Borrower and the Association, a plan acceptable to the Association for the training of the Project Board staff.

(c) The Borrower shall furnish to the Association within 18 months of the Effective Date, or such other date as may be agreed between the Borrower and the Association, the reports and conclusions of the feasibility studies referred to in Part E of the Project.

Section 3.03. In carrying out Parts A, B and C of the Project, the Borrower shall employ contractors acceptable to the Association upon terms and conditions satisfactory to the Association.

Section 3.04. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the

proceeds of the Credit against hazards incident to the 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.

(b) Except as the Association shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the Project until its completion.

Section 3.05. (a) The Borrower shall furnish to the Association, promptly upon their preparation, the plans, specifications, reports, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(b) The Borrower: (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Credit, and to disclose the use thereof in the Project; (ii) shall enable the Association's accredited representatives to examine the Project, the goods financed out of the proceeds of the Credit and any relevant records and documents; and (iii) shall furnish to the Association all such information as the Association shall reasonably request concerning the Project, the expenditure of the proceeds of the Credit and the goods and services financed out of such proceeds.

Section 3.06. The Borrower shall take all such action as shall be necessary to acquire as and when needed all such land and rights in respect of land as shall be required for the construction and operation of the facilities included in the Project.

ARTICLE IV

Other Covenants

Section 4.01. The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained sound accounting practices the operations, resources and expenditures, in respect of the Project, of the Project Board and of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

Section 4.02. (a) The Borrower shall cause the Project Board to maintain separate and distinct accounts reflecting expenditures on the Project.

(b) The Borrower shall cause the Project Board to: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Association; (ii) furnish to the Association as soon as available, but in any case not later than four months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and (iii) furnish to the Association such other information concerning the accounts and financial statements of the Project Board and the audit thereof as the Association shall from time to time reasonably request.

(c) The Borrower shall cause the Project Board to issue rules satisfactory to the Association.

Section 4.03. (a) The Borrower shall take all action as may be required to cause farmers in the Project Area to carry out the construction of such water courses and field drains and such land leveling as may be necessary for such farmers to receive the benefits of the Project.

(b) If any farmer within the Project Area shall not have carried out the on-farm development works contemplated by paragraph (a) of this Section within one year after the completion of the tertiary canals and drains in the Project serving his farm, the Borrower through the Project Board shall carry out such on-farm development works and shall recover the cost of such works from the farmer involved.

(c) The Borrower shall release irrigation water from surface irrigation field outlets or from tubewells to any farm only after the on-farm development works contemplated by paragraph (a) of this Section for such farm have been completed.

Section 4.04. The Borrower shall cause the Project Board to carry on its operations in accordance with sound administrative and agricultural practices under qualified and experienced management. The Borrower shall cause the Project Board to be managed by a full-time General Manager with qualifications and experience acceptable to the Association.

Section 4.05. The Borrower shall, beginning not later than one year after completion of the works for each block of the Project, establish and collect water charges to enable the Borrower to recover from the farmers benefiting under the Project (a) the operation and maintenance costs of the works as they are incurred

and (b) in progressive steps over a reasonable period of time, the investment cost of the Project, having due regard to the incentives and capacity of such farmers to pay. The Borrower shall review and, if necessary, revise the water charges not less than once every five years.

Section 4.06. The Borrower shall at all times operate and maintain, or cause to be operated and maintained, the structures, canals, drains, outlets and equipment and other property in the irrigation systems provided by the Project and shall make, or cause to be made, all necessary repairs and renewals thereof, all in accordance with sound engineering and agricultural practices.

Section 4.07. (a) The Borrower shall at all times make available, or cause to be made available, adequate seed, fertilizers and other agricultural inputs to farmers in the Project Area.

(b) The Borrower shall make arrangements for the provision of agricultural credit to farmers in the Project Area in order to enable such farmers to achieve prompt and productive utilization of their land and of the water and other facilities provided by the Project.

ARTICLE V

Consultation, Information and Inspection

Section 5.01. The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the Borrower and the Association shall from time to time, at the request of either party:

(a) exchange views through their representatives with regard to the performance of their respective obligations under the Development Credit Agreement, the administration, operations, resources and expenditures of the Project Board and, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out any part of the Project, and other matters relating to the purposes of the Credit; and

(b) 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, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the administration, operations, resources and expenditures of the Project Board and, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out any part of the Project.

(b) The Borrower and the Association shall promptly inform each other 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 either of them of its obligations under the Development Credit Agreement.

Section 5.03. 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.

ARTICLE VI

Taxes and Restrictions

Section 6.01. 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 territories.

Section 6.02. The Development Credit Agreement shall be free from any taxes on or in connection with the execution, delivery or registration thereof, imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.03. The payment of the principal of, and service charges on, the Credit shall be free from all restrictions, regulations, controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

ARTICLE VII

Remedies of the Association

Section 7.01. 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 and service charges shall become due and payable immediately, anything to the contrary in the Development Credit Agreement notwithstanding.

Section 7.02. For the purposes of Section 6.02 of the General Conditions, the following additional event is specified:

The Gandak Agreement and the arrangements in effect on the Effective Date between the Borrower and the Government of India arising out of or related to such Agreement, shall have been amended, waived or terminated in such a manner as to materially and adversely affect the carrying out or the operation of the Project.

ARTICLE VIII

Effective Date; Termination

Section 8.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 10.01(b) of the General Conditions, namely that the General Manager of the Project Board shall have been appointed by the Borrower in accordance with the terms of Section 4.04 of this Agreement.

Section 8.02. The date July 20, 1973, is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 8.03. The obligations of the Borrower under Sections 3.05, 4.01, 4.02 and 4.04 through 4.07 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date 25 years after the date of this Agreement, whichever shall be the earlier.

ARTICLE IX

Representative of the Borrower; Addresses

Section 9.01. The Secretary to the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 9.02. The following addresses are specified for the purposes of Section 9.01 of the General Conditions:

For the Borrower:

Secretary to the Ministry
of Finance, HMG
Singha Durbar
Kathmandu, Nepal

Cable address:

Artha
Kathmandu

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this 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.

THE KINGDOM OF NEPAL

By /s/ B. P. Rimal

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ I.P.M. Cargill

*Regional Vice President
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 amounts of the Credit to each Category and the percentage of eligible expenditures so to be financed in each Category:

<i>Category</i>	<i>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
I. Equipment and spare parts	700,000	100% of foreign expenditures
II. Consultant services		
(a) Project Implementation	1,300,000	100% of foreign expenditures
(b) Feasibility Studies	400,000	100% of foreign expenditures
III. Civil Works	2,500,000	85% of total expenditures
IV. Unallocated	1,100,000	
TOTAL	6,000,000	

2. For the purposes of this Schedule:

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

(b) the term "total expenditures" means the aggregate of foreign expenditures and of expenditures for goods produced in, or services supplied from, the territories of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) expenditures prior to the date of this Agreement; and

(b) payments for taxes imposed directly under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof. To the extent that the amount represented by the percentage set forth in the third column of the table in paragraph 1 above in respect of any Category would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Credit will be withdrawn on account of payments for such taxes.

4. Notwithstanding the allocation of an amount of the Credit set forth in the second column of the table in paragraph 1 above:

(a) if the estimate of the expenditures under any Category shall decrease, the amount of the Credit then allocated to such Category and no longer required therefor will be reallocated by the Association by increasing correspondingly the unallocated amount of the Credit;

(b) if the estimate of the expenditures under any Category shall increase, the percentage set forth in the third column of the table in paragraph 1 above in respect of such expenditures shall be applied to the amount of such increase, and a corresponding amount will be allocated by the Association, at the request of the Borrower, to such Category from the unallocated amount of the Credit, subject, however, to the requirements for contingencies, as determined by the Association, in respect of any other expenditures; and

(c) 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 Section 2.03 of 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.

5. Notwithstanding the percentages set forth in the third column of the table in paragraph 1 above, if the estimate of total expenditures under Category III shall increase and no proceeds of the Credit are available for reallocation to such Category, the Association may, by notice to the Borrower, adjust the percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

SCHEDULE 2**Description of the Project**

The Project consists of the following parts:

A. *Surface Water Irrigation.* The surface water irrigation system serving approximately 28,700 hectares near Birganj will be completed by:

- (i) improvement of the Nepal Eastern Canal including the construction of additional control structures and the improvement of existing structures;
- (ii) improvement of about 50 km of secondary canals above 20 cusec capacity including the addition of control structures;
- (iii) construction of about 1,150 km of secondary and tertiary canals with control structures and field turnouts;
- (iv) construction of about 800 km of drainage networks; and
- (v) construction of about 290 km of canal service roads and surfacing of about 110 km of these roads.

B. *Ground Water Irrigation.* The ground water irrigation system serving approximately 2,700 hectares near Birganj will be completed by:

- (i) testing of existing tubewells and replacement of inadequate pumps, motors and control devices;
- (ii) drilling and equipping of about 14 new tubewells;
- (iii) construction of about 18 km of 11 kV transmission lines to serve existing and new tubewells; and
- (iv) construction of related storage tanks, irrigation distribution systems and drainage networks.

C. *Project Facilities.* The following facilities for the Project will be provided:

- (i) construction of offices, workshops, stores and living quarters for staff and consultants;

- (ii) installation of a communication system for irrigation system operations;
- (iii) installation of hydrological telemetry equipment for the Nepal Eastern Canal; and
- (iv) construction of about 12 cooperative stores.

D. *Technical Assistance.* Training, technical assistance and advisory services will be furnished to the Project Board staff in the general administration, personnel, finance, accounting and auditing, agricultural extension and cooperative services and in the operation and management of the Project as an integrated agricultural project. Farmers in the Project Area will be provided technical assistance for the planning, design and execution of on-farm watercourses, field drains and other on-farm development works.

E. *Feasibility Studies.* Feasibility studies will be provided for:

- (i) a pumping scheme to lift water from the Nepal Eastern Canal to irrigate areas north of the said Canal; and
- (ii) one or more future irrigation projects in the territories of the Borrower suitable to benefit from international financial assistance.

* * * *

The Project is expected to be completed by June 30, 1978.

(e) The terms and conditions of the contract shall not, without the Association's concurrence, materially differ from those on which bids were asked.

(f) Two conformed copies of the contract shall be furnished to the Association promptly after its execution and prior to the delivery to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract.

2. With respect to any other contract for civil works or for equipment or spare parts, the Borrower shall furnish to the Association, promptly after its execution and prior to the delivery to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract, two conformed copies of such contract, together with the analysis of bids, recommendations for award and such other information as the Association shall reasonably request. The Association shall, if it determines that the award of the contract is not consistent with the procedures set forth or referred to in Section 2.03 of this Agreement, promptly inform the Borrower and state the reasons for such determination.

3. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, the Borrower may use its usual procurement procedures for the purchase of off-the-shelf items of equipment or spare parts costing less than the equivalent of \$10,000 each, provided that the total cost of such items included in this paragraph does not exceed a maximum amount of the equivalent of \$50,000.